



Audit of the  
Superior Court Of California,  
County of Alameda

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REPORT OF  
INTERNAL AUDIT SERVICES

MARCH 2013



ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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# Superior Court of California, County of Alameda

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## MANAGEMENT SUMMARY

### Introduction

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

The audit of the Superior Court of California, County of Alameda (Court) was initiated by IAS of the Administrative Office of the Courts (AOC) in September 2011. Depending on the size of the court, the audit process typically involves two or three cycles, or audits, encompassing the following primary areas:

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

During the current audit, we covered all four of the above areas. The audit process involves the review of compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in FY 2002–2003.

Compliance with the Financial Integrity and State Manager's Accountability Act known as FISMA is also an integral part of the audit process. The primary thrust of a FISMA review is to evaluate the Court's internal control structure and processes. We believe that it represents good public policy and we conduct internal audits incorporating FISMA concepts and guidelines relating to internal control. These guidelines include:

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

Audits performed by IAS are specifically designed to identify instances of non-compliance with the policies, the FIN Manual and FISMA. We did note instances of non-compliance during this audit and these issues are highlighted in the **Audit Issues Overview** below.

Again, we believe that in the performance of our internal audit, we have provided the Court with a review that also accomplishes what FISMA requires. It is important to note, though, there are areas and issues of noncompliance reported and the Court should actively monitor their correction.

### **Audit Issues Overview**

This internal audit identified 212 points of interest that were consolidated into 191 reportable issues included in this report. All 191 reportable issues are detailed in the 18 Issue Memorandums that make up the body of this report or are summarized as a log item in the Appendix A. All issues were adequately responded to by the Court, but IAS has not tested the implementation of all corrective measures to verify their correction. There were some points of interest that were not significant in our opinion to be included in the report that were verbally discussed with court management. While the audit identified 191 reportable issues, there were 17 conditions significant enough to highlight by specifically noting these issues in this management summary.

### **Development and Deployment of the Traffic Case Management System**

The project management process for developing or acquiring an information technology (IT) system follows basic sound business practices for project management or *Project Management Body of Knowledge* (“PMBOK”) standards as issued by the Project Management Institute as part of a standard system development life cycle (“SDLC”). For the State’s Executive Branch, the California Technology Agency (CTA) developed the *California Project Management Methodology* which outlines a staged approach that has distinct outputs and supporting documents that generally should be followed for IT projects. Finally, the Institute of Electrical and Electronics Engineers, Inc. (IEEE) and the State’s Department of Finance also provide guidance in its *Information Technology Project Oversight Framework*.

In July 2009, the Legislature added section 68511.9 to the Government Code, which mandates that “administrative and infrastructure information technology projects of the Judicial Council or the courts with total costs estimated at more than five million dollars (\$5,000,000), shall be subject to the reviews and recommendations of the office of the State Chief Information Officer.” Among other mandates, GC §68511.9 also specifies what the State Chief Information Officer (CIO) is to evaluate in its review. For example, the CIO shall evaluate the business case justification, resources requirements, project management, and oversight and risk mitigation approach.

In July 2009, the Court contracted with Softsol Technologies Inc. to develop and deploy the Traffic Case Management System (TCMS), a replacement for the Court’s aging traffic system (CASP), which was experiencing significant operational and functional problems. In light of GC § 68511.9, IAS reviewed the development and deployment of TCMS. According to documentation provided by the Court, the actual costs of the TCMS did not exceed five million dollars. While this does not meet the cost threshold of GC § 68511.9, IAS found the Court should improve its:

- Monitoring of future IT projects to ensure compliance with all applicable requirements and follow basic, sound business practices for project management;
- Documentation concerning procurement and compliance with IT contracting requirements;
- Evaluate and ensure compliance with the rule of court concerning limitations on contracting with former employees;
- Analysis of a potential project's cost and benefits before investing any significant resources and time into its development, and update this analysis periodically and as significant assumptions change; and
- Documentation and retention of all key decisions that impact the project in general, including the goals of the project.

Finally, the Court must immediately notice the CTA when required concerning a project to comply with GC § 68511.9.

The remaining conditions in this management summary are 11 issues which were noted in IAS's audit report of FY 2007-08 which the Court has not corrected. Specifically, the Court needs to implement corrective action on these 11 repeat conditions and the other 180 conditions brought to management's attention in order to improve and refine several procedures and practices in order to fully comply with statewide policies and procedures and/or prudent business practices.

For example, a full audit review was performed in 2003, 2007, and again in 2011 during this review. As part of the current review we followed up with issues that had been noted in the previous audits to report the Court's progress. The review concludes that the court has made little progress in the last 10 years to address many issues noted in previous audits. However, we would be remiss in not commenting that the Court has submitted several formal requests for alternative procedures that would address FIN required policies with mitigating albeit different procedures, still many issues noted in previous audits were not addressed in the alternative procedures and remain outstanding. The following is a summary of some of the issues noted in the in last two audits that are still present and un-resolved:

#### *Cash Handling*

- The Court's case management systems have not been configured to perform a "hard close" after a cashier has closed his or her till. A hard close is when the case management system prevents voids from the days already closed till from being entered into the CMS. Please reference FIN 10.02, section 6.3.8(3). **(5.1)**
- Unprocessed mail payments are not secured overnight as recommended by FIN 10.02, section 6.1.1(1). For example, specifically it was noted that at the RCD civil division unprocessed mail remained in the inbox in plain sight and is not placed in a safe or other lockable compartment. **(5.3)**

- The safe combination at each court location is known by many persons which exceeds the operating requirements necessary for that location. For example, Alameda Family Law safe is known by the manager and five other managers. **(5.3)**
- Clerks beginning cash bags are not being properly secured by clerks during the day as required by FIN 10.02, section 6.1.1(1). For example, At Alameda Family Law, although the clerks have lockable till bags, one window workstation is not configured with lockable drawers. In addition, at the Berkeley location, although the till bags lock, these bags are not secured in each clerks lockable desk drawers because the keys for the drawers cannot be located. **(5.3)**
- Change fund is not verified at the end of the day to ensure that it reconciles to the day's beginning balance as required in FIN 10.02 section 6.3.1 par. (6). **(5.4)**

### ***Emergency Planning***

- The Court does have a developed Business Continuity Plan (BCP) and Continuity of Operations Plan (COOP), the components affecting the Court's information technology infrastructure need improvement.. **(6.3)**
- The Court has an incomplete and untested Disaster Recovery Plan (DRP). The current DRP was still being developed during the time of the audit thus had not been tested. This plan has restore procedures for severe disasters or disasters affecting both Court and County datacenters, but restore procedures for major and minor disaster scenarios or disasters affecting outlying court locations, have yet to be documented. **(6.3)**

### ***Information Technology***

- Several information technology security policies and procedures are inadequate including some previously identified in the 2003 and 2007 audits. For example, policies and procedures on virus protection are not clear and detailed. Virus protection is mentioned in three of the Court's current policies and procedures; Acceptable Use policy, Remote Access policy and VPN policy, however, these policies and procedures did not mention virus updates, configurations and notifications as handled by network and security administrators. **(6.4)**

### ***Financial Reporting***

- The Court is not accurately stating its financial position on the Annual Financial Report (CAFR) Report 18, *Statement in Changes in General Fixed Assets*, for FY 10/11 and prior years. **(12.2)**

### ***Exhibit Rooms***

- There is insufficient management oversight of exhibit room activities. For example, the court is not performing periodic inspections of all exhibits holding areas at all court locations that hold exhibits. Furthermore, the task of performing the physical inventory to reconcile the exhibit -tracking system to the exhibit item is not properly segregated. This task should be performed at least annually, and should be performed by someone other than the exhibit custodian so to ensure the integrity of the inventory as being an accurate and complete record of exhibits. **(16.1)**



- The Court is not following prudent business practices for storing certain high risk items within the exhibit room. For example, at the Court's main exhibit room at the Central RCD Courthouse certain high risk items are not stored under heightened security, (i.e. locked cabinet). In addition, some high risk items are stored together when prudence indicates separate storage. **(16.2)**

## STATISTICS

The Superior Court of California, County of Alameda (Court), operates 12 courthouses, 8 of which collect fine and fees. The Court’s administrative offices are located in the Court’s historical courthouse in downtown Oakland. The Court has 73 judges and 13 commissioners who handled approximately 385,802 case filings in FY 2010–2011. Further, the Court employed 781 staff to fulfill its administrative and operational activities, with total court expenditures of more than \$119.8 million for the fiscal year ended 2010–2011.

The charts that follow contain general Court statistical information.

Personnel:	<b>Alameda</b>
Authorized Judgeships as of June 30, 2011  Source: Court – Provided	72
Authorized Subordinate Judicial Officers as of June 30, 2011  Source: Court – Provided	13
Authorized Full Time Equivalent (FTE) Employees as of June 30, 2011  Source: Court – Provided	800.52
Actual FTE Employees as of June 30, 2011  Source: Court – Provided	781

Other Statistics:	
County Population (Estimated as of January 1, 2011)  Source: California Department of Finance	1,517,756
Number of Temporary Employees as of June 30, 2011  Source: Court-provided	0
Total Salaries for Temporary Employees for FY 2010-2011  Source: Court-provided	\$0.00
FY 2010-2011 Monthly Average Revenues Collected:  Source: Court-provided	\$401,834

Other Statistics (continued):	

<b>Number of Case Filings in FY 2010—2011:</b>	
<b>Criminal Filings:</b>	
▪ Felonies	6,988
▪ Non-Traffic Misdemeanors	13,849
▪ Non-Traffic Infractions	11,823
▪ Traffic Misdemeanors	26,098
▪ Traffic Infractions	270,918
<b>Civil Filings:</b>	
▪ Civil Unlimited	9,682
▪ Family Law (Marital)	5,273
▪ Family Law Petitions	7,323
▪ Probate	1,667
▪ Limited Civil	21,122
▪ Small Claims	7,257
<b>Juvenile Filings:</b>	
▪ Juvenile Delinquency –Original	1,409
▪ Juvenile Delinquency –Subsequent	511
▪ Juvenile Dependency –Original	585
▪ Juvenile Dependency –Subsequent	9
Source: Judicial Council of California's <i>2011 Court Statistics Report</i>	

## 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 statewide fiscal infrastructure project, Phoenix Financial System, was established and the Court implemented this on July, 2004. Fiscal data for the Court is processed through the shared services center in Sacramento using Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Trial Court

Operations Fund for the Court for the last two complete 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).

Fiscal year 2009–2010 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 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 only utilizes the following two 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:
    - **Non-grant**
      1. Small Claims Advisory – 120003
      2. Pre-Trial Services – 120008
      3. Other County Services – 120009
      4. Traffic Violator Fee – 120012
      5. Children’s Waiting Room - 180005
    - **Grants**
      1. Family Law Facilitator Program – 1910581
      2. Child Support Commissioner Program – 1910591
      3. Substance Abuse Focus – 1910601
      4. California Justice Corps – 1910671
      5. California Emergency Management Agency – 1930051
      6. First Five – 1970201
- **Fiduciary**
  - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”<sup>1</sup> Fiduciary funds include pension (and other employee benefit) trust funds,

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

investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:

- Trust – 320001.
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide financial statements.<sup>2</sup> **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. Funds included here are:
  - Civil Filing Fees Fund – 450000

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

Alameda Superior Court  
 Trial Court Operations Fund  
 Balance Sheet  
 (Unaudited)

For the month ended Jun								
Fiscal Year 2010/11								2009/10
	Governmental Funds				Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project				
		Non-Grant	Grant					
<b>ASSETS</b>								
Operations	\$ (1,871,277)	\$ 1,362,401	\$ 3,441			\$ 43,168	\$ (462,267)	\$ 511,298
Payroll	\$ 0	\$ 0					\$ 0	\$ 0
Jury								
Revolving	\$ 50,000						\$ 50,000	\$ 50,000
Other	\$ 0						\$ 0	\$ 0
Distribution								
Civil Filing Fees							\$ 0	\$ 1,805,095
Trust							\$ 0	\$ 0
Credit Card								
Cash on Hand	\$ 25,365						\$ 25,365	\$ 26,515
Cash with County	\$ 109,677						\$ 17,040,945	\$ 15,490,388
<b>Total Cash</b>	<b>\$ (1,686,235)</b>	<b>\$ 1,362,401</b>	<b>\$ 3,441</b>			<b>\$ 17,084,113</b>	<b>\$ 16,763,719</b>	<b>\$ 17,883,296</b>
Short Term Investment	\$ 42,498,026	\$ 0				\$ 2,082,860	\$ 44,580,886	\$ 32,528,440
Investment in Financial Institution								
<b>Total Investments</b>	<b>\$ 42,498,026</b>	<b>\$ 0</b>				<b>\$ 2,082,860</b>	<b>\$ 44,580,886</b>	<b>\$ 32,528,440</b>
Accrued Revenue	\$ 79,585	\$ 1,542					\$ 81,127	\$ 42,284
Accounts Receivable - General	\$ 920,092	\$ 156,199	\$ 1,375,390				\$ 2,451,682	\$ 419,723
Dishonored Checks								
Due From Employee								
Civil Jury Fees								
Trust								
Due From Other Funds	\$ 1,860,394						\$ 1,860,394	\$ 799,740
Due From Other Governments	\$ 66,783	\$ 61,560	\$ 19,299				\$ 147,643	\$ 781,397
Due From Other Courts	\$ 861						\$ 861	
Due From State	\$ 1,640,685	\$ 65,233	\$ 13,354				\$ 1,719,272	\$ 2,755,727
Trust Due To/From								
Distribution Due To/From								
Civil Filing Fee Due To/From								
General Due To/From								
<b>Total Receivables</b>	<b>\$ 4,568,401</b>	<b>\$ 284,535</b>	<b>\$ 1,408,044</b>			<b>\$ 0</b>	<b>\$ 6,260,979</b>	<b>\$ 4,798,871</b>
Prepaid Expenses - General	\$ 63,030						\$ 63,030	\$ 111,939
Salary and Travel Advances	\$ 0						\$ 0	\$ 0
Counties	\$ 0						\$ 0	\$ 0
<b>Total Prepaid Expenses</b>	<b>\$ 63,030</b>						<b>\$ 63,030</b>	<b>\$ 111,939</b>
Other Assets								
<b>Total Other Assets</b>								
<b>Total Assets</b>	<b>\$ 45,443,221</b>	<b>\$ 1,646,936</b>	<b>\$ 1,411,484</b>			<b>\$ 19,166,972</b>	<b>\$ 67,668,614</b>	<b>\$ 55,322,546</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Accrued Liabilities	\$ 13,162,309	\$ 69,179	\$ 78,997				\$ 13,310,485	\$ 1,317,950
Accounts Payable - General	\$ 142,833	\$ 0	\$ 2,125			\$ 0	\$ 144,958	\$ 153,642
Due to Other Funds	\$ 0	\$ 156,427	\$ 1,703,967				\$ 1,860,394	\$ 799,740
Due to Other Courts	\$ 0						\$ 0	\$ 0
Due to State	\$ 7,900						\$ 7,900	
TC145 Liability						\$ 2,125,878	\$ 2,125,878	\$ 1,805,095
Due to Other Governments	\$ 345,804	\$ 0	\$ 21,260			\$ 8,334,716	\$ 8,701,779	\$ 17,765,944
AB145 Due to Other Government Agency								
Due to Other Public Agencies								
Sales and Use Tax	\$ 0						\$ 0	\$ 0
Interest						\$ 150	\$ 150	\$ 0
Miscellaneous Accts. Pay. and Accrued Liab.	\$ 700						\$ 700	\$ 0
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 13,659,545</b>	<b>\$ 225,606</b>	<b>\$ 1,806,350</b>			<b>\$ 10,460,743</b>	<b>\$ 26,152,244</b>	<b>\$ 21,842,371</b>
Civil						\$ 0	\$ 0	
Criminal						\$ 0	\$ 0	\$ 0
Unreconciled - Civil and Criminal								
Trust Held Outside of the AOC						\$ 8,706,229	\$ 8,706,229	\$ 9,582,551
Trust Interest Payable								
Miscellaneous Trust								
<b>Total Trust Deposits</b>						<b>\$ 8,706,229</b>	<b>\$ 8,706,229</b>	<b>\$ 9,582,551</b>
Accrued Payroll	\$ 1,442,283	\$ 16,736					\$ 1,459,018	\$ 954,279
Benefits Payable	\$ 300,067						\$ 300,067	\$ 401,299
Deferred Compensation Payable	\$ 67,787						\$ 67,787	\$ 52,656
Deductions Payable	\$ 819,868						\$ 819,868	\$ 710,642
Payroll Clearing	\$ 1,297,074	\$ 31,471					\$ 1,328,545	\$ 1,247,794
<b>Total Payroll Liabilities</b>	<b>\$ 3,927,080</b>	<b>\$ 48,207</b>					<b>\$ 3,975,287</b>	<b>\$ 3,366,670</b>
Revenue Collected in Advance	\$ 78,545		\$ 3,441				\$ 81,986	\$ 92,312
Liabilities For Deposits	\$ 64,428		\$ 0				\$ 64,428	\$ 80,617
Jury Fees - Non-Interest								
Fees - Partial Payment & Overpayment								
Uncleared Collections	\$ 0		\$ 0			\$ 0	\$ 0	
Other Miscellaneous Liabilities	\$ 0						\$ 0	\$ 0
<b>Total Other Liabilities</b>	<b>\$ 142,973</b>		<b>\$ 3,441</b>			<b>\$ 0</b>	<b>\$ 146,414</b>	<b>\$ 172,929</b>
<b>Total Liabilities</b>	<b>\$ 17,729,598</b>	<b>\$ 273,813</b>	<b>\$ 1,809,790</b>			<b>\$ 19,166,972</b>	<b>\$ 38,980,173</b>	<b>\$ 34,964,521</b>
Fund Balance - Restricted	\$ 0	\$ 1,313,975	\$ 812,300				\$ 2,126,276	\$ 1,470,664
Fund Balance - Unrestricted								
Designated	\$ 18,231,749						\$ 18,231,749	\$ 9,699,092
Undesignated	\$ 0	\$ 0	\$ 0				\$ 0	\$ 0
Excess (Deficit) of Rev. Over Expenses/Op.	\$ 9,481,874	\$ 59,147	\$ (1,210,606)				\$ 8,330,416	\$ 9,188,270
<b>Total Fund Balance</b>	<b>\$ 27,713,624</b>	<b>\$ 1,373,123</b>	<b>\$ (398,306)</b>				<b>\$ 28,688,441</b>	<b>\$ 20,358,025</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 45,443,221</b>	<b>\$ 1,646,936</b>	<b>\$ 1,411,484</b>			<b>\$ 19,166,972</b>	<b>\$ 67,668,614</b>	<b>\$ 55,322,546</b>

Alameda Superior Court  
 Trial Court Operations Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 (Unaudited)

	For the month ended Jun									
	Fiscal Year 2010/11							2009/10		
	Governmental Funds			Capital Projects	Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue								
Non-Grant		Grant								
<b>REVENUES</b>										
<b>State Financing Sources</b>										
Trial Court Trust Fund	\$ 114,830,503	\$ 238,529				\$ 115,069,032	\$ 114,262,849	\$ 109,211,608	\$ 109,386,942	
Trial Court Improvement Fund	\$ 281,647					\$ 281,647	\$ 264,451	\$ 58,426	\$ 75,000	
Judicial Administration Efficiency & Mod Fund	\$ 681,788					\$ 681,788	\$ 1,073,832	\$ 699,490	\$ 125,425	
Judges' Compensation (45.25)	\$ 669,472					\$ 669,472	\$ 655,000	\$ 655,500	\$ 645,000	
Court Interpreter (45.45)	\$ 2,999,998					\$ 2,999,998	\$ 2,750,000	\$ 3,098,013	\$ 3,125,000	
Civil Coordination Reimbursement (45.55)										
MOU Reimbursements (45.10 and General)	\$ 2,310,516					\$ 2,310,516	\$ 2,245,610	\$ 2,407,483	\$ 2,301,126	
Other Miscellaneous										
	\$ 121,773,924	\$ 238,529				\$ 122,012,453	\$ 121,251,742	\$ 116,130,520	\$ 115,658,493	
<b>Grants</b>										
AB 1058 Commissioner/Facilitator	\$ 0		\$ 1,678,370			\$ 1,678,370	\$ 1,856,321	\$ 1,987,315	\$ 1,916,143	
Other AOC Grants	\$ 0		\$ 264,265			\$ 264,265	\$ 261,132	\$ 219,550	\$ 27,300	
Non-AOC Grants	\$ 783,837		\$ 394,980			\$ 1,178,817	\$ 1,144,553	\$ 1,076,456	\$ 1,176,719	
	\$ 783,837		\$ 2,337,615			\$ 3,121,452	\$ 3,262,006	\$ 3,283,321	\$ 3,120,162	
<b>Other Financing Sources</b>										
Interest Income	\$ 171,166	\$ 6,395				\$ 177,560	\$ 133,000	\$ 194,239	\$ 126,000	
Investment Income										
Donations	\$ 0					\$ 0		\$ 18,351	\$ 8,000	
Local Fees	\$ 723,023	\$ 321,916				\$ 1,044,939	\$ 1,030,000	\$ 1,122,453	\$ 993,000	
Non-Fee Revenues	\$ 330,949					\$ 330,949	\$ 25,000	\$ 98,825	\$ 62,000	
Enhanced Collections										
Escheatment										
Prior Year Revenue	\$ 174,710					\$ 174,710		\$ (57,093)		
County Program - Restricted		\$ 879,759				\$ 879,759	\$ 785,000	\$ 828,198	\$ 790,000	
Reimbursement Other	\$ 239,993					\$ 239,993	\$ 250,000	\$ 264,470	\$ 250,000	
Sale of Fixed Assets										
Other Miscellaneous	\$ 186,861					\$ 186,861	\$ 15,000	\$ 44,190	\$ 12,000	
	\$ 1,826,702	\$ 1,208,070				\$ 3,034,772	\$ 2,238,000	\$ 2,513,634	\$ 2,241,000	
<b>Total Revenues</b>	<b>\$ 124,384,463</b>	<b>\$ 1,446,598</b>	<b>\$ 2,337,615</b>			<b>\$ 128,168,677</b>	<b>\$ 126,751,748</b>	<b>\$ 121,927,476</b>	<b>\$ 121,019,655</b>	
<b>EXPENDITURES</b>										
<b>Personal Services</b>										
Salaries - Permanent	\$ 50,465,291	\$ 619,789	\$ 1,430,636			\$ 52,515,716	\$ 54,703,737	\$ 51,879,734	\$ 52,147,205	
Temp Help	\$ 1,430,952	\$ 16,099	\$ 72,950			\$ 1,520,001	\$ 1,256,382	\$ 1,048,804	\$ 1,299,900	
Overtime	\$ 79,486		\$ 215			\$ 79,701	\$ 159,127	\$ 58,054	\$ 47,500	
Staff Benefits	\$ 26,208,197	\$ 239,992	\$ 569,407			\$ 27,017,596	\$ 28,690,858	\$ 26,410,092	\$ 26,585,735	
	\$ 78,183,925	\$ 875,881	\$ 2,073,207			\$ 81,133,014	\$ 84,810,104	\$ 79,396,684	\$ 80,080,340	
<b>Operating Expenses and Equipment</b>										
General Expense	\$ 1,832,420	\$ 39,343	\$ 30,331			\$ 1,902,094	\$ 2,206,702	\$ 1,618,534	\$ 2,488,590	
Printing	\$ 348,771					\$ 348,771	\$ 405,000	\$ 333,858	\$ 200,000	
Telecommunications	\$ 1,107,720					\$ 1,107,720	\$ 1,250,000	\$ 1,218,458	\$ 1,595,000	
Postage	\$ 718,591		\$ 5			\$ 718,596	\$ 671,000	\$ 677,702	\$ 636,000	
Insurance	\$ 25,521					\$ 25,521		\$ 25,212		
In-State Travel	\$ 93,336		\$ 32,020			\$ 125,355	\$ 85,065	\$ 109,258	\$ 84,191	
Out-of-State Travel										
Training	\$ 35,499		\$ 3,685			\$ 39,184	\$ 111,506	\$ 15,850	\$ 44,217	
Security Services	\$ 21,847,509		\$ 85,580			\$ 21,933,089	\$ 21,075,000	\$ 18,386,262	\$ 20,942,000	
Facility Operations	\$ 1,818,888					\$ 1,818,888	\$ 3,213,790	\$ 1,761,485	\$ 1,625,790	
Utilities										
Contracted Services	\$ 5,123,156	\$ 478,428	\$ 336,739			\$ 5,938,324	\$ 5,985,385	\$ 5,333,244	\$ 6,197,785	
Consulting and Professional Services	\$ 2,716,362					\$ 2,716,362	\$ 2,952,000	\$ 3,405,647	\$ 4,745,000	
Information Technology	\$ 1,160,385		\$ 1,808			\$ 1,162,193	\$ 1,232,000	\$ 1,200,294	\$ 609,000	
Major Equipment	\$ 165,124					\$ 165,124	\$ 455,000	\$ 116,506	\$ 20,000	
Other Items of Expense	\$ 43,405					\$ 43,405	\$ 35,000	\$ 41,046	\$ 35,000	
	\$ 37,036,687	\$ 517,771	\$ 490,167			\$ 38,044,626	\$ 39,677,448	\$ 34,243,356	\$ 39,222,573	
<b>Special Items of Expense</b>										
Grand Jury										
Jury Costs	\$ 850,067					\$ 850,067	\$ 890,000	\$ 850,091	\$ 925,000	
Judgements, Settlements and Claims										
Debt Service										
Other										
<b>Capital Costs</b>										
Internal Cost Recovery	\$ (367,455)		\$ 367,455			\$ 0	\$ 0	\$ 0	\$ 0	
Prior Year Expense Adjustment	\$ (1,125,599)	\$ (2,770)	\$ 938,923			\$ (189,445)		\$ (1,750,926)		
	\$ (642,987)	\$ (2,770)	\$ 1,306,378			\$ 660,622	\$ 890,000	\$ (900,835)	\$ 925,000	
<b>Total Expenditures</b>	<b>\$ 114,577,626</b>	<b>\$ 1,390,883</b>	<b>\$ 3,869,753</b>			<b>\$ 119,838,261</b>	<b>\$ 125,377,552</b>	<b>\$ 112,739,206</b>	<b>\$ 120,227,913</b>	
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ 9,806,837</b>	<b>\$ 55,716</b>	<b>\$ (1,532,137)</b>			<b>\$ 8,330,416</b>	<b>\$ 1,374,196</b>	<b>\$ 9,188,270</b>	<b>\$ 791,742</b>	
<b>Operating Transfers In (Out)</b>	<b>\$ (324,963)</b>	<b>\$ 3,432</b>	<b>\$ 321,531</b>			<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Fund Balance (Deficit)</b>										
Beginning Balance (Deficit)	\$ 18,231,749	\$ 1,313,975	\$ 812,300			\$ 20,358,025	\$ 20,358,025	\$ 11,169,755	\$ 11,169,755	
Ending Balance (Deficit)	\$ 27,713,624	\$ 1,373,123	\$ (398,306)			\$ 28,688,441	\$ 21,732,221	\$ 20,358,025	\$ 11,961,497	



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

	For the month ended Jun								
	Fiscal Year 2010/11						2009/10		
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
<b>PROGRAM EXPENDITURES:</b>									
Judges & Courtroom Support	\$ 30,612,308	\$ 4,178,627			\$ 5,755	\$ 34,796,690	\$ 40,372,840	\$ 34,298,219	\$ 34,607,968
Traffic & Other Infractions	\$ 4,806,255	\$ 950,916			\$ (26,527)	\$ 5,730,643	\$ 6,898,820	\$ 6,290,331	\$ 6,618,970
Other Criminal Cases	\$ 7,197,021	\$ 1,375,863			\$ (24,395)	\$ 8,548,489	\$ 8,850,268	\$ 7,743,184	\$ 8,263,719
Civil	\$ 6,837,670	\$ 463,788			\$ (32,372)	\$ 7,269,086	\$ 8,941,990	\$ 7,428,480	\$ 7,766,902
Family & Children Services	\$ 7,322,627	\$ 928,038			\$ (15,022)	\$ 8,235,643	\$ 6,255,096	\$ 8,258,981	\$ 9,392,210
Probate, Guardianship & Mental Health Services	\$ 1,827,212	\$ 57,588			\$ (10,845)	\$ 1,873,955	\$ 2,137,686	\$ 2,229,274	\$ 2,631,848
Juvenile Dependency Services	\$ 160,329	\$ 1,089,785			\$ (750)	\$ 1,249,363	\$ 1,199,573	\$ 916,502	\$ 872,680
Juvenile Delinquency Services	\$ 1,462,714	\$ 49,557			\$ (10,429)	\$ 1,501,842	\$ 1,503,172	\$ 1,491,505	\$ 1,388,820
Other Court Operations	\$ 2,324,463	\$ 358,390			\$ (13,501)	\$ 2,669,352	\$ 2,585,200	\$ 2,331,530	\$ 2,113,150
Court Interpreters	\$ 2,652,271	\$ 946,102			\$ (9,404)	\$ 3,588,968	\$ 3,210,214	\$ 3,414,371	\$ 3,455,800
Jury Services	\$ 1,147,921	\$ 676,366	\$ 850,067		\$ (18,042)	\$ 2,656,312	\$ 2,751,418	\$ 2,627,747	\$ 2,424,890
Security	\$ 2,964,837	\$ 22,124,332			\$ (1,632)	\$ 25,087,537	\$ 24,912,304	\$ 20,587,616	\$ 25,036,383
<b>Trial Court Operations Program</b>	<b>\$ 69,315,628</b>	<b>\$ 33,199,351</b>	<b>\$ 850,067</b>		<b>\$ (157,165)</b>	<b>\$ 103,207,881</b>	<b>\$ 109,618,581</b>	<b>\$ 97,617,739</b>	<b>\$ 104,573,340</b>
Enhanced Collections									\$ 131,800
Other Non-Court Operations	\$ 830,153	\$ 0			\$ 0	\$ 830,153	\$ 785,000	\$ 981,506	\$ 790,000
<b>Non-Court Operations Program</b>	<b>\$ 830,153</b>	<b>\$ 0</b>			<b>\$ 0</b>	<b>\$ 830,153</b>	<b>\$ 785,000</b>	<b>\$ 981,506</b>	<b>\$ 921,800</b>
Executive Office	\$ 1,991,039	\$ 50,797		\$ 0	\$ (4,689)	\$ 2,037,147	\$ 1,968,179	\$ 2,026,486	\$ 2,199,780
Fiscal Services	\$ 2,675,756	\$ 399,953		\$ 0	\$ (929)	\$ 3,074,780	\$ 2,849,987	\$ 3,320,142	\$ 2,586,594
Human Resources	\$ 1,244,769	\$ 168,052		\$ 0	\$ (15,676)	\$ 1,397,145	\$ 1,442,795	\$ 1,432,035	\$ 2,257,996
Business & Facilities Services	\$ 643,679	\$ 2,197,859		\$ 0	\$ 70,942	\$ 2,912,480	\$ 2,169,727	\$ 1,942,771	\$ 1,607,747
Information Technology	\$ 4,431,989	\$ 2,028,614		\$ 0	\$ (81,928)	\$ 6,378,675	\$ 6,543,283	\$ 5,418,527	\$ 6,080,656
<b>Court Administration Program</b>	<b>\$ 10,987,233</b>	<b>\$ 4,845,275</b>		<b>\$ 0</b>	<b>\$ (32,280)</b>	<b>\$ 15,800,227</b>	<b>\$ 14,973,971</b>	<b>\$ 14,139,961</b>	<b>\$ 14,732,773</b>
Expenditures Not Distributed or Posted to a Program									
Prior Year Adjustments Not Posted to a Program									
<b>Total</b>	<b>\$ 81,133,014</b>	<b>\$ 38,044,626</b>	<b>\$ 850,067</b>	<b>\$ 0</b>	<b>\$ (189,445)</b>	<b>\$ 119,838,261</b>	<b>\$ 125,377,552</b>	<b>\$ 112,739,206</b>	<b>\$ 120,227,913</b>

SOURCE: Phoenix Financial System

## **PURPOSE AND SCOPE**

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

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

The scope of audit work included reviews of the Court's major functional areas, including: cash, procurement and contracting, accounts payable, payroll, financial reporting and accounting practices, case management, information technology, domestic violence, and court security. Coverage in depth of each area is based on initial scope coverage decisions.

## **TIMING AND REVIEWS WITH MANAGEMENT**

The entrance letter was issued to the Court on July 25, 2011.

The entrance meeting was held with the Court on August 31, 2011.

Audit fieldwork commenced on September 7, 2011.

Fieldwork was completed in March 2013.

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

A review of the audit results was held on February 21 2013 with:

- Ms. Pat Sweeten, Court Executive Officer
- Mr. Mathew McDonald, Chief Financial Officer

IAS received the Court's final responses to the IAS recommendations in March 2013. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the audit report for its review and comment on March 29, 2013. In April 2013, the Court provided its final comments and suggestions concerning its review of the audit report and did not consider another review of the report necessary before IAS issued the final audit report.

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

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

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

The table below presents expenditures from the Court's general ledger accounts that are considered to be associated with court administrative decisions. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Revenues</b>				
833010 PROGRAM 45.25-JUDGES SALA	(669,472.00)	(655,500.00)	13,972.00	-2.13%
** 833000-PROGRAM 45.25 - REIMBURSEM	(669,472.00)	(655,500.00)	13,972.00	-2.13%
<b>Expenditures</b>				
906303 SALARIES - COMMISSIONERS	2,183,626.81	2,301,187.87	(117,561.06)	-5.11%
906311 SALARIES - SUPERIOR COURT	669,155.87	682,224.43	(13,068.56)	-1.92%
906350 FURLOUGH SAVINGS - COMMIS	0.00	(84,786.56)	84,786.56	-100.00%
906351 FURLOUGH CLOSURE - COMMIS	0.00	84,786.56	(84,786.56)	-100.00%
* 906300 - SALARIES - JUDICIAL OFFI	2,852,782.68	2,983,412.30	(130,629.62)	-4.38%
906303 SALARIES - COMMISSIONERS	2,183,626.81	2,301,187.87	(117,561.06)	-5.11%
906311 SALARIES - SUPERIOR COURT	669,155.87	682,224.43	(13,068.56)	-1.92%
906350 FURLOUGH SAVINGS - COMMIS	0.00	(84,786.56)	84,786.56	-100.00%
906351 FURLOUGH CLOSURE - COMMIS	0.00	84,786.56	(84,786.56)	-100.00%
* 906300 - SALARIES - JUDICIAL OFFI	2,852,782.68	2,983,412.30	(130,629.62)	-4.38%
920502 DUES & MEMBERSHIPS-LEGAL	13,120.00	12,810.00	310.00	2.42%
920503 DUES & MEMBERSHIPS-OTHER	9,965.00	9,591.35	373.65	3.90%
920599 DUES AND MEMBERSHIP	0.00	0.00	0.00	n/a
* 920500 - DUES AND MEMBERSHIPS	23,085.00	22,401.35	683.65	3.05%
933101 TRAINING	33,903.17	14,714.94	19,188.23	130.40%
933103 REGISTRATION FEES - TRAIN	0.00	281.00	(281.00)	-100.00%
933105 TRAINING FACILITY RENTAL	3,301.96	853.73	2,448.23	286.77%
933107 TRAINING MEDIA	1,979.08	0.00	1,979.08	n/a
933102 TUITION REIMBURSEMENT (NO	0.00	0.00	0.00	n/a
* 933100 - TRAINING	39,184.21	15,849.67	23,334.54	147.22%
952001 JUDICIAL OFFICER ROBES	0.00	0.00	0.00	n/a
* 952000 - UNIFORM ALLOWANCE	0.00	0.00	0.00	n/a

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 causes taken under submission.
- Notification requirements regarding lawsuits.
- Approval requirements regarding training.
- Controls over judicial officer facsimile stamps. (Tested during cash work, see Section 5.0.)

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

There were no issues in this section considered significant enough to bring to management's attention.

## 2. Fiscal Management and Budgets

### Background

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

The Court contracts with ADP for payroll processing services. Payroll is processed biweekly and begins with employees entering their time directly into ADP's electronic "E-timesheets". Each employees' superior then reviews and approves the time card and the data is uploaded to ADP for payroll to be processed.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30			
	2011	2010	\$ Inc. (Dec.)	% Change
<b>Expenditures</b>				
900301 SALARIES - PERMANENT	37,333,959.20	36,774,104.36	559,854.84	1.52%
900302 SALARIES - COURT REPORTER	6,833,516.25	6,913,712.06	(80,195.81)	-1.16%
900303 SALARIES - COURT ATTORNEY	2,152,072.92	2,040,378.15	111,694.77	5.47%
900304 SALARIES - MEDIATORS/COUN	1,316,191.75	1,271,190.89	45,000.86	3.54%
900305 SALARIES - COURT SMALL CL	12,562.49	5,572.60	6,989.89	125.43%
900306 SALARIES - COURT INTERPRE	1,514,916.43	1,339,376.39	175,540.04	13.11%
900320 LUMP SUM PAYOUTS	459,879.31	553,916.21	(94,036.90)	-16.98%
900327 MISCELLANEOUS DIFFERENTIA	40,500.00	0.00	40,500.00	n/a
900350 FURLOUGH & SALARY REDUCTI	(1,521,762.20)	(1,928,396.33)	406,634.13	-21.09%
900351 FURLOUGH CLOSURE (NON-JUD	1,521,096.69	1,926,467.84	(405,371.15)	-21.04%
* 900300 - SALARIES - PERMANENT	49,662,932.84	48,896,322.17	766,610.67	1.57%
903301 TEMPORARY EMPLOYEES - ON	458,869.63	344,698.78	114,170.85	33.12%
903302 COURT INTERPRETER PRO-TEM	317,840.54	251,300.33	66,540.21	26.48%
903303 COURT REPORTER PRO-TEM	743,290.53	452,804.92	290,485.61	64.15%
* 903300 - TEMP HELP	1,520,000.70	1,048,804.03	471,196.67	44.93%
906303 SALARIES - COMMISSIONERS	2,183,626.81	2,301,187.87	(117,561.06)	-5.11%
906311 SALARIES - SUPERIOR COURT	669,155.87	682,224.43	(13,068.56)	-1.92%
906350 FURLOUGH SAVINGS - COMMIS	0.00	(84,786.56)	84,786.56	-100.00%
906351 FURLOUGH CLOSURE - COMMIS	0.00	84,786.56	(84,786.56)	-100.00%
* 906300 - SALARIES - JUDICIAL OFFI	2,852,782.68	2,983,412.30	(130,629.62)	-4.38%
908301 OVERTIME	79,701.07	58,053.66	21,647.41	37.29%
* 908300 - OVERTIME	79,701.07	58,053.66	21,647.41	37.29%
** SALARIES TOTAL	54,115,417.29	52,986,592.16	1,128,825.13	2.13%

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures (continued)</b>				
910301 SOCIAL SECURITY INS & MED	3,156,544.96	3,160,688.87	(4,143.91)	-0.13%
910302 MEDICARE TAX	756,567.02	756,075.46	491.56	0.07%
* <b>910300 - TAX</b>	<b>3,913,111.98</b>	<b>3,916,764.33</b>	<b>(3,652.35)</b>	<b>-0.09%</b>
910401 DENTAL INSURANCE	953,654.48	953,414.74	239.74	0.03%
910501 MEDICAL INSURANCE	6,822,934.51	6,535,579.96		0.00%
910502 FLEXIBLE BENEFITS	478,869.18	437,816.58	41,052.60	9.38%
910503 RETIREE BENEFIT	0.00	0.00	0.00	n/a
* <b>910400 - HEALTH INSURANCE</b>	<b>8,255,458.17</b>	<b>7,926,811.28</b>	<b>328,646.89</b>	<b>4.15%</b>
910601 RETIREMENT (NON-JUDICIAL)	5,341,118.50	5,110,213.46	230,905.04	4.52%
910602 RETIREMENT - TIER 1	930,729.28	1,029,906.41	(99,177.13)	-9.63%
910603 RETIREMENT - TIER 2	6,609,266.71	5,843,714.98	765,551.73	13.10%
912301 RETIREMENT (SUBORDINATE A)	0.00	30,251.92	(30,251.92)	-100.00%
* <b>910600 - RETIREMENT</b>	<b>12,881,114.49</b>	<b>12,014,086.77</b>	<b>867,027.72</b>	<b>7.22%</b>
912501 STATUTORY WORKERS COMPENS	1,245,805.00	1,336,752.01	(90,947.01)	-6.80%
* <b>912500 - WORKERS' COMPENSATION</b>	<b>1,245,805.00</b>	<b>1,336,752.01</b>	<b>(90,947.01)</b>	<b>-6.80%</b>
912701 DISABILITY INSURANCE - SD	284,071.06	262,550.89	21,520.17	8.20%
913301 UNEMPLOYMENT INSURANCE	149,512.24	576,250.85	(426,738.61)	-74.05%
913601 VISION CARE INSURANCE	13,332.14	17,800.65	(4,468.51)	-25.10%
913501 LIFE INSURANCE	23,917.07	26,059.17	(2,142.10)	-8.22%
* <b>912700 - OTHER INSURANCE</b>	<b>470,832.51</b>	<b>882,661.56</b>	<b>(411,829.05)</b>	<b>-46.66%</b>
913701 OTHER JUDGES BENEFITS	147,642.26	144,851.43	2,790.83	1.93%
* <b>913700 - SUPERIOR COURT JUDGES BE</b>	<b>147,642.26</b>	<b>144,851.43</b>	<b>2,790.83</b>	<b>1.93%</b>
913803 PAY ALLOWANCES	12,347.65	12,347.65	0.00	0.00%
913850 BENEFIT REDUCTION SAVINGS	0.00	(43,196.12)	43,196.12	-100.00%
913851 BENEFIT REDUCTION	0.00	43,196.12	(43,196.12)	-100.00%
913899 OTHER BENEFITS	91,284.34	175,817.14	(84,532.80)	-48.08%
* <b>913800 - OTHER BENEFITS</b>	<b>103,631.99</b>	<b>188,164.79</b>	<b>(84,532.80)</b>	<b>-44.92%</b>
** <b>STAFF BENEFITS TOTAL</b>	<b>27,017,596.40</b>	<b>26,410,092.17</b>	<b>607,504.23</b>	<b>2.30%</b>
*** <b>PERSONAL SERVICES TOTAL</b>	<b>81,133,013.69</b>	<b>79,396,684.33</b>	<b>1,736,329.36</b>	<b>2.19%</b>
<b>Liabilities</b>				
374001 PAYROLL CLEARING ACCOUNT	(1,328,545.33)	(1,247,794.28)	80,751.05	-6.47%
375001 ACCRUED PAYROLL	(1,459,018.17)	(954,278.80)	504,739.37	-52.89%

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 comparative analysis of prior year personal 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 reviews of payroll reports and reconciliation documents. We validated payroll expenditures

for selected employees and traced to supporting documents, including timesheets, payroll registers, withholding documents, and benefits administration files to determine whether timesheets were appropriately approved and payroll was correctly calculated. Furthermore, we reviewed the Court's Personnel Manual and bargaining agreements at a high level to determine whether differential pay, leave accruals, and various benefits were issued in accordance with these agreements.

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

### 3. Fund Accounting

#### Background

According to the FIN Manual, Procedure No. FIN 3.01, trial courts shall establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. Section 6.1.1 of this procedure 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 balances from the Court's general ledger accounts that are associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Fund Balances</b>				
535001 RESERVE FOR ENCUMBRANCES	(619,820.30)	(1,717,290.12)	(1,097,469.82)	63.91%
552001 FUND BALANCE-RESTRICTED	(2,126,275.66)	(1,470,663.78)	655,611.88	-44.58%
553001 FUND BALANCE - UNRESTRICT	(18,231,749.38)	(9,699,091.69)	8,532,657.69	-87.97%
615001 ENCUMBRANCES	619,820.30	1,717,290.12	1,097,469.82	63.91%
<b>*** Fund Balances</b>	<b>(20,358,025.04)</b>	<b>(11,169,755.47)</b>	<b>9,188,269.57</b>	<b>-82.26%</b>
<b>Expenditures</b>				
999910 PRIOR YEAR ADJUSTMENTS -	(189,445.25)	(1,750,925.73)	1,561,480.48	-89.18%
<b>** PRIOR YEAR ADJUSTMENT TOTAL</b>	<b>(189,445.25)</b>	<b>(1,750,925.73)</b>	<b>1,561,480.48</b>	<b>-89.18%</b>
<b>Revenues</b>				
812110 TCTF-PROGRAM 45.10-OPERAT	(112,045,310.00)	(106,314,004.43)	5,731,305.57	-5.39%
812140 TCTF-PROGRAM 45.10-SMALL	(23,728.31)	(24,963.50)	(1,235.19)	4.95%
812141 TCTF-PROGRAM 45.10-ADMIN	(2,871.33)	(2,135.85)	735.48	-34.44%
812142 TCTF-PROGRAM 45.10-ADMIN	(3,785.93)	(6,422.76)	(2,636.83)	41.05%
812144 TCTF-PROGRAM 45.10-CLERKS	(16,483.62)	(15,917.63)	565.99	-3.56%
812146 TCTF-PROGRAM 45.10-COPY P	(186,513.95)	(193,324.84)	(6,810.89)	3.52%
812147 TCTF-PROGRAM 45.10-COMPAR	(59.00)	(68.08)	(9.08)	13.34%
812148 TCTF-PROGRAM 45.10-MANUAL	(31,656.19)	(37,280.28)	(5,624.09)	15.09%
812150 TCTF-PROGRAM 45.10-ESTATE	(1,422.00)	(1,137.53)	284.47	-25.01%
812151 TCTF-10-CUSTODY/VISITATIO	(9,845.38)	(12,121.50)	(2,276.12)	18.78%
812152 TCTF-PROGRAM 45.10-RETURN	(12,375.52)	(9,575.06)	2,800.46	-29.25%
812153 TCTF-PROGRAM 45.10-GUARDI	(10,955.98)	(6,718.46)	4,237.52	-63.07%
812154 TCTF-PROGRAM 45.10-INFO P	(1,177.89)	(1,719.52)	(541.63)	31.50%
812155 TCTF-PROGRAM 45.10-ASSESS	(142,244.19)	(134,762.09)	7,482.10	-5.55%
812157 TCTF-PROGRAM 45.10-CHILDR	(238,528.73)	(250,893.17)	(12,364.44)	4.93%
812158 TCTF-10-CUSTODY/VISITATIO	(7,218.26)	(8,078.66)	(860.40)	10.65%
812159 TCTF-10-CIVIL ASSESSMENT	(2,191,595.77)	(2,041,982.95)	149,612.82	-7.33%
812160 TCTF-10-MICROGRAPHICS	(143,079.81)	(150,502.13)	(7,422.32)	4.93%
812166 TCTF-PROGRAM 45.10-ADMIN	(180.00)	0.00	180.00	n/a
<b>** 812100-TCTF - PGM 10 OPERATIONS</b>	<b>(115,069,031.86)</b>	<b>(109,211,608.44)</b>	<b>5,857,423.42</b>	<b>-5.36%</b>



ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Revenues continued</b>				
821122 LOCAL FEE 2	(259,745.12)	(282,679.30)	(22,934.18)	8.11%
821123 LOCAL FEE 3	(3,224.46)	0.00	3,224.46	n/a
821135 LOCAL FEE 15	(125.00)	(225.00)	(100.00)	44.44%
821170 GC26840.3 MARRIAGE LICENS	(31,870.00)	(32,795.00)	(925.00)	2.82%
821183 PC1463.22a INSURANCE CONV	(139,527.50)	(165,375.00)	(25,847.50)	15.63%
821190 VC11205m TRAFFIC SCHOOL	(321,916.06)	(337,505.39)	(15,589.33)	4.62%
821191 VC40508.6 DMV HISTORY/PRI	(288,431.00)	(303,872.97)	(15,441.97)	5.08%
821194 CRC 10.500 PUBLIC ACCESS-	(99.90)	0.00	99.90	n/a
** 821000-LOCAL FEES REVENUE	(1,044,939.04)	(1,122,452.66)	(77,513.62)	6.91%
822102 NON-FEE REV 2	(232,123.83)	0.00	232,123.83	n/a
822103 NON-FEE REV 3	(98,825.00)	(98,825.00)	0.00	0.00%
** 822000-LOCAL NON-FEES REVENUE	(330,948.83)	(98,825.00)	232,123.83	-234.88%
823001 MISCELLANEOUS REVENUE	(186,861.02)	(44,189.55)	142,671.47	-322.86%
823011 JUDGES VOLUNTARY DONATION	0.00	(18,351.40)	(18,351.40)	100.00%
** 823000-OTHER - REVENUE	(186,861.02)	(62,540.95)	124,320.07	-198.78%
825010 INTEREST INCOME	(177,560.14)	(194,239.20)	(16,679.06)	8.59%
** 825000-INTEREST INCOME	(177,560.14)	(194,239.20)	(16,679.06)	8.59%
*** TRIAL COURTS REVENUE SOURCES	(116,809,340.89)	(110,689,666.25)	6,119,674.64	-5.53%
831010 GF-AB2030/AB2695 SERVICE	(78,077.55)	(80,110.26)	(2,032.71)	2.54%
** 831000-GENERAL FUND - MOU/REIMBUR	(78,077.55)	(80,110.26)	(2,032.71)	2.54%
832010 TCTF MOU REIMBURSEMENTS	(530,609.00)	(733,761.00)	(203,152.00)	27.69%
832011 TCTF-PGM 45.10-JURY	(632,486.62)	(736,170.38)	(103,683.76)	14.08%
832012 TCTF-PGM 45.10-CAC	(1,027,367.00)	(823,031.00)	204,336.00	-24.83%
832013 TCTF-PGM 45.10-ELDER ABUS	(41,976.00)	(34,410.00)	7,566.00	-21.99%
** 832000-PROGRAM 45.10 - MOU/REIMBU	(2,232,438.62)	(2,327,372.38)	(94,933.76)	4.08%
833010 PROGRAM 45.25-JUDGES SALA	(669,472.00)	(655,500.00)	13,972.00	-2.13%
** 833000-PROGRAM 45.25 - REIMBURSEM	(669,472.00)	(655,500.00)	13,972.00	-2.13%
834010 PROGRAM 45.45-COURT INTER	(2,999,998.00)	(3,098,013.47)	(98,015.47)	3.16%
** 834000-PROGRAM 45.45 - REIMBURSEM	(2,999,998.00)	(3,098,013.47)	(98,015.47)	3.16%
836010 MODERNIZATION FUND	(681,787.77)	(699,489.68)	(17,701.91)	2.53%
** 836000-MODERNIZATION FUND - REIMB	(681,787.77)	(699,489.68)	(17,701.91)	2.53%
837010 IMPROVEMENT FUND REIMBURS	(281,647.21)	(58,426.19)	223,221.02	-382.06%
** 837000-IMPROVEMENT FUND - REIMBUR	(281,647.21)	(58,426.19)	223,221.02	-382.06%
838010 AB1058 GRANTS	(1,678,370.42)	(1,987,315.29)	(308,944.87)	15.55%
838020 OTHER STATE GRANTS	(264,264.85)	(219,549.99)	44,714.86	-20.37%
** 838000-STATE GRANTS - REIMBURSEME	(1,942,635.27)	(2,206,865.28)	(264,230.01)	11.97%
839010 NON-AOC GRANTS	(1,178,816.77)	(1,076,456.13)	102,360.64	-9.51%
** 839000-NON AOC GRANT-REIMB	(1,178,816.77)	(1,076,456.13)	102,360.64	-9.51%
841010 SMALL CLAIMS ADVISORY	(53,130.12)	(54,144.23)	(1,014.11)	1.87%
841013 PRE-TRIAL	(200,149.24)	(196,542.48)	3,606.76	-1.84%
841015 OTHER COUNTY SERVICES	(626,479.58)	(577,511.30)	48,968.28	-8.48%
** 840000-COUNTY PROGRAM - RESTRICTE	(879,758.94)	(828,198.01)	51,560.93	-6.23%
851010 CHANGE OF VENUE	0.00	0.00	0.00	n/a
** 850000-REIMBURSEMENTS BETWEEN COU	0.00	0.00	0.00	n/a
861010 CIVIL JURY REIMBURSEMENT	(239,793.26)	(242,670.80)	(2,877.54)	1.19%
861011 MISCELLANEOUS REIMBURSEME	(200.00)	(21,799.65)	(21,599.65)	99.08%
** 860000-REIMBURSEMENTS - OTHER	(239,993.26)	(264,470.45)	(24,477.19)	9.26%
*** TRIAL COURTS REIMBURSEMENTS	(11,184,625.39)	(11,294,901.85)	(92,574.55)	0.82%

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Revenues continued</b>				
899910 PRIOR YEAR ADJUSTMENTS -	(174,710.34)	57,092.56	231,802.90	406.01%
** 890000-PRIOR YEAR REVENUE	(174,710.34)	57,092.56	231,802.90	406.01%
*** PRIOR YEAR REVENUE	(174,710.34)	57,092.56	231,802.90	406.01%
**** REVENUE TOTAL	(128,168,676.62)	(121,927,475.54)	6,258,902.99	-5.13%
<b>Transfers between funds</b>				
*** 701100 OPERATING TRANSFERS IN	(324,962.74)	(18,542.38)	(306,420.36)	1652.54%
*** 701200 OPERATING TRANSFERS OUT	324,962.74	18,542.38	306,420.36	1652.54%

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of each fund at a high level and certain detailed transactions, if necessary. Specifically, we reviewed the special revenue funds established for the Court, including funds a court may have such as the Small Claims Advisory fund and other County services. The Court's general fund was reviewed as well.

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

Operating transfers are usually used by courts to transfer general funds moneys to other programs of the court to cover the expenditures of the programs.

There were no significant issues to report to management.

#### 4. Accounting Principles and Practices

##### Background

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

Since migrating onto the Phoenix Financial System in July, 2004, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services Division (TCAS) through use of the Phoenix Financial System. Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since much of the accounting procedures have been centralized with the TCAS, we kept our review of the Court's individual financial statements at a high level.

In FY 2010–2011, the Court received various grants passed through to it from the AOC and other agencies. Restrictions on use of funds and other requirements are documented in the grant agreements. Many grants received by the Court are reimbursement type agreements that require the Court to document its allowable costs to receive payment. The Court must separately account for financing sources and expenditures for each grant to ensure grant funds are used for their intended purposes.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Revenues – Grants</b>				
838010 AB1058 GRANTS	(1,678,370.42)	(1,987,315.29)	(308,944.87)	15.55%
838020 OTHER STATE GRANTS	(264,264.85)	(219,549.99)	44,714.86	-20.37%
** 838000-STATE GRANTS - REIMBURSEME	(1,942,635.27)	(2,206,865.28)	(264,230.01)	11.97%
839010 NON-AOC GRANTS	(1,178,816.77)	(1,076,456.13)	102,360.64	-9.51%
** 839000-NON AOC GRANT-REIMB	(1,178,816.77)	(1,076,456.13)	102,360.64	-9.51%

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
130001 A/R-ACCRUED REVENUE	81,126.74	42,283.62	38,843.12	91.86%
131201 ACCOUNTS RECEIVABLE (CUST	4,477.00	0.00	4,477.00	n/a
131202 A/R-DUE FROM OTHER GOVERN	540,089.61	76,658.36	463,431.25	604.54%
131203 A/R-DUE FROM STATE (CUSTO	157,113.70	0.00	157,113.70	n/a
131204 A/R-DUE FROM AOC (CUSTOME	1,750,001.21	343,064.42	1,406,936.79	410.11%
140001 A/R - DUE FROM OTHER FUND	0.00	799,740.07	(799,740.07)	-100.00%
140014 GENERAL-DUE FROM SPECIAL	1,860,394.30	0.00	1,860,394.30	n/a
150001 A/R - DUE FROM OTHER GOVE	147,643.13	781,397.47	(633,754.34)	-81.11%
151000 A/R-DUE FROM COURTS	861.20	0.00	861.20	n/a
152000 A/R-DUE FROM STATE	1,719,272.26	2,755,727.41	(1,036,455.15)	-37.61%
** Receivables	6,260,979.15	4,798,871.35	1,462,107.80	30.47%
172001 PREPAID EXPENSES	63,029.56	111,939.03	(48,909.47)	-43.69%
** Prepaid Expenses	63,029.56	111,939.03	(48,909.47)	-43.69%
*** Accounts Receivable	6,324,008.71	4,910,810.38	1,413,198.33	28.78%
<b>Liabilities</b>				
301001 A/P - GENERAL	(136,227.64)	(146,769.10)	(10,541.46)	7.18%
301002 A/P - CLEARING GR/IR ACCT	(8,730.00)	(6,872.78)	1,857.22	-27.02%
311401 A/P - DUE TO OTHER FUNDS	0.00	(799,740.07)	(799,740.07)	100.00%
314014 SPECIAL REVENUE-DUE TO GE	(1,860,394.30)	0.00	1,860,394.30	n/a
321501 A/P DUE TO STATE	(7,900.00)	0.00	7,900.00	n/a
321600 A/P - TC145 LIABILITY	(2,125,877.52)	(1,805,095.21)	320,782.31	-17.77%
322001 A/P - DUE TO OTHER GOVERN	(8,701,779.34)	(17,765,943.60)	(9,064,164.26)	51.02%
323002 BACKUP WITHHOLDING TAX FE	(560.00)	0.00	560.00	n/a
323005 BACKUP WITHHOLDING TAX ST	(140.00)	0.00	140.00	n/a
323010 TREASURY INTEREST PAYABLE	(149.85)	0.00	149.85	n/a
330001 A/P - ACCRUED LIABILITIES	(13,310,484.99)	(1,317,950.41)	11,992,534.58	-909.94%
*** Accounts Payable	(26,152,243.64)	(21,842,371.17)	4,309,872.47	-19.73%

We also gained an understanding of the Court's management of its civil trust deposits, the remittance by the Court of civil filing fees and old civil jury deposit to the State Controller.

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

#### 4.1 The Court Needs to Improve Controls over the Accounting and Treasury Processes

##### Background

The Trial Court Financial Policies and Procedures Manual (FIN Manual), Procedure No. 3.01, section 6.4 paragraph 1.a requires trial courts to use special revenue funds, "to separately account for revenues and expenditures related to grant and other legally restricted activities."

The glossary to the FIN Manual defines bank reconciliation as, "The process of systematically comparing the cash balance as reported by the bank with the cash balance on record and explaining the differences." For the purposes of trial court financial accounting and reporting, the Phoenix general ledger is the court's official record of fiscal activity. General ledger data is utilized both to produce financial reporting for external users (CAFR, Report to the Legislature), and to make Judicial Branch funding decisions. Therefore, bank reconciliation is incomplete if it ultimately fails to balance cash per bank to the cash amount booked to the general ledger.

Trust monies require the use of a sub-ledger between the bank and the general ledger in order capture the information necessary for the Court to exercise its fiduciary duty. The Court utilizes a database called RADAR to account for non-interest bearing trust and agency monies. This database was built for the Court and was put into service in December 2010. It has the ability to access CMS data in real time and serves as the sub ledger where fiduciary funds are segregated into separate categories (civil trust, criminal trust, fines and fees, etc.) For interest-bearing trust, the Court utilizes a sub ledger that is part of the Bank of America COLB product. A reconciliation of trust funds must be a three way reconciliation between the bank, the sub ledger, and the general ledger.

FIN Manual Policy No. 1.02, section 6.2, paragraph 2c requires the court to “establish internal controls over financial reporting to assure that ...any financial report produced,... including the QFS and fiscal year end reports, accurately and fairly reflects all fund balances, assets, liabilities, revenues, expenditures of the trial court regardless of source.” In order for financial reporting to be complete and accurate all cash under court control must be booked to the Phoenix general ledger.

FIN Manual Procedure No. 13.01, section 6.6, paragraph 2 states, “The monthly bank reconciliation must be signed and dated by both the person who prepared it and the person who reviewed it.”

### **Issues**

To obtain an understanding of the Court’s internal controls over accounting, reporting, and treasury practices, we interviewed appropriate Court personnel, reviewed the Court’s general ledger, and recalculated the year end (June 30, 2010) bank reconciliations for all bank accounts held outside of AOC Trust and Treasury Services. Our review revealed the following:

1. At June 30, 2011, one of the Court’s bank accounts outside of the AOC, Bank of America Acct. 14995-11244-Old Master had a balance of \$2,415,023.36. The funds held in this account were not booked to the general ledger and were therefore not reported. The Court transferred these funds from the Old Master account to the Operations Account in September 2011, with the exception of \$100,000. The residual \$100,000 had not yet been booked to Phoenix as of October 26, 2011.

### **Recommendations**

To ensure the Court is in compliance with the FIN Manual, it should consider the following:

1. The Court should book the residual \$100,000 in the Old Master Account to the Phoenix general ledger.

**Superior Court Response By: Matthew McDonald Date: June 30, 2012**

The Court is concerned that this issue has resulted in an audit finding. The Court had been working with and coordinating its efforts to resolve the outstanding matters with respect to the monies in the 'old master account'. Although the ultimate movement of the monies from the master account to the AOC's operating account took longer than the June 30, 2011 date we had targeted, the Court, based on the guidance of AOC staff, moved the monies by the end of the first quarter of the succeeding fiscal year. The Court maintained the \$100,000 in the 'old master account' in the event that the County claimed that the Court owed them any remaining monies going back to issues that arose several years ago. The AOC Sacramento staff were aware of this action. The Court has since taken the necessary steps to book the \$100,000 to the general ledger in the early Fall of 2011.

## 5. Cash Collections

### Background

The FIN Manual, Procedure No. FIN 10.02, was established to provide uniform guidelines for trial court employees to use when receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. Additionally, 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 Court operates seven locations that collect court-ordered payments. Clerks rely on one cash management system (CMS) called CASP for traffic and fiscal entries in criminal, and one CMS called Domain for Family Law and Civil areas. Both systems have fully functional cashiering capabilities.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Assets</b>				
117500 CASH CIVIL FILING FEES	0.00	1,805,095.21	(1,805,095.21)	-100.00%
119001 CASH ON HAND - CHANGE FUN	24,540.00	25,290.00	(750.00)	-2.97%
119002 CASH ON HAND - PETTY CASH	825.00	1,225.00	(400.00)	-32.65%
<b>Expenditures</b>				
952599 CASHIER SHORTAGES	2,883.06	1,046.48	1,836.58	175.50%
* 952500 - CASH DIFFERENCES	2,883.06	1,046.48	1,836.58	175.50%

We visited the Court's seven locations with cash handling responsibilities. At 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 procedures.
- Daily cashiering practices.
- End-of-day closeout and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.
- Safe access, controls over keys, and security over other court assets.
- Physical and logical security of cashiering areas and systems.

We also reviewed a sample of monetary and non-monetary system transactions, and validated these transactions to supporting receipts, case files, and other court documentation. We also reviewed in detail the controls over manual receipts to ensure the existence of proper physical safeguards, use of manual receipts, and other requisite controls to periodically reconcile and account for all manual receipts.

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

## **5.1 The Court is at Risk of Theft Due to Weak Controls over Void Transactions**

### **Background**

Procedure No. FIN 10.02, section 6.3.8(3) states that case management system (CMS) should be configured to prevent payments included in the daily close out from being voided.

Furthermore, FIN 1.03, section 3.0(1) states that the Court must maintain an effective system of internal controls by continuously monitoring and evaluating its internal control systems for the purpose of strengthening existing operational, administrative, and financial controls. The objective of this policy is to minimize the court's financial, administrative, and operational risks, provide reasonable, but not absolute, assurance that court assets are properly safeguarded, and help the court comply with applicable law and accounting requirements.

As described in FIN 1.03, section 6.1(3) internal controls are either preventative or detective. Preventive controls are put into place to deter or prevent undesirable events from occurring. For example, the Court's CMS should not only be configured to strictly limit the individuals that can perform voids but should also be configured to not allow any transactions to be performed after the end of the business day close out. Detective controls, on the other hand, attempt to detect undesirable acts once they have occurred. For example, courts should be generating void reports from the CMS for all voids performed at all locations. The void report should be reviewed by court management that do not have any duties performing voids themselves. These reports should be reviewed on a regularly basis to ensure that all voids performed are appropriate.

The Court has four case management systems. They are Domain, TCMS, JCMS and CORPUS. All case management systems are managed by the Court's IT department with the exception of CORPUS, which is owned and managed by the County IT department. For the purpose of the cash handling review the focus was on the two case management systems, Domain and TCMS, which have cashiering capabilities. Traffic/criminal cases are processed in the Court's new case management system, TCMS, and civil cases are processed in the Court's Domain system.

### **Issues**

1. The Court's case management systems have not been configured to perform a "hard close" after a cashier has closed his or her till. A hard close is when the case management system prevents voids from the day's already closed till from being entered into the CMS. Please reference FIN 10.02, section 6.3.8(3). **(Repeat Issue From 2007 Audit)**
2. The Court's cash handling policy and procedures does not include a directive statement restricting voids from being performed in the CMS by any employee after the end of day cashier close out. Having this policy in the Court's cash handling policy and procedures restricting void activity for all employees, including



- supervisors and managers, is a prudent business practice that serves as a preventive control as referenced in FIN 1.03, section 6.1(3), which should assist in the court's compliance with FIN 10.02 § 6.3.8(3).
3. Although the Court advised they are generating a void activity report and monitoring all voided transactions, after IAS tested voided transactions it was concluded that the process for monitoring voided transaction must be improved. For example:
    - a. IAS tested void transactions from the first six months of calendar year 2011. During that period 44 voids were selected to review from all locations on both CASP and DOMAIN. From the voids sampled, four voids or nine percent did not have appropriate supporting documentation like the void authorization form or voided receipt as required by FIN 10.02, section 6.3.8(1).
      - i. Furthermore, after the TCMS was deployed, in January 2012, void documentation that is held at each location was reviewed to test the process for the new TCMS case management system. It was noted that 3 of 15 TCMS voids tested did not have the original void receipt retained, and 1 of the 3 voids did not have the approval signature on the void form.
    - b. In addition, in an attempt to further validate the Court's void activity review process IAS was provided voided transaction reports from seven locations for the entire month of January 2012, regardless of the CMS used. While the court may have reviewed the reports, IAS did not find evidence of the review such as the initials of the reviewer nor the date of the review upon the documents.

### **Recommendations**

1. The Court should attempt to configure its case management systems so at the end of the business day after the cashiers perform the end of day close out, the system will not allow void transactions to a closed till to be performed, as per FIN 10.02, section 6.3.8(3). Alternatively, the Court could more closely monitor any voids transacted after the end of the day close.
2. As a prudent business practice in maintaining good preventive controls as referenced in FIN 1.03, section 6.1(3), include in the Court's cash handling policy and procedures a specific statement restricting all employees, including supervisors and managers, from performing voids in the CMS after the end of day cashier close out.
3. The Court should improve its voided transaction monitoring process including void records retention and documenting the fiscal office's review of each location's void reports with the name of the reviewer and the date of the review.

**Superior Court Response By: Ed Song**

**Date: July 2012**

1. The Court is in agreement with the findings and recommendations contained herein. The Court will explore the feasibility of configuring case management systems to perform a “hard close” to prevent after hour voids as recommended.
2. The Court will also incorporate a directive to its cash handling policy and procedures that restrict voids from being performed in the CMS by any employee including supervisors and managers, after the end of day cashier close out.
3. The Court will continue to improve its voided monitoring process as recommended.

## **5.2 Controls over Manual Receipts are Insufficient**

### **Background**

The FIN Manual provides procedures for using handwritten receipts to ensure that payments collected during computer system down time are safeguarded until they are processed into the system. Specifically, FIN 10.02, 6.3.9 (1) requires that, in the case of a failure of the automated accounting system, the supervisor or designated employee will issue books of pre-numbered receipts. The cashier will give the customer a handwritten receipt. A copy shall be retained by the court. The supervisor issuing the receipt books of pre-numbered receipts will monitor and maintain an accounting of the receipt books including; the receipt book(s) issued, to whom the receipt book(s) was given, the date given, the person returning the book(s), the receipts used within each book and the date on which the receipt book(s) are returned. FIN 10.02, 6.3.9 (2) requires the court to keep payments processed during down time separate from money processed through the system. Furthermore, FIN 10.02, 6.3.9 (3) requires handwritten receipt transactions to be processed as soon as possible after the automated system is restored. The transactions must be recreated in the system from the handwritten receipts before the money can be transferred to the cash drawer or cash register.

### **Issues**

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

1. Although not specifically noted in FIN policy, a prudent business practice for the Court is to restrictively manage and control the Court’s supply of manual receipt books. After our review of the Court we concluded that the control of the Court’s supply of manual receipt books is not being managed and recorded by the Court’s central accounting department at the Renee C. Davidson Courthouse. For example, central accounting did not have a record of what receipt books had been issued to each location and what specific number sequence was contained in each book. As a result, it is impossible to reconcile the receipt books to ensure all can be accounted for. In addition, a record is needed to track when new books and receipt sequence numbers are issued to ensure the old book has been fully used and all receipts accounted for or voided. Further evidence

to highlight the importance of keeping a centralized receipt book issuance log was apparent during our review where several locations were given new receipt books to be used after the conversion to the new case management system TCMS, but the supply of old books that had been used while the Court was on the old case management system CASP, were never returned to central accounting. In addition, it was noted that several locations divisions had an excessive number of receipt books given the daily operational needs and the infrequent occurrence of system downtime.

2. Not all Court locations are consistently following FIN 10.02, 6.3.9. For example, receipt books are not being strictly controlled by the area supervisor and only issued to the cashiers when the system is down. At the Fremont location each clerk receives a receipt book every morning when they pick up their beginning till bags and they keep the receipt book with them all day whether the system goes down or not. While at the Wiley W. Manuel Courthouse (WWM) location an attempt was made to inventory the 24 receipt books from their old supply. 6 books could not be located and the supervisor had no record of where the missing books were or to whom the books were assigned. Ultimately, after some searching the missing books were found. 3 books were in clerks' desk drawers and 3 were lent to the criminal department on the second floor.
3. Not all Court locations have sufficient controls over the review of handwritten receipts. For example, of the 30 handwritten receipts selected for review at the WWM location, book # 3 (sequence 1051 – 1100) had one receipt # 1057 where the receipt was not completed, not voided, and the (white-payer) and (yellow-accounting) copies were missing, only the blank pink copied remained. In addition, book # 14 (sequence 1601-1650) had no carbons in book for sequence #'s (1601-1640). Since they were missing, there was nothing to document how and when these receipts were used and if they were used appropriately. At the Pleasanton location 31 receipts were selected to validate if they had been entered into the CMS appropriately, two receipts (from 2011) could not be verified as entered into the CMS.
4. Not all Court locations are consistently filling out all fields when writing up a manual receipt. To properly document the manual receipt as a record of the transaction that occurred, it is imperative that all fields on the manual receipt are completed. After reviewing each location's manual receipt books it was noted that in many cases the field documenting the CMS receipt number was never completed. For example, of the 30 manual receipts selected for review at WWM, only 5 had the CMS receipt number recorded to document the receipt had been entered into the CMS. At Hayward criminal only 4 out of 11 had the CMS receipt number documented on the receipt. Hayward civil had only 1 out of 12 receipts that were selected for review showing the CMS receipt number. Other court locations were better at recording the CMS receipt number but still had some receipts that were either missing the CMS receipt number or some other field on the receipt.

### **Recommendations**

To ensure that handwritten receipts are properly controlled, we recommend that the Court do the following:

1. Although not required by FIN policy a prudent business practice would be for the control and issuance of the supply of handwritten receipt books should be maintained and managed centrally through the Court accounting department. The accounting department should perform a complete court wide inventory of all manual receipt books held at all locations. Using this inventory the accounting department should form a log documenting the number of receipt books at each location and the receipt sequence number contained in each book. New books should not be distributed to any location until that location turns in a fully used book. Any time a new receipt book is given out by accounting this book should be recorded on the new master manual receipt log that accounting now maintains. Accounting should review all completed receipt books that are turned in to ensure all receipts have been used or voided. In addition, accounting should sample several receipts out of each book that is turned in completed to ensure that the transaction is recorded in the CMS appropriately.
2. Educate court operations staff on FIN 10.02, 6.3.9 and ensure that they follow these requirements:
  - a) Only using manual receipts during system down times.
  - b) Require all divisions with manual receipts to maintain a log to track receipts checked out and used. The log should, at a minimum, contain the following elements to properly monitor each receipt used; (1) the receipt book(s) issued, (2) to whom the receipt book was issued to, (3) the date it was given, (4) the person that returned the book, (5) the receipts used within each book, and the CMS receipt number verifying that the supervisor confirmed that the receipt was entered into the CMS.
  - c) Once the system comes back up the transaction should be entered into the CMS immediately.
3. Manual receipts should be used in strict numerical sequence. The original receipt is given to the defendant, the second copy is attached to the payment for posting to the case management system, and the third copy is retained in the book, never left blank and unvoided; so as to encourage the best accountability. If gaps in sequence are ever identified the receipts should be voided.
4. The Court should perform periodic refresher training on manual receipts to enforce the importance that handwritten receipts must be filled out completely and accurately. When the transaction has been entered in the CMS, the CMS receipt number must be recorded on the receipt that remains in the receipt book.

**Superior Court Response By: Matthew McDonald**

**Date: April 2013**

The Court agrees with issue #1 and its recommendation. Accordingly, the Finance Bureau completed a recent court wide inventory of all manual receipt books and now have custody and control of all unused manual receipt book from all locations and divisions. All locations are now required to turn in their completed books before new books are issued.

The Court is in agreement with the remaining issues and recommendations. The Court will implement a standardized manual receipt log for all locations/divisions; ensure that manual receipts have a strict numerical sequence and that all pages of the manual receipt are properly completed and distributed; and will perform periodic refresher training on manual receipts.

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

#### **Background**

A trial court should promote appropriate physical security of court assets and sensitive or confidential court documents by limiting access to court employees, and by monitoring such access. In fact, FIN 1.03, section 6.3, identifies controlled access to assets as one of the key components to an effective system of internal controls.

#### **Issues**

During the review of the Court's cash handling procedures we identified the following control weaknesses over physical security:

1. **Unprocessed Mail Payments Not Secured Overnight**

Unprocessed mail payments are not secured overnight as recommended by FIN 10.02, section 6.1.1(1). For example, specifically it was noted that at the RCD civil division unprocessed mail remained in the inbox in plain sight and is not placed in a safe or other lockable compartment. **(Repeat Issue From Previous Audit)**

2. **Safe Controls**

The following control weaknesses were noted in the Court's current safe procedures:

- Safe contents are not inventoried periodically. Safes contained cash, checks, money orders and mail as far back as 2004. **(Repeat Issue From Previous Audit)**
- The safe combination at each court location is known by many persons which exceeds the operating requirements necessary for that location. For example, Alameda Family Law safe is known by the manager and five other managers. **(Repeat Issue From Previous Audit)**
- There is no record of safe combination changes and a list of personnel knowing the combination as required in FIN 10.02, section 6.1.1(3d).

3. **Clerk Beginning Till Cash Bags Not Secured**

Clerks beginning cash bags are not being properly secured by clerks during the day as required by FIN 10.02, section 6.1.1(1). For example, At Alameda Family Law, although the clerks have lockable till bags, one window workstation is not configured with lockable drawers. In addition, at the Berkeley location, although the till bags lock, these bags are not secured in each clerks lockable desk drawers because the keys for the drawers cannot be located. **(Repeat Issue From Previous Audit)**

#### **Recommendations**

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

1. All unprocessed mail payments should be secured overnight in a safe or lockable cabinet or drawer.
2. The court should adopt a policy that requires the safe combination to be changed on a periodic basis and after events like employee discontinuing service at the court or moving to different role that does not require safe access. When the combination is changed, a log should be kept to document when the combination has been changed. In addition, the court should re-evaluate which staff requires access to the Court's safes. Safe access should be limited to the court manager and supervisors or leads only. A log should be maintained of all persons that have access to each of the Court's safes. Lastly, the safe contents at each location should be inventoried periodically. Any checks, money orders, cash, or undeliverable mail with money of any kind should be forwarded to RCD accounting to be held in trust.
3. Per FIN 10.02, section 6.1.1(1) all Court change funds when not in use should be secured in a lockable cash drawer. A working lockable cash drawer should be provided for all clerks handling cash.

**Superior Court Response By: Matthew McDonald Date: July 2012**

**Recommendation # 1**

The Court is in agreement with issue # 1 and will proceed accordingly with an expected date of completion October 31, 2012.

**Recommendation # 2**

The Court is in agreement with issue and recommendation #2. Multiple managers are required to know safe combinations to ensure proper coverage and accessibility to secured safes. Managers are often rotated to various court locations to ensure proper coverage for the various operations. The Alameda courthouse, for example, has one family law manager. In the event that the Alameda manager is absent, another manager from another court location will be assigned to the Alameda courthouse.

The Court is in agreement with the recommendation to adopt a policy that requires the safe combination to be changed on a periodic basis or at management's discretion as events which affect safe security occur and will proceed accordingly by October 31, 2012.

The Court will maintain a log of all persons that have access to each of the Court's safes and will periodically inventory the contents of each safe.

**Recommendation # 3**

The Court is in agreement with the recommendation #3 and will proceed accordingly by October 31, 2012.

## 5.4 Controls Over the Change Fund Are Weak and Certain FIN Manual Requirements Are Not Met

### Background

The FIN Manual allows courts to establish a change fund in each location where payments are collected, and contains requirements to protect funds against theft or loss, to account for the funds and to manage usage of the funds. For instance, FIN 10.02, 6.3.1 paragraph (6) requires that at the end of each business day the change fund custodian must in the presence of a court manager or supervisor verify that change fund monies at the end of the day are reconciled to the day's beginning balance. Paragraph (7) also recommends the frequency of independent counts, counts made by a trial court employee other than the change fund custodian, depending on the size of the change fund (i.e. over \$500.01 is counted monthly)

Furthermore, FIN 10.02, 6.3.1 paragraph (5) requires that for each change fund exceeding \$500, the CEO or his or her designee must appoint a custodian. To ensure responsible safekeeping, replacement, disbursement, and accounting of the assigned change fund, the custodian must have a copy of the FIN Manual policy on change funds, must have no other cash handling responsibilities and must keep detailed records to document change fund establishment and replenishment, the amount and denomination of currency and coin held in the fund, and all exchanges of currency and coin made from the fund. When the custodian is replaced, a personal audit of the fund must be made and a change fund change of custodian form must be completed and approved by the CEO or designee.

### Issues

During our audit fieldwork at 13 locations, we counted the amount of and reviewed the controls in place for the change funds retained. Additionally, we inquired about the Court's Finance Bureau's (Finance) responsibility in managing all established change funds. Our review identified several weaknesses in existing controls and other non-compliance issues some of which have been previously noted in 2007 audit of the Court.

1. **The Court has not performed a thorough evaluation of all established change funds after divisional reorganization was completed resulting in accounting discrepancies and unnecessarily high change fund sizes.** At the time of review, Finance acknowledged that it is unaware of the current change funds retained by each location and the amounts it reported are not accurate. Our review identified discrepancies at 6 locations that understated the change funds by almost \$1,000 in aggregate and observed 5 change fund sizes that seem to exceed the locations' operating needs due to infrequent change fund daily activity. Both Oakland WWM Traffic and Hayward Civil have change funds of \$1,400, both Pleasanton and Berkeley have \$500 each and Hayward Criminal has \$800.
2. **Change fund is not verified at the end of the day to ensure that it reconciles to the day's beginning balance as required in FIN 10.02 section 6.3.1 par. (6).** Implementation of this control may have prevented discrepancies in existing change funds at several locations where the amount on hand does not match the amount

- known by the location. At Oakland RCD Criminal, change fund is over by \$20 while at Hayward Family Law, it is short by \$48.17. **(Repeat Issue Noted From 2007 Audit).**
3. **Five of the 13 locations have a change fund exceeding \$500, however, the Court does not comply with policies and procedures stated in FIN 10.02 section 6.3.1 par.(5).** Specific requirements not met are as follows:
    - Change fund custodian does not have a copy of the FIN Manual policy on change funds
    - Change fund custodian has not been "officially appointed" by CEO or designee
    - Change fund custodian is not independent of other cash handling responsibilities (i.e. de facto custodians are managers/supervisors who also perform daily closeout verification)
    - Custodian does not keep a detailed record to document change fund establishment and replenishment, the amount and denomination of currency and coin held in the fund, and all exchanges of currency and coin made from the fund. **(Repeat Issue Noted From 2007 Audit)**
    - At some locations where change fund is transferred to another custodian or where a new custodian is introduced, there are no personal audits of the fund and no approval of change fund change of custodian form when custody of the change fund transferred to another custodian.
  4. **External counts, or counts conducted by an employee other than the change fund custodian, of several change funds do not comply with the recommended schedule stated in FIN 10.02 section 6.3.1 par.(7).** Finance performs external counts through its annual cash audit, however, change funds exceeding \$200 is counted more frequently (e.g. \$200.01 - \$500 is quarterly and over \$500 is monthly). This affects 10 of the 13 established change funds.

### **Recommendations**

To ensure appropriate oversight of change funds and compliance with FIN Manual requirements, we recommend that the Court do the following:

1. Conduct an assessment of all change funds and determine the proper change fund sizes to be established at each location based on the current transactional activity resulting from the recent divisional reorganization. The Court should consider lowering the change fund amount for locations that do not receive a high volume of currency and/or high volume of change fund activity to avoid the additional oversight requirements for funds exceeding \$500.
2. Require all locations to reconcile their change funds daily. It is recommended to have a change fund log with both the beginning and ending balances recorded to properly implement this requirement. As an added control, it is preferred to record and reconcile change fund at every exchange for locations that frequently access the change fund to make change (e.g. daily or a few times per week).



3. Ensure compliance with the oversight requirements for change funds exceeding \$500. If some requirements cannot be adhered to, the Court must submit a Request for Alternative Procedure Form and have it approved by the AOC as described in FIN 1.01 section 6.4 par. (4).
4. Perform more frequent external counts for change funds greater than \$200 as recommended since Finance's annual cash audit, which includes change funds, is applicable only for funds \$200 or less.

**Superior Court Response By: Ed Song**

**Date: June 2012**

Date of Corrective Action: August 31, 2012 & October 31, 2012

Responsible Person(s): Ed Song

**Recommendation # 1**

The Court has performed a thorough evaluation off all established change funds as evident in our annual cash audit in January 2011. However, since that cash audit, the Court has begun the process of consolidating divisions at each court location, to satellite divisions at north and south county locations. This consolidation was in progress at the time of the audit. After the completion of the consolidation, the Court will evaluate the change fund needed at each satellite division.

**Recommendation # 2**

The Court is in agreement with issue # 2 and will proceed accordingly with an expected date of completion August 31, 2012.

**Recommendation # 3**

Each manager was given a copy of the FIN Manual 10.02 regarding Cash Handling prior to this audit. The Court will officially appoint a change fund custodian at each satellite division, but due to the recent reductions in work force, the custodian will likely be a de facto custodian who also performs daily closeout verification.

**Recommendation # 4**

With the establishment of satellite divisions and the inherit increase of cash transactions at these locations, the Court will establish a change fund greater than \$500. Due to consolidation of Finance staff, the Court may not be able to meet the requirements of a monthly cash audit and will consider submitting an Alternative Procedure Form to the AOC for approval no later than October 31, 2012

**5.5 Compliance with Requirements Regarding Dishonored and Partial Payments in Civil Actions Needs Consistency and Improvement**

**Background**

The Code of Civil Procedure (CCP) requires courts to take certain actions when accepting check payments for civil filings and other services that are later returned (dishonored checks), or in an amount less than the required fee (partial payments).

According to CCP section 411.20 (a) for dishonored checks and CCP section 411.21 (a) for partial payments, the court must mail a notice notifying the paying party of the following:

- The check has been returned to the court unpaid (dishonored check) or the check was made out for an amount less than the required fee (partial payment);
- The court has imposed an administrative fee of either \$25 or a reasonable amount determined by the court that does not exceed the actual costs incurred for processing the returned check and providing the notice; and
- The filing fee and the administrative fee must be paid within 20 days of the date the notice (20-day notice) was mailed.

Subsection (b) of both statutes also describes that if the court does not receive payment of the civil filing and administrative fee within 20 days of the date it mails the 20-day notice discussed above, it must void the filing. Furthermore, if any trial or hearing is scheduled to be heard prior to the expiration of the 20-day period, the civil filing and administrative fees must be paid prior to the trial or hearing. Should the party fail to pay the civil filing and administrative fees prior to the expiration of the 20-day period, scheduled trial, or hearing, whichever occurs first, the court must void the filing and proceed as if it had not been filed.

### **Issues**

According to the Court, upon receiving notice from the bank of a dishonored check payment, the Court's Finance Bureau (Finance) reverses the associated payment, mails the required Notice of Returned Check to the defaulting party, and forwards a copy of the notice to the appropriate civil division. For partial payments, the civil managers and/or supervisors are responsible for mailing the required Notice of Partial Payment to the party. Once the notices are entered in DOMAIN, the Court's civil case management system, a work queue is created in the system to assist the civil managers and/or supervisors in tracking and monitoring the status of the civil filings under the 20-day full payment period. The work queue can also be viewed by the courtroom and calendar clerks to ensure no civil cases are heard prior to receiving full payment. If full payment is not received after 20 days have elapsed, the managers or supervisors will void the civil filing from the work queue and a respective entry in the register of actions is made.

To validate compliance, we tested a total of 39 civil cases – 20 dishonored check payments and 19 partial payments – selected from a DOMAIN query report for FY 2010-2011. Our testing revealed several instances of non-compliance:

1. **For civil filings with dishonored check payments, the Court did not consistently issue the required Notice of Returned Check or did not consistently issue the notice on a timely basis.** For example, of the 20 civil NSF payments reviewed, 14 of the 20 did not have the NSF notice issued timely.
  - a) 2 – Considered “untimely” because no notice sent at all.
  - b) 2 – Considered “untimely” because the notice was sent 9 or more days after the Court was noticed by the bank.

- c) 4 , notwithstanding the 2 noted above in (b), – Considered “untimely” because the notice was issued at least 11 business days after the original payment was presented to the Court. This delay appears to be due to the Court’s current deposit process.
2. **For civil filings with partial payments, the Court did not consistently issue the required Notice of Partial Payment and did not always timely issue the notice after receipt of the partial payment.** In 3 of the 19 civil cases tested, the civil division managers and/or supervisors did not issue any notices. Of the cases with notices issued, 9 of 16 notices were issued at least 84 days after receipt of partial payment with 328 days being the longest.
3. **The Court did not consistently void the civil filings as required when full payment was not received after the 20-day period has elapsed.** In 9 of 18 cases with dishonored check notices and in 10 of 16 cases with partial payment notices, the civil managers and/or supervisors did not void them in the work queue in DOMAIN thus the cases proceeded without receiving the full amount of the civil filing fee and administrative charge, which do not comply with both CCP 411.20 (b) and CCP 411.21 (b).

### **Recommendations**

To ensure that the Court processes only civil filings for which all required fees are paid in full, it should consider the following:

1. Finance must consistently prepare and promptly send the Notice of Returned Check to the paying party upon receiving bank notification of a dishonored check pursuant to CCP 411.20 (a). Finance should also ascertain that a copy of the notice sent to the party is promptly provided to the civil manager and/or supervisor to engage proper tracking of the civil filing in DOMAIN.
2. All civil managers and/or supervisors must consistently prepare and promptly send the Notice of Partial Payment to the paying party upon receiving and accepting the partial payment pursuant to CCP 411.21 (a).
3. Improve the civil divisions’ tracking and monitoring process to ensure civil filings are properly voided in DOMAIN when full payment of the required fee and administrative charge is not received by the expiration of the 20-day period pursuant to subsection (b) of CCP 411.20 and CCP 411.21. Coordination among the operations, calendar and courtroom staff is important to ascertain that cases are not scheduled or heard before the 20 days have elapsed

**Superior Court Response By: Matthew McDonald**

**Date: April 2013**

The Court is in agreement with the findings and recommendations to issue #1 and will proceed accordingly.

The Court is in agreement with the findings and recommendations to issue # 2. The civil management will ensure that the Notice of Partial Payments prepared and promptly sent to the paying party.

The Court is in agreement with the findings and recommendations to issue # 3. The civil divisions will put mechanisms in place to improve the tracking and monitoring process to ensure civil filings are properly voided when full payment of the required fee and administrative charge is not received by the expiration date.

## 6. Information Systems

### Background

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

The Court has four case management systems (CMS). They are Domain, TCMS, JCMS and CORPUS. All case management systems are managed by the Court's IT department with the exception of CORPUS, which is owned and managed by the County IT department. Traffic/criminal cases are processed in the Court's new case management system, TCMS, and civil cases are processed in the Court's Domain system. In addition, the Court houses nearly all its records in its case management system by scanning and imaging.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures</b>				
943201 IT MAINTENANCE	674,742.92	619,926.55	54,816.37	8.84%
943202 IT MAINTENANCE - HARDWARE	5,208.00	4,960.00	248.00	5.00%
943203 IT MAINTENANCE - SOFTWARE	0.00	0.00	0.00	n/a
* 943200 - IT MAINTENANCE	679,950.92	624,886.55	55,064.37	8.81%
943301 IT COMMERCIAL CONTRACTS	362,463.59	521,869.96	(159,406.37)	-30.55%
* 943300 - IT COMMERCIAL CONTRACT	362,463.59	521,869.96	(159,406.37)	-30.55%
943401 IT INTER-JURISDICTIONAL C	0.00	7,726.76	(7,726.76)	-100.00%
* 943400 - IT INTER-JURISDICTIONAL	0.00	7,726.76	(7,726.76)	-100.00%
943501 IT REPAIRS & SUPPLIES	0.00	190.00	(190.00)	-100.00%
943502 IT SOFTWARE & LICENSING F	119,168.22	45,620.80	73,547.42	161.21%
943503 COMPUTER SOFTWARE	610.00	0.00	610.00	n/a
* 943500 - IT REPAIRS/SUPPLIES/LICE	119,778.22	45,810.80	73,967.42	161.46%
943701 IT OTHER	0.00	0.00	0.00	n/a
* 943700 - IT OTHER	0.00	0.00	0.00	n/a
** INFORMATION TECHNOLOGY (IT) TOTAL	1,162,192.73	1,200,294.07	(38,101.34)	-3.17%

We reviewed various IS controls through interviews with Court IS managers and system technicians, observation of IS storage facilities and equipment, and review of documents.

Some of the primary reviews and tests conducted include:

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as controls over user accounts and passwords.
- Physical security controls, such as controls over access to computer rooms and the physical conditions of the computer rooms
- Controls over Court staff access to Criminal Offender Record Information (CORI) records via the Department of Motor Vehicles (DMV) and the California Law Enforcement Telecommunications System (CLETS).
- Calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

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

## **6.1 Information Technology Systems Development/Acquisition Responsibilities and Reporting**

### **Background**

The project management process for developing or acquiring an information technology (IT) system follows basic sound business practices for project management or Project Management Body of Knowledge ("PMBOK") standards as issued by the Project Management Institute as part of a standard system development life cycle ("SDLC"). Additionally, the California Technology Agency's (CTA) California Project Management Methodology utilized by the state's Executive Branch agencies in the development of IT projects follows a staged approach that has distinct outputs and supporting documents as detailed below that generally should be followed for IT projects. Last, guidance in industry standards as issued by the Institute of Electrical and Electronics Engineers, Inc. (IEEE) and the State's Department of Finance in its *Information Technology Project Oversight Framework* and CTA's *Project Management Methodology Reference Manual* documents are available on line. The stages are:

- 1. Concept** – This stage is to communicate high-level information about an idea for an IT project. The project would be assessed at a high level for its potential value, alignment with organizational strategy, and whether it overlaps with other existing or proposed projects. The major output of this stage is a **Concept Statement**. The supporting documentation at this stage includes a feasibility study and cost estimates. The cost estimates include all costs associated with the project including internal court and estimated justice partner, if applicable, costs.

Current statute (GC 68511.9 effective July 28, 2009) also requires that all:

“administrative and infrastructure information technology projects of the Judicial Council or the courts with total costs estimated at more than five million dollars (\$5,000,000), shall be subject to the reviews and recommendations of the office of the State Chief Information Officer.”

Further, the statute requires the California Technology Agency (CTA) to perform a review and make recommendations on the project in accordance to established project management requirements, and then to report on this to the Joint Legislative Budget Committee. Under GC 68511.9 discussion or coverage in this stage in documentation would include: compliance with statewide strategies, policies, and procedures, and all considerations of feasible alternatives to address the identified needs and benefits that are consistent with statewide strategies, policies, and procedures.

2. **Project Initiation** – This stage is to authorize and define the scope of a new project. It defines the project’s business case including the purpose and project business objectives and further refines estimates of the scope, schedule, and costs. A **Project Charter** is the major output of this stage. Under GC 68511.9 discussion or coverage in this stage requires documentation that would include: business case justification, identification of resource requirements, proposed technical solution, delineate well-defined programmatic needs, clearly identify programmatic benefits, and document the risk mitigation approach to the development or acquisition.
3. **Planning** – This stage is to define and mature the project scope, develop the project management plan, and identify and schedule the project activities that occur within the project. A **Project Management Plan** is the major output of this stage. Under GC 68511.9 discussion or coverage in this stage requires documentation would include: the project governance and management framework that is established and includes a detailed project management plan and identifying project oversight needs (independent project oversight and independent verification and validation). This framework for governance and oversight should be established to ensure that the project is best designed for success and will serve as a resource throughout the project implementation.
4. **Execution** – This stage is to complete the work defined in the project management plan to accomplish the project’s objectives defined by the project scope statement. This would entail for high risk projects an independent project oversight and verification and validation function that should be obtained at or prior to the project initiation stage. The major output of this stage are **the agreed upon deliverables and performance data report.**

For projects covered by GC 68511.9 the AOC is required to provide information including, but not limited to: the degree to which the project is within approved scope, cost, and schedule; project issues, risks, and corresponding mitigation efforts, and the current estimated schedule and costs for project completion.

5. **Closing** – This stage is to formally terminate all activities of a project, transfer the complete project to others or close a cancelled project. A **post implementation evaluation report (PIER)** is completed following the completion of an information technology project. The optimum time to conduct the PIER assessment depends upon the nature of the project with six months to one year after implementation being the typical timeframe and the outer limit being 18 months. The PIER would cover:
  1. Background and summary of project results
  2. Attainment of objectives
  3. Lessons learned
  4. Corrective actions
  5. Project management schedule
  6. Economic summary

**Issues**

Alameda Superior Court had a traffic system (CASP) that was over 50 years old with significant operational and functional problems. The general timeline established for replacement of the system and other pertinent events was:

2008 - 2009	Actively investigate alternative CMS's to replace the TCMS of the Court
July 15, 2009	Contract with SoftSol to develop a new traffic system executed
July 31, 2011	Contract to end with software installation and warranty period to begin
Sept. 2011	Start of 90 day Final User Acceptance Test Period (UAT) / Warranty period
March 2011	Delivery date to the Court
Jan. 2, 2012	Contract signed by Court with C Lim Corp. (former IT Director) to assist with implementation of TCMS
Jan. 5, 2012	Invoice for final payment of \$300,000 (contractually the end of UAT or July 2011, whichever is later).
Jan.-April 2012	Consultants hired by Court to resolve residual issues.
Ongoing	Continuing to resolve issues

**Concept Stage.** According to the Court's CFO, the old system was extremely difficult to manage, and the only programmer familiar with all of the pertinent coding was beginning to experience severe medical difficulties and had been absent and unavailable for months at a time, leaving the Court with virtually no one who could respond to the constant changes and significant support it took to manage the system effectively.

The Court's CFO stated that given that the County was charging the Court approximately \$1.2 million annually (\$100,000 a month), it was a fairly easy decision from an economic perspective to initiate the project. His evaluation based on only the above cost was that a payback period was only seven months. Issues here include:

- Lack of an equivalent of a Concept Statement.
- Documentation supporting the Concept Statement include a comprehensive feasibility study and an analysis of full project costs (including direct court staff time and training, and justice partner estimated costs) to support a payback period.
- Presentation of only the "hard" initial contract costs may misrepresent to management the total costs of the project.

**Project Initiation Stage.** The Court in fiscal year 2007 - 2008 actively started to investigate alternatives to the old traffic system including obtaining a new traffic CMS. The Court information technology (IT) Director at that time managed and was influential in identifying and working with external consultants to perform any IT work for the Court including an external company named SoftSol Technologies Inc. (a privately held company) based in



Fremont, CA. This company basically uses its offshore “team” in India for programming review, etc. The Court’s IT Director left the Court on March 29, 2008, and subsequently went to work for SoftSol Inc. as its Director of Public Services. We are not aware of this later date but it is prior to the Court entering into contract with SoftSol as discussed below.

The Court should always evaluate whether a possible conflict of interest may exist. Rule of Court states that a trial court may not enter into a contract for goods or services for which compensation is paid with a person previously employed by that court:

- (1) For a period of 12 months following the date of the former employee’s retirement, dismissal, or separation from service, if he or she was employed in a policymaking position in the same general subject area as the proposed contract within the 12-month period before his or her retirement, dismissal, or separation; or
- (2) For a period of 24 months following the date of the former employee’s retirement, dismissal, or separation from service, if he or she engaged in any of the negotiations, transactions, planning, arrangements, or any part of the decision-making process relevant to the contract while employed in any capacity by the court.

If the employee is the sole employee of the firm contracted with (sole proprietor) the above rule along with the Court’s personnel policy and procedures should be considered. Also, Government Code section 87407 should be considered:

No public official shall make, participate in making, or use his or her official position to influence, any governmental decision directly relating to any person with whom he or she is negotiating, or has any arrangement concerning, perspective employment.

#### SoftSol Technologies, Inc.

On July 15, 2009, the Court entered into an agreement with SoftSol Technologies, Inc. (SoftSol), for the development of a proprietary Traffic System (TCMS) that would meet the needs of the Court. The contract term is from July 15, 2009 through July 31, 2011 and the cost listed in the agreement is \$750,000.

SoftSol according to its website:

- Was founded in 1993 by President and CEO Srinu Madala;
- It is headquartered in Fremont, CA, with branches in Frankfurt, Germany, Hyderabad, India and Vizag, India;
- It has certifications: SEI CMMi Level 3; ISO 27001:2005 of ISMS; and ISO 9001:2008 and 500 total employees, 95% of whom have bachelors or masters degrees;
- It is involved in multi-year, deliverables-based projects executed for clients in the US and Europe and reports that it has large-scale project experience on the Federal, State and Local government levels;
- It is the manufacturer of BUGFAST automated testing solution and IntelliCourt Case Management; and

- It has public sector contracting vehicles including: GSA Schedule 70 and California CMAS.

Over the years the Court has used SoftSol for various tasks and the payment history is detailed in the chart below. With the initial payment of \$200,000 to SoftSol in 2009 the total payments for TCMS in the table below are approximately \$1,031,000.

Payments By Alameda Superior Court To SoftSol for Various Work Per Phoenix Vendor History	
2006	757,116.00
2007	1,666,617.01
2008	1,468,051.00
2009	897,500.00
2010	356,743.78
2011	132,543.34
2012	448,731.66
	5,727,302.79

The former IT Director was directly involved in contracting with and supervising the work of SoftSol prior to her leaving the Court.

The agreement in “Attachment II: Statement of Work for a New Traffic System For the Superior Court of California, Alameda County” states that:

“SoftSol reviewed all of the aforementioned documents, consulted with a Traffic subject matter expert formerly employed by SCCA [Superior Court of California, Alameda County] and developed a consolidated list of Traffic requirements for SCCA.”

Issues in this stage include:

- A Request For Proposal (RFP) was not issued for this project as it was sole sourced to SoftSol. No documentation was provided to us to adequately support the sole sourcing of this work to SoftSol and support consideration or evaluation of any possible conflict.
  - The Court stated that it believes the vendor is ‘very familiar with the Court’s business, case management systems, and its traffic policies and procedures’ from prior work as the primary basis for the sole source.
  - While this response is laudable, it is not a reasonable explanation for determining whether this was the lowest cost possible through the use of an RFP.

- The Court's analysis of cost for the project was not inclusive of all costs as for example all estimated court and justice partner costs were not included. A comprehensive cost benefit analysis does not appear to have been completed.
- As the payback period only covered the primary contractual programming costs any discussion leading to a decision is incomplete.
- Without a full analysis of costs involved in the project, there is a possibility that it could reach the \$5 million threshold for notice to the California Technology Agency under Government Code section 68511.9.
  - The partial hard costs given to us total \$1,605,938, which include approximately \$530,000 to continue on the county system due to delays in completion of the system implementation. Adding court costs, justice partner costs, and other soft costs could potentially have the project costs exceed \$5 million. As of May 2012 there are still severity level issues being addressed.
  - While the statute was effective July 29, 2009 and the contract was executed July 15, 2009, effectively the work was done subsequent to the effective date and for full accountability and compliance should apply to this project.
- There is a concern about the Court not documenting its review or evaluation of any possible conflict of interest on the part of the former IT director of the Court.

#### **Project Planning Stage.**

Issues in this stage include:

- The Court has not provided IAS with sufficient evidentiary matter to accurately determine the TCMS project's risk. This evaluation would allow an identification of criticality and oversight levels necessary for the project.
- Independent graduated oversight was not performed on the project to allow management to determine if the project is on track to be completed within the estimated schedule and cost, and whether full functionality required would be provided.
- The contract established three payments to be made with the last payment due "upon completion of the Final User Acceptance Test or in July 2011, whichever is later." This is a potential concern as there are concerns regarding whether appropriate acceptance criteria in the contract is matched to the payments made. Based on our contract review this is a concern.

#### **Execution Stage.**

Issues in this stage include:

- The Court was required to pay the County approximately \$530,000 to continue to run the former case management system, CASP, due to the lateness of the actual implementation of TCMS. The original launch date was February 2011. Since no CASP expenses were anticipated to be incurred in FY 2011-2012, the CASP expenses that were incurred from July 1, 2011 through November 2011 were considered a cost of the TCMS project. This is indicative of issues/defects associated with the system that are currently still being incurred.

- On July 31, 2011 the SoftSol contract ended and the Court still had and continues to have problems with the system.
- The Contract established a 90 day Acceptance Testing Period or warranty period to “verify functionality and that the system performance meets the agreed standards per the agreement.” The contract states that SoftSol will at no extra cost during the warranty period perform any corrections, which “it in its sole discretion, deems necessary to ensure system performance per agreed terms.” This is after the Court determines that the software “does not conform to the functionality as described in Statement of Work.” This all has to be done within the short 90 day warranty period and as noted the system still has problems.
- On January 2, 2012 the Court contracted with C Lim Corporation to “assist with the implementation of the traffic case management system and traffic amnesty program” of the Court as the warranty from SoftSol expired and TCMS was not fully functional.
  - C Lim Corporation’s president is the Court’s prior IT Director discussed above and appears to be a one person corporation. C Lim Corporation incorporated with Articles of Incorporation on September 9, 2009 (C3228492). This is apparently shortly after the Court accepted the system.
- This contract was sole sourced.
- The programming was sent offshore to India.

**Closing Stage.**

Issue in this stage include:

- A PIER report should to be prepared.

**Recommendations**

To ensure that IT projects are in the best interest of the judicial branch and the State, the Court should:

1. Comply with standards concerning developing or acquiring an information technology (IT) system and follow basic, sound business practices for project management.
2. Ensure documentation concerning procurement comply with procurement requirements and standard IT procurement requirements discussed in the Judicial Branch Contract Manual.
3. Comply with rule of court concerning limitations on contracting with former employees.
4. Complete a thorough analysis of a potential project’s cost and benefits before investing any significant resources and time into its development, and update this analysis periodically and as significant assumptions change.
5. Document and retain all key decisions that impact the project in general, including the goals of the project.

6. Immediately notice the CTA when required concerning the project in conformance with GC § 68511.9.

**Superior Court Response By: Matthew McDonald Date: March 21, 2013**

1. The Court is in agreement, fully understands the issues raised as well as the responsibilities related to the development and acquisition of an information technology system, and in the future will adopt sound business practices for similar projects.
2. The Court is in agreement and fully intends to comply with the requirements discussed above and standard IT procurement practices discussed in the Judicial Branch Contract Manual.
3. The Court is in agreement.
4. The Court is in agreement and in the future will complete a thorough analysis of a potential project's cost and benefits before investing any significant resources.
5. The Court is in agreement and will document and retain all key decisions that impact the project in general, including the goals of the project.
6. The Court is in agreement and in the future will ensure compliance by noticing the CTA when required concerning the project in conformance with GC § 68511.9.

The Court now understands and recognizes the issues raised in this Issue Memorandum. Going forward the Court will comply with the requirements of developing and acquiring an information technology system. Lastly, the Court will follow the reporting requirements necessary when acquiring an information technology system.

## **6.2 The Court Did Not Properly Distribute Certain Collections in Accordance with Statutes and Guidelines**

### **Background**

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

In October 2011, the Court deployed TCMS as its new traffic case management system replacing the antiquated county CASP system and numerous traffic manual distribution spreadsheets. TCMS is capable of both base-up and top-down distribution methodologies, however, it automatically performs case-level distribution calculation for traffic infractions only. It does accept and receipt payments for misdemeanor and felony cases but case-level distribution for these case-types is performed at month-end requiring manual calculations and adjustments using spreadsheets. .

### **Issues**

Because of the newly deployed TCMS, we were able to conduct more extensive case-level testing using test cases from the TCMS test environment to determine whether the new system was configured to distribute collections in accordance with applicable statutes and guidelines. We also tested actual misdemeanor cases such as Driving Under the Influence (DUI) and Reckless Driving by evaluating month-end spreadsheets and several actual TCMS traffic infraction cases at the request of the Court. Testing focused on high-volume cases such as Speeding and Red Light and on cases with violations involving complex or special distributions such as Railroad and traffic school dispositions. Our review identified the following issues:

1. **The Court did not correctly apply the GC §68090.8 – 2 Percent State Automation (2 percent)** thus understating 2 percent reporting in the TC-31. Two percent applies to all fines, penalties and forfeitures and should have been deducted to the following distributions:
  - GC §76000.10 - \$4 Emergency Medical Air Transportation additional penalty (EMAT) – Since EMAT is a penalty, the 2 percent deduction is applicable.
  - PC §1463.11 - 30 Percent Red Light allocation – Since 30 percent is taken from the base fine and applicable penalty assessments, the 30 percent Red Light allocation is subject to the 2 percent deduction.

- FG §13003 - Special base fine distribution (50% to State and 50% County) – The base fine, regardless of its special distribution, is subject to 2 percent deduction.
2. **The Court did not correctly perform some VC §42007 distributions on traffic school cases reviewed** as follows:
- Traffic school cases do not evidence 100% distribution of GC §70372(a) State Facilities penalty assessment (PA) as required in VC §42007(b)(3). The GC 70372(a) PA is split between the State Court Facilities Construction Fund (SCFCF) and Immediate Critical Needs Account (ICNA) but the latter is not distributed separately, which contributes to an understated ICNA reporting in TC-31. Also, since the total fine is unaffected (same as standard expected total), the undistributed ICNA portion overstates VC 42007 reporting in the 50/50 MOE Revenue split because it is part of the VC 42007 Traffic Violator School (TVS) fee distribution to the County.
  - For traffic school cases with city arrests, the city portion of the base fine is incorrect because it is not net of 2 percent. Pursuant to VC §42007 (c), the city distribution follows PC §1463.001(b)(3), which is for bail forfeiture/non-traffic school cases where 2 percent state automation is applicable. However, in traffic school cases, the 2 percent amount is not distributed to the state automation fund but rather is part of the VC 42007 TVS fee County distribution.
  - For traffic school cases with an odd base fine, the penalty assessment (PA) calculations (i.e. GC §76104 EMS, GC §76000.5 Additional EMS and GC §70372(a) State Facilities) are incorrect and resulted in understated amounts because the Court's PA factor is based on the actual base fine instead of the rounded up base fine. For example, a base fine of \$35 should result in a PA factor of 4 ( $\$35/10 = 3.5$  then rounded up to 4) thus GC §76104 EMS PA of 2 for every 10 should be \$8 ( $\$2 \times 4$ ). However, Court's calculation is only \$7 ( $\$2 \times 3.5$ ) because it did not round up the PA factor.
  - For traffic school cases with child seat violations (VC §27360 or VC §27360.5), distribution is incorrect because it followed a traffic school distribution pursuant to VC §42007. According to SCO Appendix C guidance, though traffic school is allowed, child seat violations are an exception to the VC 42007 distribution and thus follow a regular bail forfeiture distribution.
3. **The Court did not correctly calculate distributions on Red Light traffic school cases reviewed.** Since test cases showed no total fine variance (same as standard expected total), VC 42007 reporting in the 50/50 MOE revenue split is adversely affected because the VC 42007 Traffic Violator School Fee County distribution is inaccurate (VC 42007 TVS fee) as follows:

- Red Light 30 percent allocation pursuant to VC §42007.3 is inaccurate and understated because it incorrectly followed the non-traffic school calculation pursuant to PC §1463.11. In doing so, 30 percent is not applied to the following penalty assessments (PA); County and State DNA PAs, GC §76104 - EMS PA, GC §76000.5 - Additional EMS PA and GC §76000.10 - EMAT. As a result, at the time of testing, the 30 percent allocation is understated by \$25.20\*\* for every standard red light case with a \$100 base fine. (\*\**County DNA of \$10 + State DNA of \$30 + EMS of \$20 + Add'l EMS of \$20 + EMAT of \$4 = \$84 x 30% = \$25.20*).

The understated amount became part of or overstated the VC 42007 TVS fee thus 50/50 MOE reporting is overstated.

- Several Red Light traffic school cases tested evidence gross overstatement – more than twice of the expected distribution – of both EMS PAs (GC §76104 and GC §76000.5). The cause for the significant variance, however, cannot be determined. At the time of testing, GC §76104 EMS and GC §76000.5 Additional EMS should be \$20 each but test cases showed \$50.96 and \$46.24 respectively.

The overstated amounts reduced the VC 42007 TVS fee thus 50/50 MOE reporting is understated.

**4. The Court did not correctly calculate distributions on Red Light bail forfeiture or non-traffic school cases reviewed as follows:**

- Red Light 30 percent allocation pursuant to PC §1463.11 is inaccurate and understated because 30 percent was not applied to GC §76104 - EMS penalty assessment and GC §76000.10 – EMAT penalty of \$4. At the time of testing and exclusive of the 2 percent state automation, 30 percent allocation is understated by \$7.20\*\* for every standard red light case with a \$100 base fine. (\*\**EMS PA of \$20 + EMAT of \$4 = \$24 x 30% = \$7.20*).
- Inaccurate Red Light 30 percent allocation as aforementioned above resulted in all penalty assessments (PA) being incorrectly calculated. Thus, PAs subject to 30 percent red light allocation (i.e. GC §76000, GC §70372(a) and EMAT) are overstated while PAs not subject to 30 percent (i.e. County and State DNA PAs and Additional EMS PA) are understated as illustrated in Table 1 below.



Penalty Assessments (PA)	Standard	After 30% Allocation	EXPECTED (After 2% automation)	ACTUAL	VARIANCE Over (Under)
PC 1464 - State PA	70	49	48.02	53.89	5.87
PC 1464 - County PA	30	21	20.58	23.1	2.52
GC 76104.6 - County DNA PA	10	10	9.8	7.7	(2.10)
GC 76104.7 - State DNA Addl PA	30	30	29.4	23.1	(6.30)
GC 76100 - LCCF	20	14	13.72	15.4	1.68
GC 76101 - LCJF	25	17.5	17.15	19.25	2.10
GC 76104 - EMS	20	14	13.72	15.4	1.68
GC 76104.5 - DNA ID	3.5	2.45	2.401	2.7	0.30
GC 76102 - Auto Fingerprint	1.5	1.05	1.03	1.16	0.13
GC 76000.5 - EMS Addl PA	20	20	19.6	15.4	(4.20)
GC 70372(a) - SCFCF	30	21	20.58	23.1	2.52
GC 70372(a) - ICNA	20	14	13.72	15.4	1.68
<b>TOTALS</b>			<u>209.72</u>	<u>215.60</u>	<u>5.88</u>

**CONDITION:** Single Red Light violation case with a base fine of \$100.

**Table 1.** Impact of Incorrect 30% Allocation on PA's in Red Light Bail Forfeiture Cases

5. **The Court did not follow the standard total fine for misdemeanor violations (e.g. DUI and Reckless Driving) as recommended in the Judicial Council's Uniform Bail and Penalty Schedule** thus impacting base fine, surcharge and penalty assessment (PA) distributions. Distributions are overstated if assessed total fine is more than the standard and understated if less than the standard. The latter occurred in 5 of 6 test cases.
6. **The Court did not correctly calculate distributions on Railroad cases reviewed as follows:**
  - For traffic school and bail forfeiture cases tested, there is no evidence of the 30 percent Railroad allocation. Court stated that calculation followed the 30 percent Red Light calculation, which is incorrect as aforementioned in issue #3 and #4.
  - For traffic school cases, distribution is incorrect because it followed distribution pursuant to VC §42007 rather than the regular bail forfeiture distribution pursuant to PC §1463 as stated in VC §42007.4 (a)(3). Similar to child safety seat cases in which the defendant attends traffic school, railroad cases with traffic school follow 'non-traffic school' distribution pattern.

### Recommendations

To ensure proper calculation and distribution of fines, fees, penalties, and other assessments in accordance with applicable statutes and guidelines, the Court should consider the following:

1. Ensure GC §68090.8 – 2 Percent State Automation is correctly applied to all fines, penalties and forfeitures in criminal cases including, but not limited to, the following:

- GC §76000.10 - \$4 Emergency Medical Air Transportation additional penalty,
  - PC §1463.11 - 30 Percent Red Light allocation from the base fine and applicable penalty assessments, and
  - FG §13003 - Special distribution of the base fine between the State (50%) and County (50%)
2. Ensure traffic school distributions pursuant to VC §42007 is correctly addressed by performing the following:
- Distribute 100% of the GC §70372(a) State Facilities penalty assessment (PA). VC §42007(b)(3) expressly states that GC §70372 monies shall be distributed pursuant to subsection (f) of GC §70372. GC §70372(f) requires distribution to both SCFCF and ICNA portions of GC §70372.
  - For traffic school cases with city arrests, apply 2 percent on the city portion of the base fine and ensure the 2 percent amount is redirected to the VC §42007 fee distribution to the County. According to the SCO Appendix C and pursuant to VC §42007(c), the amount deposited will be an equal amount of the city base fine pursuant to PC §1463.001(b), which is reduced by 2 percent via the GC§68090.8 – 2 percent state automation.
  - Evaluate the PA calculation configured for traffic school cases with an odd base fine and ensure that a rounded up PA factor is utilized to determine PAs for distribution. According to AOC guidance, the base fine is rounded up to the nearest number divisible by 10 in order to properly arrive at the PA factor (per every \$10 of the base fine) for correct calculation of the standard PAs.
  - For traffic school cases with child seat violations (VC §27360 or VC §27360.5), ensure distribution is the same regardless of disposition (e.g. traffic school or bail forfeiture) and includes the application of 2 percent state automation. According to the SCO Appendix C, a child seat violation is “not considered part of the traffic fee, pursuant to VC 42007” thus should be allocated pursuant to VC §27360, which is a bail forfeiture/non-traffic school distribution. The only difference should be the assessment of VC §42007.1 traffic school fee of \$49 and other traffic school-related fees such as VC §11205 traffic school monitoring fee.
3. Ensure Red Light traffic school distribution pursuant to VC 42007.3 is correctly addressed by performing the following:
- Apply 30 percent allocation from the VC 42007 TVS fee, which consists of the base fine and all penalty assessments. When a case is disposed as traffic school, the fine becomes a fee (VC 42007 TVS fee). According to VC 42007.3(a)(1), the

first 30 percent of the VC 42007 TVS fee shall be distributed to the general fund of the city or county of which the offense occurred.

- Calculate and distribute GC §76104 – EMS penalty and GC §76000.5 – Additional EMS penalty assessments in whole or 100 percent of the amount that would have been distributed in a bail forfeiture disposition. According to the SCO Appendix C and pursuant to VC §42007.3(a)(2), the remaining balance of the VC 42007 TVS fee after allocating 30 percent shall be deposited pursuant to VC §42007. VC §42007(b)(2) states that amounts equal to what would have been collected pursuant to GC 76104 and GC §76000.5 shall be deposited with the County. This logic also applies to GC §70372(a) penalty assessment distributions pursuant to VC §42007(b)(3).
4. Ensure Red Light bail forfeiture distribution pursuant to PC 1463.11 is correctly addressed by performing the following:
    - Apply 30 percent allocation from the following distribution components; base fine, PC §1464 penalty assessment (PA), GC §76000 local PA, and GC §70372(a) State Facilities PA. Also, the SCO Appendix C specifically excludes the following components from 30 percent allocation; GC 76000.5 Additional EMS PA, GC 76104.6 County DNA PA and GC 76104.7 State DNA PA.
    - After correcting 30 percent allocation calculation, re-evaluate and test red light distributions including distributions to both EMS PAs (GC 76104 and GC 76000.5) to ascertain consistency with the statutory standard and to avert material variances.
  5. Ensure consistent assessment of standard total fines related to misdemeanor violations such as DUI and Reckless Driving to minimize inherent distribution variances caused by and correlated to the actual total fine's difference from the standard. The Court should provide judicial officers with tools such as up-to-date distribution charts to assist them in adjudicating standard fines.
  6. Ensure Railroad bail forfeiture distribution pursuant to PC 1463.12 and Railroad traffic school distribution pursuant to VC 42007.4 are correctly addressed by performing the following:
    - For both traffic school and bail forfeiture cases, 30 percent Railroad allocation is the same as the 30 percent Red Light allocation. For bail forfeiture cases, 30 percent comes from the following distribution components: base fine, PC §1464 penalty assessment, GC §76000 local penalty assessments, and GC §70372(a) moneys while for traffic school cases, 30 percent comes from the VC 42007 TVS fee that consists of the base fine and all penalty assessments.

- For traffic school cases, ensure distribution is the same regardless of disposition (e.g. traffic school or bail forfeiture). According to the SCO and pursuant to VC §42007.4(a)(3), the remaining balance of the VC 42007 TVS fee after allocating 30 percent shall be deposited pursuant to PC §1463, which is a bail forfeiture distribution. The only difference should be the assessment of VC §42007.1 traffic school fee of \$49 and other TS-related fees such as VC §11205 and not applying 2% state automation.

**Superior Court Response By: Matthew McDonald Date: December 3, 2012**

The Court has conducted a review of the test work conducted by the auditors. During our review, we found sufficient evidence and corroboration of the auditor's findings related and have developed a work plan and strategy to address and resolve the outstanding matters. It is the Court's intent to address and correct the related distribution tables, formulas, and methodologies within the TCMS system no later than early second quarter of 2013, preferably in April 2013.

**6.3 Noted in Prior Audits, the Court Does Not Have Comprehensive IT Continuity and Contingency Plans**

**Background**

Information technology (IT) continuity and contingency planning represents a scope of activities designed to sustain and recover critical systems and services after an emergency event. Use of various plans is necessary to properly prepare response, recovery, and continuity activities for disruptions affecting the organization's information systems, business processes, personnel, and facility infrastructure. The challenge, however, is the coordination among each plan during development and subsequent updates to ensure recovery strategies and supporting resources neither negate each other nor duplicate efforts.

The National Institute of Standards and Technology (NIST) develops and issues standards, guidelines and other publications to assist federal agencies in implementing the Federal Information Security Management Act (FISMA) of 2002. State and local agencies and private sector organizations are encouraged to use these publications, as appropriate.

The *NIST Special Publication 800-34 – Contingency Planning Guide for Information Technology Systems* (SP 800-34) discusses the need for IT planning in order to recover and continue operations during and after an unforeseen event and describes several plans to consider for an organization-wide resilience strategy including disaster recovery (DRP), business continuity (BCP) and continuity of operations (COOP). Generally, the three plans are independent from each other. *DRP supports the BCP or COOP* because it is an IT-focused plan designed to restore operability of mission-critical systems, applications, or computer facilities at an alternate site. A component of DRP is failover testing, which evaluates the back-up IT systems' ability to properly respond and activate when primary systems fail or become unavailable. The BCP focuses on *sustaining* critical business processes during and after a disruption while the COOP focuses on *relocating and restoring* mission-critical functions at an alternate site for up to 30 days.

These plans play significant roles in achieving NIST's definition of IT continuity and contingency planning. According to SP 800-34 chapter 3, there are 7 steps to develop and maintain an effective IT contingency plan; (1) *Develop the contingency planning policy* – includes roles and responsibilities, resource and training requirements, test and plan maintenance schedules, (2) *Conduct the business impact analysis (BIA)* – identify mission-critical business processes, resource requirements and recovery priorities, (3) *Identify preventive controls* – such as UPS, suppression systems and security controls, (4) *Create contingency strategies* – such as backup and recovery methods, off-site storage and alternate sites, (5) *Develop an information system contingency plan* – plan documentation, (6) *Ensure plan testing, training, and exercises*, and (7) *Ensure plan maintenance* – review and update.

### Issues

The 2003 audit identified the lack of a written DRP plan and the prior audit in 2007 found that the Court lacked both BCP and DRP plans. In its 2007 audit response, the Court agreed and stated;

*“It is the intention of the Court to develop a Business Continuity Plan which will include a Disaster Recovery Plan, and have it documented by the end of 2009. Annual testing of the Disaster Recovery Plan will commence in 2010.”*

Using IT internal control questions, supporting documentation and information gathered from subsequent meetings with IT staff, we identified that these prior issues still persist with several additional issues as described below:

1. **While the Court has developed BCP and COOP plans, the components affecting the Court's information technology infrastructure need improvement.** The lack of a BCP plan was an issue previously identified in the 2007 audit. The 2007 audit, however, did not address the lack of a COOP plan because the AOC Office of Emergency Response and Security (OERS) COOP initiative began after the audit. The Court stated that it has coordinated with OERS in developing a COOP and anticipates including elements of the BCP in this plan. **(Repeat issue from 2007 audit)**
2. **The Court has an incomplete and untested DRP plan.** The current DRP plan was still being developed during the time of the audit thus has not been tested. This plan has restore procedures for severe disasters or disasters affecting both Court and County datacenters, but restore procedures for major and minor disaster scenarios or disasters affecting outlying court locations, have yet to be documented. **(Repeat issue from both 2003 and 2007 audits)**
3. **The Court's failover testing process and procedures are not formalized and documented.** Court conducts network and mission-critical application failover tests, however, testing plan and schedule, test approvals, test procedures and test results are not documented and available for review. Court's primary network and application systems are both located at the County datacenter, however, the back-up network

system is located at the Court datacenter while the back-up application system is at the County data center.

### **Recommendations**

Although the Court has experienced and successfully recovered from a minor disaster with minimal business disruption after the water pipe leak at Allen E. Broussard Justice Center in Oakland on July 2007, the Court still is without any formal comprehensive continuity and contingency plans in place. Having well-tested and updated plans ensure higher likelihood of continuity and recovery success ranging from minor to major/significant emergencies. Furthermore, the impending construction of the New East County Courthouse emphasizes the need for these plans especially if the location will house a data center. The Court should consider the following:

1. Develop comprehensive BCP and COOP plans to establish a strong IT contingency planning framework. The Court should work closely with the AOC OERS to properly complete the COOP planning template and to ensure continuity and recovery strategies of the Court and the Judicial Council are aligned. To simplify plan maintenance, the Court may consolidate both BCP and COOP plans in a singular document as long as BCP and COOP procedures are clearly defined and specified. Once developed, these plans should be periodically reviewed and tested with results documented.

To better understand the differences and interrelationships of these plans and other security and emergency management-related plans including DRP, the Court may refer to *NIST Special Publication 800-34 section 2.2*.

2. Finalize its DRP plan with all possible disaster scenarios as determined and periodically test (e.g. annual tests) the plan's effectiveness. The Court should develop its DRP in coordination with the County since it is co-located in the county datacenter. In addition, the Court should periodically review the DRP and update accordingly especially when additional information from the BCP and COOP plans becomes available and upon construction of the new court location.
3. Formalize its failover testing process and procedures to ensure adherence to Court's defined disaster recovery testing standards and requirements. The Court should incorporate failover protocols in its DRP for better plan maintenance. Any scheduled tests should be well-documented including, but not limited to, authorized approvals, personnel assignment, test results communication and subsequent corrective actions, if any.

**Superior Court Response By: Patricia Edwards Date: August 21, 2012**

The Court is in agreement and will take the necessary corrective action.

The Court does agree with the finding related to a viable Disaster Recovery Plan (DRP) and is in the process of taking the following corrective action. The high level task plan is as

follows:

Task	Target Date	Status
Draft Disaster Recovery Plan Document	Dec 2012	In Progress
Review and Document Hardware and Software Inventory	July 2012	Complete
Implement MS System Center for Inventory Control	Sept 2012	In Progress
Review Vendor Hosting Options for Capability and Cost	Oct 2012	In Progress
Define and Document Disaster Scenarios	Oct 2012	In Progress
Develop and Document Scenario Testing Plans	Nov 2012	Not Started
Conduct Testing (some scenarios will be budget dependent)	Q2 2013	Not started
Refine / Update plan as Required	On Going	

#### **6.4 Noted in Previous Audits and Still Outstanding, the Court's IT Policies and Procedures on Logical Access Security Are Not Comprehensive and Require Updates**

##### **Background**

Information technology (IT) drives business processes and promotes operational efficiency within the trial court. Therefore, IT management and subsequent technology decisions should be compatible with the trial court's overall technology plan and more importantly, with the judicial branch's strategic technology initiatives. To achieve this core business requirement, strong IT control policies and procedures must be developed, implemented and instilled in the trial court's business environment.

The National Institute of Standards and Technology (NIST) develops and issues standards, guidelines and other publications to assist federal agencies in implementing the Federal Information Security Management Act (FISMA) of 2002. State and local agencies and private sector organizations are encouraged to use these publications, as appropriate.

The *NIST Special Publication 800-53 – Recommended Security Controls for Federal Information Systems and Organizations* (SP 800-53) provides a set of 17 minimum security control requirements that accomplishes an organization's responsibility of building secure information systems and compliance to governmental and established security standards issued by, to name a few, the Office of Budget and Management (OMB) and International Organization of Standardization (ISO). Each requirement has its own set of controls that should be considered depending on the level of information systems in use.

Access control is one of the 17 minimum security requirements. To properly fulfill this requirement, there are 22 controls to consider such as account management, access enforcement and session lock. However, the primary control to consider, as is the case for the other 16 security requirements, is the development of documented formal policies and procedures. According to SP 800-53, this control is intended to produce policies and procedures that are;

- Required for the effective implementation of selected security controls and control enhancements

- Consistent with applicable federal [and state] laws, Executive Orders, directives, policies, regulations, standards, and guidance
- Developed for the security program in general and for a particular information system, when required

### **Issues**

At the time the audit field work was performed in February and March 2012, it was noted that the Court's IT security controls is limited to logical access controls only. Based on the Court's responses to IT internal control questions and information and documents gathered from subsequent meetings with IT staff, we identified the following issues regarding the Court's logical access security policies and procedures:

1. **Several security policies and procedures are inadequate including some previously identified in the 2003 and 2007 audits:**
  - Policies and procedures on virus protection are not clear and detailed. Virus protection is mentioned in three of the Court's current policies and procedures; Acceptable Use policy, Remote Access policy and VPN policy. However, policies and procedures did not mention virus updates, configurations and notifications as handled by network and security administrators. **(Repeat Issue from 2003 and 2007 audit)**
2. **Some current policies and procedures do not reflect the Court's current computing environment and do not evidence review for at least 5 years as follows:**
  - Policy and procedures on Virtual Private Network (VPN) related to remote access technology was last revised on April 2004 and evidences outdated information. The Court currently uses Citrix Secure Socket Layer (SSL) VPN protocol but the policy still refers to traditional VPN protocols such as IPSec and L2TP VPN protocols.
  - Policy on remote access was last revised on November 2006
  - Policies on username and password management were last updated in April 2001.

### **Recommendations**

The Court should consider the following to better evaluate, manage and update its IT security policies and procedures including, but not limited to, logical access security:

1. Prepare and document its IT security policies and procedures in a formalized manual, have it reviewed and approved by the IT director and CEO and have it communicated to pertinent court staff. Comprehensive IT policies and procedures provide enhanced training and awareness while ensuring proper transfer of knowledge to end-users and system administration staff. More importantly, it promotes consistent and streamlined enforcement of policies and performance of procedures across the varied information systems (e.g. network and case management systems) utilized by the Court.



To develop more comprehensive IT security policies and procedures, the Court should refer to the security controls defined in the *NIST Special Publication 800-53 Appendix D and Appendix F*.

2. Perform periodic reviews to ensure adherence and relevance to the Court's organizational strategy and vision and to ascertain currency with existing and upcoming technology. Any updates or revisions should be properly documented, approved and disseminated.

**Superior Court Response By: Patricia Edwards**

**Date: August 22, 2012**

The Court is in agreement and will take the necessary corrective action.

## 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. FIN Manual, Procedure No. 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 with the County Treasurer's Office.

The Court implemented the Phoenix Financial System in FY 04/05 as part of the CARS initiative. The Court also opened bank accounts separate from the County that it uses: (a) to receive funding from the AOC, (b) for vendor payments.

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 and the County Treasury.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Assets</b>				
120050 SHORT TERM INVESTMENTS-LA	41,969,612.48	32,528,440.15	9,441,172.33	29.02%
120051 SHORT TERM INVESTMENTS-CA	2,611,273.45	0.00	2,611,273.45	n/a
<b>Revenues</b>				
825010 INTEREST INCOME	(177,560.14)	(194,239.20)	(16,679.06)	8.59%
** 825000-INTEREST INCOME	(177,560.14)	(194,239.20)	(16,679.06)	8.59%
<b>Expenditures</b>				
939701 BANKING AND INVESTMENT SE	65,146.13	64,280.08	866.05	1.35%
* 939700 - BANKING AND INVESTMENT S	65,146.13	64,280.08	866.05	1.35%
920301 MERCHANT FEES	0.00	0.00	0.00	n/a
920302 BANK FEES	17,477.19	36,283.69	(18,806.50)	-51.83%
920306 PARKING FEES	19,777.02	19,442.38	334.64	1.72%
920399 FEES/PERMITS	0.00	683.52	683.52	100.00%
* 920300 - FEES/PERMITS	37,254.21	56,409.59	(17,788.34)	-31.53%

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 issues in this section.

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. The Court contracts with the County Sheriff's Office to provide security staff for courtrooms, entrance and perimeter screening, monitoring security cameras, and monitoring holding cell areas. The Court also has a Court Administrator that oversees the facility needs of the Court, including security needs such as building access and maintenance of fire-prevention and detection devices, security cameras, and duress systems.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures</b>				
934503 PERIMETER SECURITY-SHERIF	1,526,957.99	1,525,000.00	1,957.99	0.13%
934504 PERIMETER SEC-CONTRCT (OT	1,452.25	75,406.76	(73,954.51)	-98.07%
934510 COURTROOM SECURITY-SHERIF	20,396,671.13	16,775,000.00	3,621,671.13	21.59%
934512 ALARM SERVICE	8,007.34	10,854.99		0.00%
* 934500 - SECURITY	21,933,088.71	18,386,261.75	3,546,826.96	19.29%
				n/a
** SECURITY TOTAL	21,933,088.71	18,386,261.75	3,546,826.96	19.29%
941101 SHERIFF - REIMBURSEMENTS	15,799.00	15,932.00	(133.00)	-0.83%
941199 SHERIFF	24,700.00	25,166.00	(466.00)	-1.85%
* 941100 - SHERIFF	40,499.00	41,098.00	(599.00)	-1.46%

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

There were no issues considered significant enough to bring to management's attention in this report. There were nine minor issues noted and are contained in the Appendix A.

## **9. Procurement**

### **Background**

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents the approval by an authorized individual. Depending on the type, cost, and frequency of the goods or services to be procured, 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 the 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 associated procurement documents. We also tested selected procurements to determine the Court's compliance with open and competitive procurement requirements and its use of blanket purchase orders.

The following issue was considered significant enough to bring to management's attention in this report. There was one issue noted that is included in the Appendix A. In addition, IAS noted issues when the Court procured its Traffic Case Management System (See Section 6.1 of this report).

### **9.1 The Court Needs to Strengthen Compliance with Procurement Policies and Procedures**

#### **Background**

As stewards of public funds, trial courts have an obligation to use sound procurement practices to demonstrate that goods and services are purchased in a fair and reasonable manner, and that public funds are used economically. To obtain the best value for a purchase, courts should solicit competing offers from multiple, well-qualified vendors. The procurement process employed by a government entity must be competitive and the controlling policies and procedures exist to offer reasonable assurance of adequate competition and proper purchase documentation.

FIN Manual Policy No. 6.01 establishes a system of internal control over the procurement function. Key areas addressed by this policy include, but are not limited to; the form and approval of purchase requisitions; proper documentation of sole source procurements; documentation requirements for procurements within certain dollar value thresholds; and limitations on purchase card usage. A properly maintained procurement file demonstrates the satisfactory operation of this system of internal control, while affording the Court valuable evidence of a competitive procurement in the event a purchase is scrutinized.

Effective October 1, 2011, the procurement and contracting policies in the FIN Manual has since been superseded by the Judicial Branch Contracting Manual as the controlling authority for the procurement function. In the future, pursuant to SB 78 (Chapter 10, Statutes of 2011), the Court will be audited by the Bureau of State Audits as to compliance with the contracting manual.

### **Issues**

To determine whether the Court followed the procurement policies and procedures in the FIN Manual, we interviewed Court management and staff regarding its procurement practices and reviewed the associated procurement files and documents (i.e. requisitions, vendor quotes, purchase orders, and contracts) for selected fiscal year 2010-2011 expenditure transactions. Transaction testing included sample procurements that were initially processed in the Court's purchasing department and those processed in Court's Office of Information Technology (OIT). The quantity and quality of purchase documentation differed between procurements initially processed in purchasing and those originating in OIT.

Thus, in addition to the standard transactional testing, we examined the scope of purchasing authority as to procurements originating from OIT, as organizational structure and spheres of authority are often a determinant of the overall quality of the control environment. Our review disclosed that the Director of OIT acted as the direct supervisor for a Procurement Specialist. The risk for non-compliant procurements increases when purchases are approved and purchase orders are created outside of the purview of the operational expertise of the Procurement Manager. As a result of our testing, we noted the following issues:

1. A properly approved purchase requisition, as required by FIN Policy No. 6.01, section 6.3, was not documented in the procurement files of 9 of the 30 (30%) sample transactions tested.
2. 9 of 30 transactions tested were sole source procurements; proper sole source documentation required by FIN Policy No. 6.01 section 6.11 was not found in the procurement files for 7 of 9 (77%) of these transactions.
3. Three written offers were not documented in the procurement files for four of the "Competitive Procurements" tested, as required by FIN Policy No. 6.01, section 6.5.4.
4. The procurement file did not document three offers as required by FIN Policy No. 6.01, section 6.5.3 for three small purchase transactions.
5. For one of the "low value" procurement samples tested, the procurement file did not document three phone/internet offers as required by FIN Policy No. 6.01, section 6.5.2.1.

6. In FY 2010-2011, 39 credit card transactions exceeded the single purchase limit of \$1,500 established in FIN Policy No.6.01 section 6.14.4. 79% of these non-compliant transactions originated in the Court's OIT department.

### **Recommendations**

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

1. As to issues one through six, the Court should establish a system of internal controls to offer reasonable assurance of compliance with the policies and procedures established in the Judicial Branch Contracting Manual.

**Superior Court Response By: Matthew McDonald**

**Date: June 21, 2012**

Date of Corrective Action: July, 2012

Responsible Person(s): Sheila Tolbert, Director, Human Resources & Labor Relations  
Matthew McDonald, Finance Director  
Pat Edwards, Bureau Chief, OIT

The recent retirement of the procurement specialist who had been assigned to the Office of Information Technology has provided an opportunity for the Court to reassess the controls in place for purchasing.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures</b>				
938201 CONSULTING SERVICES-TEMP	198,960.00	165,521.24	33,438.76	20.20%
* <b>938200 - CONSULTING SERVICES - TE</b>	<b>198,960.00</b>	<b>165,521.24</b>	<b>33,438.76</b>	<b>20.20%</b>
938301 ACCOUNTING SERVICES	162,956.18	166,201.54	(3,245.36)	-1.95%
938401 GENERAL CONSULTANTS & PRO	1,314,066.64	872,907.70	441,158.94	50.54%
938404 ADMINISTRATIVE SERVICE	462,999.00	543,841.37	(80,842.37)	-14.87%
938408 LABORATORY SERVICES FOREN	0.00	6,935.96	(6,935.96)	-100.00%
938409 ARCHIVING/IMAGING MANAGEM	6,324.13	3,400.00	2,924.13	86.00%
938410 TELECOMMUNICATIONS-CONSUL	0.00	0.00	0.00	n/a
938411 TRAFFIC SCHOOL MONITORING	282,207.62	259,005.68	23,201.94	8.96%
* <b>938300 - GENERAL CONSULTANT AND P</b>	<b>2,228,553.57</b>	<b>1,852,292.25</b>	<b>376,261.32</b>	<b>20.31%</b>
938502 COURT INTERPRETER TRAVEL	102,176.05	100,509.71	1,666.34	1.66%
938503 COURT INTERPRETERS - REGI	104,220.70	67,302.72	36,917.98	54.85%
938504 COURT INTERPRETERS - CERT	363,119.87	450,586.99	(87,467.12)	-19.41%
938505 COURT INTERPRETERS - NONR	97,799.66	50,117.03	47,682.63	95.14%
938506 COURT INTERPRETERS - NONC	65,759.03	52,514.55	13,244.48	25.22%
938507 COURT INTERPRETERS - AMER	107,014.60	108,361.91	(1,347.31)	-1.24%
938511 COURT INTERPRETER - LODGI	202.90	0.00	202.90	n/a
* <b>938500 - COURT INTERPRETER SERVIC</b>	<b>840,292.81</b>	<b>829,392.91</b>	<b>10,899.90</b>	<b>1.31%</b>
938701 COURT TRANSCRIPTS	906,431.66	962,277.32	(55,845.66)	-5.80%
* <b>938700 - COURT TRANSCRIPTS</b>	<b>906,431.66</b>	<b>962,277.32</b>	<b>(55,845.66)</b>	<b>-5.80%</b>
938801 DEPENDENCY COUNSEL CHRGS	568,857.00	760,153.74	(191,296.74)	-25.17%
938802 DEPENDENCY COUNSEL CHRGS	458,509.74	0.00	458,509.74	n/a
938803 COURT-APPOINTED COUNSEL C	413,335.47	449,237.39	(35,901.92)	-7.99%
* <b>938800 - COURT APPOINTED COUNSEL</b>	<b>1,440,702.21</b>	<b>1,209,391.13</b>	<b>231,311.08</b>	<b>19.13%</b>
938905 FINGERPRINT PROCESSING	10,260.00	8,361.00	1,899.00	22.71%
* <b>938900 - INVESTIGATIVE SERVICES</b>	<b>10,260.00</b>	<b>8,361.00</b>	<b>1,899.00</b>	<b>22.71%</b>
939018 MENTAL HEALTH HEARING OFF	117,907.63	119,086.36	(1,178.73)	-0.99%
939002 PSYCHIATRIC EVALUATIONS	65,524.10	78,275.07	(12,750.97)	-16.29%
* <b>939000 - COURT ORDERED PROFESSION</b>	<b>183,431.73</b>	<b>197,361.43</b>	<b>(13,929.70)</b>	<b>-7.06%</b>
939101 MEDIATORS/ARBITRATORS	0.00	750.00	(750.00)	-100.00%
939103 ATTORNEY ARBITRATION-ADR	15,501.43	0.00	15,501.43	n/a
939105 PRO TEM HEARING OFFICERS	49,044.00	43,617.00	5,427.00	12.44%
* <b>939100 - MEDIATORS/ARBITRATORS</b>	<b>64,545.43</b>	<b>44,367.00</b>	<b>20,178.43</b>	<b>45.48%</b>
939401 LEGAL SERVICES	0.00	0.00	0.00	n/a
939419 CONTRACT LAW FIRM COSTS	0.00	0.00	0.00	n/a
* <b>939400 - LEGAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>#DIV/0!</b>
939801 OTHER CONTRACT SERVICES	0.00	0.00	0.00	n/a
* <b>939800 - OTHER CONTRACT SERVICES</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>n/a</b>

**Expenditures continued**

942202 COUNTY COUNSEL SERVICES	0.00	0.00	0.00	n/a
942301 COUNTY - FISCAL SERVICES	0.00	0.00	0.00	n/a
942302 AUDITOR-CONTROLLER SERVIC	0.00	0.00	0.00	n/a
942501 COUNTY - HUMAN RESOURCES	0.00	0.00	0.00	n/a
942601 COUNTY - OFFICE SERVICES	158,893.74	153,388.00	5,505.74	3.59%
942701 COUNTY - BUSINESS SERVICE	0.00	354,204.74	(354,204.74)	-100.00%
942801 COUNTY - EDP SERVICES	2,516,968.81	2,856,956.39	(339,987.58)	-11.90%
<b>* 942100 - COUNTY-PROVIDED SERVICES</b>	<b>2,675,862.55</b>	<b>3,364,549.13</b>	<b>(688,686.58)</b>	<b>-20.47%</b>

We interviewed Court management and staff regarding the Court's contracting, and contract management and monitoring practices to determine compliance with applicable FIN Manual requirements. We also reviewed selected contract agreements in effect in FY 2010–2011. Primary contracts and testing performed included the following:

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

There were no issues considered significant enough to bring to management's attention in this section. There were eight issues considered significant enough to be noted in the report Appendix A.



## 11. Accounts Payable

### Background

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

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Assets</b>				
119001 CASH ON HAND - CHANGE FUN	24,540.00	25,290.00	(750.00)	-2.97%
119002 CASH ON HAND - PETTY CASH	825.00	1,225.00	(400.00)	-32.65%
<b>Expenditures – Travel</b>				
929201 IN-STATE TRAVEL EXPENSE C	71,360.53	86,910.25	(83,194.80)	-95.72%
929202 IN-STATE AIR TRANSPORTATI	22,212.14	15,298.96	110,056.10	719.37%
929203 IN-STATE RENTAL VEHICLES	0.00	194.98	(194.98)	-100.00%
929206 LODGING-IN STATE	7,785.25	6,296.07	119,058.99	1891.00%
929207 RAIL, BUS TAXI, FERRY-IN	20,186.44	325.71	(325.71)	-100.00%
929211 PARKING-IN STATE	95.25	231.66	(231.66)	-100.00%
929299 TRAVEL IN STATE	3,715.45	0.00	0.00	n/a
* 929200 - TRAVEL- IN STATE	125,355.06	109,257.63	145,167.94	132.87%
931101 OUT-OF-STATE TRAVEL EXPEN	0.00	0.00	0.00	n/a
931102 OUT-OF-STATE AIR TRANSPOR	0.00	0.00	0.00	n/a
931106 RAIL, BUS, TAXI, FERRY-OU	0.00	0.00	0.00	n/a
* 931100 - TRAVEL OUT OF STATE	0.00	0.00	0.00	n/a
<b>Expenditures</b>				
920601 MISCELLANEOUS OFFICE SUPP	447,003.01	370,959.10	76,043.91	20.50%
920603 FIRST AID/SAFETY SUPPLIES	0.00	3,014.13	(3,014.13)	-100.00%
920605 TONER-MICROFILM EQUIPMENT	0.00	3,420.00	(3,420.00)	-100.00%
920606 TONER - PRINTER	929.31	202.98	726.33	357.83%
920607 TONER - FAX	80.24	359.01	(278.77)	-77.65%
920609 ELECTRONIC RECORDING SUPP	22,446.02	57.27	22,388.75	39093.33%
920611 CRTRM MICROPHONE & HEARIN	0.00	447.80	(447.80)	-100.00%
920612 STENO PAPER FOR COURT REP	2,451.39	4,366.88	(1,915.49)	-43.86%
920613 RUBBER STAMP	515.67	342.98	172.69	50.35%
920615 BOTTLED WATER	51,288.16	52,356.63	(1,068.47)	-2.04%
920618 NCR REGISTER PAPER/COPIER	703.62	1,934.60	(1,230.98)	-63.63%
920622 COPY PAPER	0.00	1,725.84	(1,725.84)	-100.00%
920626 LADDERS & STEPSTOOLS	0.00	546.38	(546.38)	-100.00%
920629 ART AND CRAFT SPLY/GRAPHI	0.00	139.60	(139.60)	-100.00%
920630 T-SHIRT-EMBROIDERED	324.78	5,787.50	(5,462.72)	-94.39%
920631 PROMOTIONAL MATERIALS	0.00	387.00	(387.00)	-100.00%
920632 AWARDS (SERVICE RECOGNITI	622.00	0.00	622.00	n/a
920699 OFFICE EXPENSE	32,900.87	210.00	32,690.87	15567.08%
* 920600 - OFFICE EXPENSE	559,265.07	446,257.70	113,007.37	25.32%
920799 FREIGHT & DRAYAGE	9,197.54	8,720.24	477.30	5.47%
* 920700 - FREIGHT AND DRAYAGE	9,197.54	8,720.24	477.30	5.47%
921501 PERSONNEL ADS	908.62	900.00	8.62	0.96%
921504 JOB BULLETINS	2,423.23	75.00	2,348.23	3130.97%
* 921500 - ADVERTISING	3,331.85	975.00	2,356.85	241.73%

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures continued</b>				
921701 MEETING AND CONFERENCE -	625.00	3,365.00	(2,740.00)	-81.43%
921702 MEETING AND CONFERENCE -	1,025.34	2,423.67	(1,398.33)	-57.69%
921704 SPECIAL EVENTS	0.00	30.00	(30.00)	-100.00%
921799 MEETINGS, CONFERENCES, EX	6,843.10	948.97	5,894.13	621.11%
* 921700 - MEETINGS, CONFERENCES, E	8,493.44	6,767.64	1,725.80	25.50%
922301 SUBSCRIPTIONS/MAGAZINESIA	281,720.54	282,075.11	(354.57)	-0.13%
922302 PUBLICATIONS-ON LINE SERV	161,274.46	143,034.64	18,239.82	12.75%
* 922300 - LIBRARY PURCHASES AND SU	442,995.00	425,109.75	17,885.25	4.21%
922601 MINOR OFFICE EQUIPMENT/MA	738.44	8,142.36	(7,403.92)	-90.93%
922603 OFFICE FURNITURE - MINOR	43,304.49	81,034.89	(37,730.40)	-46.56%
922605 MODULAR FURNITURE-MINOR	8,624.29	21,164.94	(12,540.65)	-59.25%
922606 NON-OFFICE FURNITURE	5,506.16	2,331.09	3,175.07	136.21%
922608 WEAPON SCREENING EQUIPMEN	4,128.00	0.00	4,128.00	n/a
922610 COMPUTER ACCESSORIES	117,762.16	34,497.39	83,264.77	241.37%
922611 COMPUTER	119,956.37	40,874.08	79,082.29	193.48%
922612 PRINTERS	95,400.88	30,554.42	64,846.46	212.23%
922614 SECURITY SURVEILLANCE - M	0.00	3,923.56	(3,923.56)	-100.00%
922699 MINOR EQUIPMENT - UNDER \$	18,488.81	1,623.38	16,865.43	1038.91%
* 922600 - MINOR EQUIPMENT - UNDER	413,909.60	224,146.11	189,763.49	84.66%
922702 COPIERS-RENTAL-LEASE	225,460.64	253,179.63	(27,718.99)	-10.95%
922705 POSTAGE MACHINE-RENTAL-LE	60,973.94	69,396.89	(8,422.95)	-12.14%
922799 EQUIPMENT RENTAL/LEASE	844.71	0.00	844.71	n/a
* 922700 - EQUIPMENT RENTAL/LEASE	287,279.29	322,576.52	(35,297.23)	-10.94%
922806 SECURITY SYSTEM MAINTENAN	0.00	0.00	0.00	n/a
922899 OFFICE EQUIPMENT MAINTENA	510.00	0.00	510.00	n/a
* 922800 - EQUIPMENT MAINTENANCE	510.00	0.00	510.00	n/a
922901 POSTAGE MACHINE-REPAIRS	0.00	327.06	(327.06)	-100.00%
922903 FAX MACHINE	0.00	120.00	(120.00)	-100.00%
922904 AUDIO	4,167.38	1,364.82	2,802.56	205.34%
922907 IT EQUIPMENT-REPAIRS	13,441.73	12,265.00	1,176.73	9.59%
922908 FURNITURE REPAIR	0.00	460.00	(460.00)	-100.00%
922909 SECURITY EQUIPMENT REPAIR	35,507.14	29,602.02	5,905.12	19.95%
922910 WEAPON SCREENING EQUIPMEN	6,925.00	3,908.90	3,016.10	77.16%
922911 ALARM SYSTEM REPAIR	(2,634.75)	2,634.75	(5,269.50)	-200.00%
922999 EQUIPMENT REPAIRS	0.00	1,165.81	(1,165.81)	-100.00%
* 922900 - EQUIPMENT REPAIRS	57,406.50	51,848.36	5,558.14	10.72%
923905 COURIER SERVICE	42,945.00	39,613.64	3,331.36	8.41%
923908 SHREDDING SERVICE	12,763.00	12,183.00	580.00	4.76%
923909 DOC RETRIEVAL SERVICE	21.00	0.00	21.00	n/a
923915 DRY CLEANING	0.00	25.00	(25.00)	-100.00%
923999 GENERAL EXPENSE-SERVICE	3,637.50	1,500.00	2,137.50	142.50%
* 923900 - GENERAL EXPENSE - SERVIC	59,366.50	53,321.64	6,044.86	11.34%
924501 PRINTED FORMS	326,223.55	255,976.34	70,247.21	27.44%
924502 COURT FORMS	21,587.61	75,349.50	(53,761.89)	-71.35%
924503 ENVELOPES	0.00	384.52	(384.52)	-100.00%
924506 CASE FILE JACKETS	0.00	0.00	0.00	n/a
924512 PAMPHLETS	0.00	138.83	(138.83)	-100.00%
924599 PRINTING	960.31	2,008.43	(1,048.12)	-52.19%
* 924500 - PRINTING	348,771.47	333,857.62	14,913.85	4.47%
925101 TELECOMMUNICATIONS	1,108,084.63	1,217,759.75	(109,675.12)	-9.01%
925116 TELEPHONE REPAIR	(365.00)	365.00	(730.00)	-200.00%
925102 INTERNET ACCESS PROVIDER	0.00	304.60	(304.60)	-100.00%
925103 CELL PHONES/PAGERS	0.00	0.00	0.00	n/a
925113 TELEPHONE SYSTEMS	0.00	28.90	(28.90)	-100.00%
* 925100 - TELECOMMUNICATIONS	1,107,719.63	1,218,458.25	(110,738.62)	-9.09%
926101 STAMPS	488,765.38	374,429.58	114,335.80	30.54%
926102 EXPRESS DELIVERY	11,975.79	10,858.00	1,117.79	10.29%
* 926200 - STAMPS, STAMPED ENVELOPE	500,741.17	385,287.58	115,453.59	29.97%
926301 POSTAGE METER REFILL	214,603.09	291,509.66	(76,906.57)	-26.38%
926302 POSTAGE METER SUPPLIES	3,251.91	905.09	2,346.82	259.29%
* 926300 - POSTAGE METER	217,855.00	292,414.75	(74,559.75)	-25.50%
** POSTAGE TOTAL	718,596.17	677,702.33	40,893.84	6.03%

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures continued</b>				
928801 INSURANCE	24,921.00	24,012.00	909.00	3.79%
928803 PROPERTY INSURANCE	600.00	1,200.00	(600.00)	-50.00%
* <b>928800 - INSURANCE</b>	<b>25,521.00</b>	<b>25,212.00</b>	<b>309.00</b>	<b>1.23%</b>
933101 TRAINING	33,903.17	14,714.94	19,188.23	130.40%
933103 REGISTRATION FEES - TRAIN	0.00	281.00	(281.00)	-100.00%
933105 TRAINING FACILITY RENTAL	3,301.96	853.73	2,448.23	286.77%
933107 TRAINING MEDIA	1,979.08	0.00	1,979.08	n/a
933102 TUITION REIMBURSEMENT (NO	0.00	0.00	0.00	n/a
* <b>933100 - TRAINING</b>	<b>39,184.21</b>	<b>15,849.67</b>	<b>23,334.54</b>	<b>147.22%</b>
965101 JURORS - FEES	600,210.00	609,980.98	(9,770.98)	-1.60%
965102 JURORS - MILEAGE	208,211.32	205,764.94	2,446.38	1.19%
965103 JURORS - SEQUESTERED MEAL	0.00	34,345.19	(34,345.19)	-100.00%
965106 JURORS NON-SEQUESTERED ME	41,645.57	0.00	41,645.57	n/a
* <b>965100 - JUROR COSTS</b>	<b>850,066.89</b>	<b>850,091.11</b>	<b>(24.22)</b>	<b>0.00%</b>
938701 COURT TRANSCRIPTS	906,431.66	962,277.32	(55,845.66)	-5.80%
* <b>938700 - COURT TRANSCRIPTS</b>	<b>906,431.66</b>	<b>962,277.32</b>	<b>(55,845.66)</b>	<b>-5.80%</b>
<b>Revenue - Interpreters</b>				
834010 PROGRAM 45.45-COURT INTER	(2,999,998.00)	(3,098,013.47)	(98,015.47)	3.16%
** <b>834000-PROGRAM 45.45 - REIMBURSEM</b>	<b>(2,999,998.00)</b>	<b>(3,098,013.47)</b>	<b>(98,015.47)</b>	<b>3.16%</b>
<b>Expenditures - Interpreters</b>				
938502 COURT INTERPRETER TRAVEL	102,176.05	100,509.71	1,666.34	1.66%
938503 COURT INTERPRETERS - REGI	104,220.70	67,302.72	36,917.98	54.85%
938504 COURT INTERPRETERS - CERT	363,119.87	450,586.99	(87,467.12)	-19.41%
938505 COURT INTERPRETERS - NONR	97,799.66	50,117.03	47,682.63	95.14%
938506 COURT INTERPRETERS - NONC	65,759.03	52,514.55	13,244.48	25.22%
938507 COURT INTERPRETERS - AMER	107,014.60	108,361.91	(1,347.31)	-1.24%
938511 COURT INTERPRETER - LODGI	202.90	0.00	202.90	n/a
* <b>938500 - COURT INTERPRETER SERVIC</b>	<b>840,292.81</b>	<b>829,392.91</b>	<b>10,899.90</b>	<b>1.31%</b>

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with accounts payable staff. We also tested selected invoices and claims processed in FY 2010–2011 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

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

We reviewed selected jury fees and mileage reimbursement expenditures to determine whether amounts were properly paid and reported. We also evaluated the Court's efforts to collect on civil jury expenditures.

The following issues were considered significant enough to bring to management's attention in this report. Additionally, there were ten issues considered significant enough to be noted in this report Appendix A.

## **11.1 The Court Did Not Always Comply with Some FIN Manual Requirements When Paying Travel Expenses**

### **Background**

Government Code section 69505(a) requires trial court judges and employees to follow the procedures approved by the Judicial Council for reimbursement of business-related travel. The Administrative Office of the Courts (AOC) Travel Rate Guidelines is approved annually by the Judicial Council and provides specific information regarding the current limitations that apply to allowable travel expenses.

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

The trial court reimburse[s] its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial court's maximum reimbursement guidelines. Under Government Code section 69505, the AOC's Travel Rate Guidelines must be used. All exceptions to the Judicial Branch Travel Guidelines, including any terms of an executed memorandum of understanding agreement by and between a recognized employee organization and a trial court, must be submitted in writing and have prior approval in accordance with alternative procedures guidelines established in Policy Number FIN 1.01, paragraph 6.4 (4).

Policy Number FIN 8.03, provides specific travel procedures for trial courts to follow. FIN 8.03, paragraph 6.3, states that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation, and other miscellaneous items. Further, FIN 8.03, paragraph 6.3.1, states when the use of a personal vehicle is approved for trial court business and the travel commences from home, reimbursed personal vehicle mileage will be calculated from the traveler's designated headquarters or home, whichever results in the lesser distance, to the business destination. In addition, FIN 8.03, 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.

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

### **Issues**

During the review of sample travel and business meal expenditures incurred in FY 2010-2011, we identified the following issues:

1. The Court did not always comply with FIN 8.03, paragraph 6.3 requirements by requiring all travel expense claims to only be paid if they have appropriate supporting documentation. For example, during the review the following was noted:
  - Of the nine travel expense claims reviewed where the expense incurred was as a result of a participation in a conference or training, all nine of the claims were processed and paid even though they did not have documentation to support that the individual attended and completed the conference or training as required by FIN 8.03, paragraph 6.3(1)(i).
  - Of the six travel expense claims reviewed where an employee stayed at a hotel, three of the claims did not include a hotel bill that showed a zero balance due as required by FIN 8.03, paragraph 6.3(1)(f).
  - Of the four travel expense claims reviewed that had airline tickets claimed, two claims did not have the airline itinerary as backup documentation as required by FIN 8.03, paragraph 6.3.1(a).
  - Of the five travel expense claims reviewed that had an “other transportation charge” claimed, two claims were paid without having the receipt documentation for the cost as required by FIN 8.03, paragraph 6.3.1(c).
  - Of the seven travel expense claims reviewed where a parking charge was claimed, one claim was paid but the claim did not have a receipt to document the charge or any evidence that the receipt was misplaced as required by FIN 8.03, paragraph 6.3.1(d).
2. The Court is not always paying mileage expense claims appropriately as required by FIN 8.03, paragraph 6.3.2(2)(b). For example, of the fourteen mileage claims reviewed, two of the claims were paid for mileage from the claimant’s home when the lesser of the mileage was from their headquarters to the business destination.
3. Of the six hotel expenses reviewed, four claims were requesting a reimbursement for their hotel costs. None of these claims had documentation to support that they had attempted to have the hotel waive the Transient Occupancy Tax as recommended by FIN 8.03, paragraph 6.1.7(2).

### **Recommendations**

To ensure that the Court demonstrates prudent use of public funds, we recommend that the Court do the following:

1. Strictly follow all travel procedures that are outlined and required by FIN 8.03, paragraph 6.3. Enforce these requirements for every claim that is submitted and deny the claims if each item under this policy is not followed so all claims contain appropriate documentation.
2. Require and enforce all employees claiming mileage on their TEC’s to provide complete detail supporting the mileage being claimed. This can be achieved by the

- employee fully documenting the (to/from) under section #3 (location) on the TEC form. In addition, both the home address and headquarters address should be completed and no P.O. Box can be used for the home address. Furthermore, it is a suggested good practice that all TEC claims requesting mileage reimbursement be accompanied by a printout from Google Maps as backup supporting the mileage. Adopting this process helps accounts payable staff to easily review and verify that mileage is appropriate.
3. Pursuant to FIN 8.03, paragraph 6.1.7, all Court employees should be attempting to get the Hotel Transient Occupancy Tax waived for any lodging. All Court employees and representatives qualify for this tax exemption as employees of the State Judicial Branch on official business. The Court should instruct and enforce that all travel expense claims that have hotel stays claimed be submitted with documentation to support an effort has been made to attempt to have the hotel waive the occupancy tax. This can be documented by having the hotel write on the (Occupancy Tax Waiver Form Std. 236) that they decline. In addition, court employees can, in the comments section of the TEC form, specifically note that the hotel declined to grant the tax waiver.

**Superior Court Response By: Matthew McDonald**

**Date: April 2013**

The Court is in general agreement with the findings and recommendations in this issue memorandum and will take the necessary steps to take corrective action. The Court does note its concern, however, over the materiality of some of the auditor's findings rising to the level of an Issue Memorandum, rather than the more appropriate Verbal, or Logged issues or findings. Many of the Travel Expense Claims' missing information related to expenses of no more than a few dollars.

**IAS Response:**

In regards to materiality of the findings, IAS viewed the issues in total and notes in issue #1, the five bulleted items are examples.

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

**Background**

The FIN Manual acknowledges that it is necessary for trial court judges and employees to occasionally conduct official court business during a meal. Thus, FIN Manual Procedure No. 8.05, defines the rules and limits that courts must observe when arranging or claiming reimbursement for meals connected to official court business. Specifically paragraph 6.1 states, to be reimbursable, these business meals must have the written advance approval of the presiding judge (PJ) or, if delegated in writing, the Court Executive Officer (CEO) or another judge. Paragraph 6.2 states the following general requirements for all business meal claims:

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

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

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

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

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

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

### **Issues**

To determine whether the Court followed the business expense guidelines required in the FIN Manual, we made inquiries of appropriate Court staff regarding current business expense reimbursement practices. We also reviewed selected business expense transactions between July 2010 and June 2011. Our review determined that the Court needs to improve its business expense reimbursement procedures. Specifically, we noted the following:

1. Of the eight business meal expenses reviewed, all eight were paid without being authorized in advance by the Court PJ or CEO as required by FIN 8.05, 6.2(1).

2. The Court is paying business meal expenses without requiring a business meal form, email, or memo to be completed which properly documents all key elements of the meal expense. For example:
  - a. Of the eight business meal expenses reviewed, four did not have the required meal form, email, or memo in which to appropriately document the business expense.
  - b. Of the four business meal expenses reviewed that did have a business meal form, email or memo filled out, two were not completed properly, therefore, it could not be determined if the expenses were appropriate because the form did not contain adequate information.
  - c. Of the eight business meal expenses reviewed, five did not contain appropriate documentation to determine if there was a reasonable purpose to hold the meeting during the meal period.
  - d. Furthermore, of the eight business meal expenses reviewed, six were inappropriately paid even though there was not enough information or there was no (email or memo) to determine if the meal met the required times to qualify for payment. For example, all business meal requests should contain: date of meal; scheduled start and end time of meeting; and specific attendees and title. As a result of the lack of documentation, it could not be determined if breakfast was served appropriately; if lunch was served appropriately; if dinner was served appropriately; and if the location the event took place at was appropriate.
  - e. Of the eight business meal expense claims reviewed, only two had enough information to determine if the meal was with cost limits, and of those two, one was for a meal that was over the \$10 lunch limit per FIN 8.05, paragraph 6.6(c).

### **Recommendations**

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

1. Require Court staff to adhere to the AOC FIN Manual business meal procedures that include using the business-related meal form that would serve to document the requirement that all employees obtain prior written approval from the PJ, or written designee for all business meal expenditures.
2. The required business-related meal form should clearly document all key elements as required by FIN 8.05. FIN 8.05 has a template sample of a business related meal form for courts to use that contains all required elements. Without these elements it is impossible for the Courts accounts payable department to determine the appropriateness of the business meal expense. If appropriateness cannot be easily determined with documentation then the claim should be denied. For example, if needed, the claim should include a meeting sign-in log to document the list of



participants, and receipt retention log to assist with the itemization of meal receipts. Without these documented, determination cannot be made to adequately substantiate the cost of meals per attendee. In addition, dates, and start and end times of the meeting.

**Superior Court Response    By: Matthew McDonald                      Date: April 2013**

The Court is in agreement and has taken correction action to resolve the issues.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures – Minor Equipment</b>				
922601 MINOR OFFICE EQUIPMENT/MA	738.44	8,142.36	(7,403.92)	-90.93%
922603 OFFICE FURNITURE - MINOR	43,304.49	81,034.89	(37,730.40)	-46.56%
922605 MODULAR FURNITURE-MINOR	8,624.29	21,164.94	(12,540.65)	-59.25%
922606 NON-OFFICE FURNITURE	5,506.16	2,331.09	3,175.07	136.21%
922608 WEAPON SCREENING EQUIPMEN	4,128.00	0.00	4,128.00	n/a
922610 COMPUTER ACCESSORIES	117,762.16	34,497.39	83,264.77	241.37%
922611 COMPUTER	119,956.37	40,874.08	79,082.29	193.48%
922612 PRINTERS	95,400.88	30,554.42	64,846.46	212.23%
922614 SECURITY SURVEILLANCE - M	0.00	3,923.56	(3,923.56)	-100.00%
922699 MINOR EQUIPMENT - UNDER \$	18,488.81	1,623.38	16,865.43	1038.91%
* 922600 - MINOR EQUIPMENT - UNDER	413,909.60	224,146.11	189,763.49	84.66%
<b>Expenditures – Major Equipment</b>				
945207 SECURITY SURVEILLANCE - M	8,495.40	0.00	8,495.40	n/a
946601 MAJOR EQUIPMENT - IT	156,628.84	116,506.13	40,122.71	34.44%
** MAJOR EQUIPMENT(OVER \$5,000) TOTA	165,124.24	116,506.13	48,618.11	41.73%
943502 IT SOFTWARE & LICENSING F	119,168.22	45,620.80	73,547.42	161.21%
943503 COMPUTER SOFTWARE	610.00	0.00	610.00	n/a

We evaluated compliance with the 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 a review of supporting reports and documentation. Our review included the following:

- Reviewing the accuracy of the Court's fixed asset information reported in the Comprehensive Annual Financial Report worksheet statements 18 and 19 by comparing the reported amounts to the Court's supporting fixed asset listings or reports.
- Reviewing supporting purchase documents and invoices of selected expenditure transactions recorded to major and minor equipment general ledger accounts to determine whether the Court appropriately classified and recorded its purchases of fixed asset items.
- Determining whether the Court followed the FIN Manual fixed asset capitalization policies.
- Validating the existence of selected inventory and fixed asset items through physical observation.

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

## **12.1 The Court's Asset Management Efforts have not Improved Significantly Since 2003**

### **Background**

The Trial Court Financial Policies and Procedures Manual (FIN Manual), Policy Number 9.01, 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 tools 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(2) 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 established by Rule of Court 10.830 for the disposal of inventory items and fixed assets. 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

A review was performed of the Court's asset's management in 2003, 2007, and again in 2011 during this review. As part of the current review we followed up with issues that had been noted in the previous audits to conclude on the Court's progress. The review concludes that the court has made little progress in the last 10 years, to ensure compliance with FIN 9.01 Fixed Assets Management, nor has the Court submitted a formal request for alternative procedures that would address FIN required policies with mitigating albeit different procedures. Furthermore, the fact that we identified these problem areas in 2003 implies that the condition existed prior to that date. In an attempt to perform the audit program, IAS sought out existing albeit unapproved alternatives to determine if the court complied with the substance of the policies. Unfortunately, due to the Court's either complete lack of, or incomplete asset lists, many of the audit test steps were difficult if not impossible to perform. The following is a summary of issues noted in the in last two audits that are still present and un-resolved:

1. **The Court still has not established and does not maintain a complete (Fixed Asset Management System) to record, control and report all court assets as required by FIN 9.01, section 3.0(1) and therefore, is not meeting the policy objectives.** As demonstrated in the issues below, the Court does not have a comprehensive process; it currently focuses on IT assets but does not address non-IT assets. An asset management system encompasses all activities that the Court has in place to effectively record, control and report all court assets. Among the objectives of FIN 9.01 are:
  - Ensure that court assets are properly identified and recorded.
  - Ensure that court assets are effectively utilized.
  - Safeguard court assets against loss or misuse.
  
2. **The Court is not tagging and recording all of the assets required to be tracked pursuant to policy. In addition, FIN 9.01, section 6.3 and 6.4 detail the "shall" directive requirements of tagging, tracking, recording, and controlling all court assets.** For example, although it was noted that the court is tagging some IT purchases it is not tagging all eligible IT purchases. In addition, it is not tagging non-IT inventory items and fixed assets. During the review the court acknowledged that it is not tagging all IT inventory items and fixed assets because of exigencies due to deployment deadlines. From the list that the Court provided during the review process an attempt was made to test the accuracy of the list as it applied to asset tag identifications. Only one of the four lists that were provided had asset tag numbers listed on it. When the list with asset tag numbers was compared to the asset tag numbers supply it was noted that significant quantities of asset tags could not accounted for. When this was brought to the attention of the Court the Court could not determine if: (a) these asset tags were used at all, (b) the asset the tag was assigned to is an inventory item or a fixed asset, (c) the asset is still onsite or has been disposed, or even the location and description of the asset.

3. **The Court is not in compliant with FIN 9.01, section 6.6. This policy mandates the Court shall perform a physical inventory of all court assets and equipment on a periodic basis. An annual inventory is recommended, but an inventory must be performed no less than every three years.** The Court has not conducted a full physical inventory of all court assets in more than 10 years.
4. **The Court provided lists of assets that were incomplete and inaccurate.** For example, the Court advised that they do not track and list **non-IT** inventory items or fixed assets. Furthermore, an attempt was made to test the list, but since the lists do not contain the key elements that are required in FIN 9.01, section 6.2.4 (3), the testing could not be completed.
5. **Court does not maintain a complete Asset Transfer/Disposal Listing that contains all required elements and therefore is not in compliant with FIN 9.01, section 6.7.1 and section 6.7.2 and ROC 10.830.** For example, the transfer/disposal list must include the serial number, description, purchase date, and purchase amount. An appropriate asset transfer/disposal form shall be prepared to record the disposal of the fixed asset or equipment. The Court Executive Officer or documented designee must approve the disposal of any asset or equipment. None of the transfer/disposal forms that were presented by the court had an approval signature.
6. **The Court is not providing proper “notice of disposal” and thus is not in compliant with FIN 9.01, section 6.7.3 and ROC 10.830 which requires proper “notice of disposal”.** For example, the court is not advertising items for transfer/disposal on its website or with the AOC 60 days prior to disposal.

### **Recommendations**

To ensure that the Court properly record, track, and monitor its fixed assets and inventory items, we recommend the following:

1. The Court should address the issues noted in the last three audits by first formally assigning court-wide responsibility for FIN 9.01 Fixed Assets compliance to an employee(s) who will be responsible for ensuring uniformity in the recording, reporting, and inventory of assets throughout the entire court. This individual should be given FIN policy 9.01 to review and understand. This individual and the Court Executive Team must develop and establish a formal asset management system (FAMS) to record, control and report all court assets in accordance with FIN policy and Rule of Court. The Court should develop a plan of action and set timeframes by which to achieve compliance with the FIN policy and Rules of Court.

Although, a court-wide asset management system includes all asset types, the FIN policy stresses importance on items specifically classified as “fixed assets” value (\$5000 and greater). Fixed assets are recorded in the Court’s Phoenix general ledger and then should be reconciled to the Court’s listing of fixed assets that are in the Court’s formal Fixed Asset Management System or (FAMS). These tools are then

- used every year for the Court to report its asset position on the Comprehensive Annual Financial Report (CAFR) Report 18.
2. Per FIN 9.01, section 6.3, the Court must ensure that every court fixed asset and inventory item listed is assigned a unique serially numbered asset tag or decal and a particular court unit or location ID. In addition, to ensure that the serial tag numbers are tracked and documented, the Court must keep the asset list up to date by timely (preferably immediately) documenting the assigned ID to the inventory list.
  3. Per FIN 9.01, section 6.6, the Court must perform periodic physical inventory of fixed assets and inventory items, ideally once every year, but no less than once every three years to reconcile the Court's records to actual items on hand. The physical inventory process may also be used to identify obsolete or underutilized items for disposal.
  4. In conjunction with recommendation # 1, as part of the establishing a asset management system, the Court must form asset lists in which to document and organize all the Court's asset category types, i.e. (disposable items, inventory items, software, and fixed assets). These lists then become the baseline line in which the Court performs its physical inventory. Most importantly, the list of the items considered fixed assets (\$5000 and greater) this list shall contain all the required elements as noted in FIN 9.01, section 6.2.4(3).
  - 5a. Per FIN 9.01, section 6.7.1(1), the Court must keep an up to date complete listing to record all Court assets that have been or are schedule to be transferred and disposed. The list must include all required elements as noted in this policy.
  - 5b. Per FIN 9.01, section 6.7.2(2)(3), the Court must have all transfer and disposal of assets approved by the Court Executive Officer or documented designee. This approval must be documented on an asset transfer/disposal form and a copy must be maintained by the Court Executive Officer or documented designee and by the disposing unit or location.
  6. Per FIN 9.01, section 6.7.3 and Rule of Court 10.830 the Court must publicize its intention to transfer or dispose of court personal property.

**Superior Court Response By: Matthew McDonald Date: June 2012**

The Court is in agreement with the findings and recommendations. The Court is in the midst of developing and implementing a fixed asset project that is to be completed by October, 2012. This includes taking physical inventory as well as developing policies and procedures for tracking of all assets at all court locations. The Court will use the system currently being used to track information technology assets – ServiceDesk Plus – for recording and tracking fixed assets.

## 12.2 Improve Accuracy to CAFR Report 18-Fixed Assets Reporting

### Background

The Trial Court Financial Policies and Procedures Manual (FIN Manual), Policy Number 9.01, 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.

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 computer servers. FIN 9.01, paragraph 6.2.4 specifically 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. The Court shall record all acquired fixed assets in the Phoenix general ledger or sub-ledgers and these can be reconciled to the Court's fixed asset management system (FAMS) or even be the Courts (FAMS).

### Issues

The Court is not accurately stating its financial position on the Annual Financial Report (CAFR) Report 18 for FY 10/11 and prior years. This was concluded after noting the following items:

1. **The court does not track, monitor, or report its non-IT fixed assets.** As a result, this asset is not accurately capitalized nor reported on Report 18-Fixed Assets.
2. **The Court is not accurately reporting its position on the CAFR Report 18 because the amount of each fixed asset purchases reported by OIT to finance includes only the cost of the item.** Therefore, the Court is not capitalizing the total investment cost of its fixed asset purchases, and thus the amount to be included in the Report 18 ending balance calculations is inaccurate. Asset purchases should include the cost of the item plus accessories, sales tax, freight, and installation.
3. **The court is inaccurately capitalizing the cost of commercially developed software.** According to GASB 51 (Accounting and Financial Reporting for Intangible Assets), unless the Court has significantly modified commercial 'off the shelf' software, the court should not be capitalizing the cost of commercially developed software. For example, in FY 07/08 the Court capitalized a \$12,500 software purchase, and in FY 08/09 the Court capitalized \$18,909 in software purchases. In FY 10/11 the Court capitalized \$29,805 in software purchases. The total cost of commercially developed software that was incorrectly capitalized between FY 07/08, 08/09, and 10/11 was \$61,214. In addition, the court has recently incurred expenses on a traffic case management system called (TCMS) that it developed internally. In FY 09/10, the cost was \$200,000 and in FY 10/11, the cost was \$251,786. These costs should have been capitalized, but were not.

4. **The Court is not reporting correctly on its CAFR Report 18 because it does not include all items that have been transferred or disposed.** For example, the Court provided three asset transfer/disposal lists. Two of the three transfer/disposal lists provided by the court do not include the purchase date and amount; these data elements would assist in identifying the asset to be transferred or disposed from the asset listing which would support the Report 18. Furthermore, six of the servers on the 'OIT Salvage List March 2011' are not on the list of retired equipment submitted to Finance. As a result, they were not included in the FY 10/11 Report 18 ending balance calculations. The servers are each valued at \$15,000. As a result, an additional \$90,000 should have been included as a deduction in the FY 10/11 Report 18 ending balance calculations.
  
5. **The Court does not have an asset listing(s) which supports the balances reported in the Report 18 Fixed Asset balances.** The court relies upon rolling balances to calculate the ending balance reported on Report 18-Fixed Assets. In other words, the court enters the Additions and Deductions reported by OIT in the formula that calculates the ending balance. This practice is inconsistent with the guidance provided by the FIN MANUAL and that is noted in the CAFR worksheet instructions. The guidance states: A document listing from SAP must be provided to substantiate the amounts reported as increases or decreases to the court's Fixed Assets. The court, in determining the amount to enter as an Addition in the Report 18 ending balance formula, must query the Major Equipment-\$5,000 and over range of general ledger accounts (945203 – 946699). Each purchase order in that range of accounts must be analyzed in determining the correct amount to capitalize for a particular fiscal year. Due to the accounting knowledge needed to properly record the value of the assets, preferably this activity should be performed or overseen by the court finance department.

To attempt to further validate this conclusion, IAS selected seven transactions of equipment purchases from the FY 10/11 expenditure line item report in the Minor Equipment – Under \$5,000 range of general ledger accounts. The purpose of the review was to determine if the purchased items should be expensed, tracked as an inventory item, or capitalized as a fixed asset. We determined that the investment in four of these transactions should have been capitalized, but they were not. The court may have been able to identify these four transactions had three of the transactions been classified to the correct general ledger account to begin with, and if the court had followed the FIN Manual guidance described above in this section. The total investment that was not capitalized was \$63,891.03.

### **Recommendations**

The Court must implement control activities aimed at improving the CAFR Report 18 Fixed Asset reporting deficiencies described above. That would include:

1. Taking a physical inventory of all tracked assets, capitalized or inventory assets, (IT and non-IT) as soon as possible at each court location.
2. Unifying the tracking, monitoring, and reporting of both IT and non-IT inventory items and fixed assets.



3. Ensuring that asset purchases are properly classified and the amount to be capitalized includes the entire cost of putting that asset into service excluding product support costs.
4. Ensuring that purchases of commercial software are not capitalized unless significantly altered and that all the costs of internally developed software are captured and capitalized.
5. Ensuring that all fixed assets subject to transfer/disposal throughout the year are included in the Report 18-Fixed Asset ending balance calculations.
6. Implementing procedures for identifying fixed asset additions similar to what is described on the Report 18-Fixed Asset template drop down instructions.

**Superior Court Response By: Doug Bailey/Matthew McDonald Date: June 2012**

For issues #1 - #3 and recommendations #1 - #4, the Court is in agreement with the findings and recommendations. The Court is in the midst of developing and implementing a fixed asset project that is to be completed by October, 2012. This includes taking physical inventory as well as developing policies and procedures for tracking of all assets at all court locations. The Court will use the system currently being used to track information technology assets – ServiceDesk Plus – for recording and tracking fixed assets.

With respect to the FY11-12 CAFR report (Issue #4 – Recommendation #5), all asset purchases will be properly classified and the entire amount will be capitalized. All internally developed software will be captured and capitalized. The Court will record all fixed asset transfer/disposal in the correct amount(s).

The Court is in agreement with the finding #5 and recommendation #6. The Court is in the midst of developing and implementing a fixed asset project that is to be completed by October, 2012. This includes taking physical inventory as well as developing policies and procedures for tracking of all assets at all court locations. The Court will use the system currently being used to track information technology assets – ServiceDesk Plus – for recording and tracking fixed assets.

### 13. Audits

#### **Background**

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

#### Previous Internal Audit Services Audits

In FY 02/03, IAS performed the Court's first comprehensive review. The review covered assessing the Court's compliance with the FIN Manual as well as reviewing eight other areas; court administration, fiscal management, revenue and cash collections, procurement, contracts and expenditures, information systems, exhibit room administration and security, court building security, and domestic violence.

In FY 05/06, IAS again performed a regular scheduled comprehensive review. The review again focused on evaluating the Courts compliance with FIN Manual requirements, and followed up to determine whether the Court adequately resolved previous issues.

During the present review of FY 10/11, IAS again performed a comprehensive review to ensure the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. In addition, since this review was the third such comprehensive review IAS focused on issues noted on the previous two audits to ensure that the Court had adequately resolved the items noted. Particular attention was given to issues that had been noted in the previous audits, some of which were noted for the third time in this audit. Any uncorrected issues that had resurfaced in this audit are presented as repeat issues in this report.

**There were five areas that contained repeat issues from the prior audits which are listed below and referenced to where they are discussed:**

- Cash handling (Report sections 5.1, 5.3, and 5.4 – Log items noted in Appendix A, section 5.4)
- Implementation of a disaster recovery and business continuity plan (Report sections 6.3 and 6.4)
- Contracts/MOU (Log items noted in Appendix A, section 10.1)
- Asset management and fixed asset CAFR reporting (Report sections 12.1 and 12.2)
- Exhibits (Report sections 16.1 and 16.2)

#### “Court Revenue” Audit

The State Controller's Office (SCO) performed an audit to determine the propriety of "court revenues" remitted to the State of California by the County for the period July 1, 2000, through June 30, 2004. Issued on October 2005, the report found five findings, of which two findings involved the Court. IAS considered these findings in our revenue distribution review to determine, to the extent possible, whether these findings have been resolved. Issues identified in our review, if any, are presented in Section 6 of this audit report.

In July 2011 the State Controller's Office again performed an audit to determine the propriety of court revenues remitted to the State of California by the County of Alameda for the period July 1, 2004, through June 30, 2010. At the time of this report the SCO had not yet published its findings.

## 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.

Courts are allowed under CRC 10.810 to pay for records storage leases although the AOC's OCCM Division is requesting all leases be moved to it for consistency since it manages other court facility space.

The table below presents balances from the Court's general ledger accounts that are associated with this section. A description of how the area was reviewed as a part of this audit is contained below

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures</b>				
935203 STORAGE	231,622.95	289,717.68	(58,094.73)	-20.05%
* 935200 - RENT/LEASE	231,622.95	289,717.68	(58,094.73)	-20.05%

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 on-site records storage areas.

There are no significant issues to report to management.

## 15. Domestic Violence

### Background

In June 2003, the Joint Legislative Audit Committee requested IAS to conduct an audit of the court-ordered fines and fees in specified domestic violence cases in California.

There are three main categories of domestic violence cases: Criminal, Civil, and Juvenile. While there is little to no money collected in Civil and Juvenile cases, the bulk of court-ordered domestic violence fines and fees are derived from assessments in criminal cases. At most courts, the collection and distribution of court-ordered domestic violence fines and fees in criminal cases are the responsibility of the county probation departments.

The main types of criminal domestic violence related fine and fee assessments are as follows:

- Penal Code (PC)1203.097 probation fees
- PC 1202.4(b) State Restitution Fees
- PC 1465.8 Court Security Fee
- Direct restitution payments to victims
- Court-ordered payments to Battered Women's Shelters
- PC 273.5 Fines
- State penalty assessments
- Local penalty assessments

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 Criminal Domestic Violence convictions from July 1, 2010 through June 30, 2011, and reviewed corresponding CMS and case file information to determine whether the Court assessed the mandated fines and fees.

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

### 15.1 Some Criminal Domestic Violence Fines and Fees Were Incorrectly and Inconsistently Imposed and Assessed

#### Background

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

Courts are required to impose or assess some or all of the following statutory fines and fees depending on the sentencing conditions of every DV case:

- Penal Code (PC) 1202.4 (b) – State Restitution Fine  
Courts must impose a separate and additional State Restitution Fine of not less than \$200 for a felony conviction and not less than \$100 for a misdemeanor conviction in every case where a person is convicted of a crime. Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of fine in excess of the minimum.
- PC 1202.44 (or PC 1202.45) – Probation (or Parole) Revocation Restitution Fine  
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed.
- PC 1203.097 (a)(5) – Domestic Violence Fee  
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee if a person is granted probation for committing domestic violence crimes. The legislation that amended the Domestic Violence Fee from \$200 to \$400 sunset on January 1, 2010, but a bill enacted on August 13, 2010, amended the fee back to \$400. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1203.097 (a)(11) Payments to Battered Women’s Shelter and Victim Reimbursement of Expenses  
Courts may include as a condition of a defendant’s probation payments to a battered women’s shelter, up to a maximum of \$5,000, and/or reimbursement of the victim’s expenses that are the direct result of the defendant’s offense. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) – Court Security Fee  
Effective August 17, 2003, courts must impose a \$20 (\$30 effective July 28, 2009, and \$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction.
- Government Code (GC) 70373 – Criminal Conviction Assessment  
Effective January 1, 2009, courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony and an amount of \$35 for each infraction.

### **Issues**

The Court provided DV Sentencing sheets from case files located at Rene C. Davidson Courthouse, and gross fine distributions from central collections for cases from Wiley

Manual, Hayward, Pleasanton, and Fremont. The Court provided IAS with a population of Criminal Domestic Violence convictions from July 1, 2010 through June 30, 2011. IAS reviewed a sample of 30 cases to determine whether the Court imposed the mandatory fines, fees, and assessments. Our review of the case files and the CJIC docket entries for these cases identified the following exceptions by location:

#### Rene C. Davidson

Seven domestic violence cases from Rene C. Davidson were tested and no exceptions were noted. Unlike the other Court locations hearing Criminal Domestic Violence Cases, this location uses a detailed sentencing sheet that clearly enumerates the required fines and fees.

#### Wiley Manual

Fifteen domestic violence cases from Wiley Manual were tested. Unlike Rene C. Davidson, Judges typically ordered a gross fine amount that was distributed to required fines and fees by the Central Collections Department. The following exceptions were noted:

1. PC 1203.097, Domestic Violence Probation Fine, was not assessed in 14 of 15 Wiley Manual cases tested.
2. One of the Wiley Manual cases tested listed a fine of \$188 on the Order to Appear, but the judge changed the fine to \$588 on the sentencing order. Collections records show that the defendant paid the \$188 plus a \$35 installment fee, and not the \$588 fine ordered by the Court.
3. In one of the Wiley Manual cases tested, PC 1202.4(b) State Restitution fine, PC 1465.8 Court Security, and GC 70373 Criminal Conviction Assessments were not assessed.

#### Hayward

Four domestic violence cases from the Hayward location were tested. Unlike Rene C. Davidson, Judges typically ordered a gross fine amount that was distributed to required fines and fees by the Central Collections Department. The following exceptions were noted:

1. PC1203.097, Domestic Violence Probation Fine was not assessed in two of the four cases tested from Hayward location.
2. In two of the four cases tested from Hayward location, sentencing orders were dated between 7/28/2009 and 7/1/2011 and the PC 1465.8 security fee assessed was \$20 when it should have been \$30.
3. GC 70373, Criminal Conviction Assessment, was not assessed in two of the four cases tested from the Hayward location.
4. PC 1202.44, Probation Revocation Restitution Fine, was not assessed in one of the four cases tested from the Hayward location.

#### Pleasanton

Two domestic violence cases from the Pleasanton location were tested. Unlike Rene C. Davidson, Judges typically ordered a gross fine amount that was distributed to required fines and fees by the Central Collections Department. The following exceptions were noted:

1. PC1203.097, Domestic Violence Probation Fine, was not assessed in both of the cases tested from Pleasanton location.
2. PC 1202.44, Probation Revocation Restitution Fine, was not assessed in one of the cases tested from the Hayward location.

### Fremont

Two domestic violence cases from the Fremont location were tested. Unlike Rene C. Davidson, Judges typically ordered a gross fine amount that was distributed to required fines and fees by the Central Collections Department. The following exception were noted:

1. PC1203.097, Domestic Violence Probation Fine, was not assessed in both of the cases tested from Fremont location.

### **Recommendations**

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

1. Each Court location hearing Criminal Domestic Violence cases` should use a detailed sentencing sheet that enumerates all required fines fees.
2. The Court should develop business processes to monitor the output of Central Collections in regards to Criminal Domestic Violence conviction payment plans, thereby achieving reasonable assurance that the department's collection activities are complete and accurate.

**Superior Court Response By: Matthew McDonald Date: October 2012**

The Court agrees with the issues identified. In 2012, Domestic Violence (DV) Cases/Calendars were consolidated. All north Alameda County DV cases are heard in the Rene C. Davidson Courthouse and all south Alameda County cases are heard in the Hayward Hall of Justice. This change was implemented to achieve efficiency, but it has also been helpful in affecting uniformity.

In addition, the Chair of the Courts Criminal Committee discussed the imposition of mandatory fees, fines or assessments and to insure that they are being imposed consistently. These penalties have been added to the Courts sentencing sheet.



## 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 good 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; courts should prepare a manual to guide and direct exhibit custodians in the proper handling of exhibits. Depending on the type and volume of exhibits, the manual 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 records to actual exhibit items to determine whether all exhibit items have been accurately accounted for.

The following issues, many of which were noted in the previous two audits performed, were considered significant enough to bring to management’s attention in this report. Additionally, there were two less serious issues noted and require the court to address. These two issues are contained in the report Appendix A.

### 16.1 The Court Lacks Sufficient Controls Over Exhibit Room Entry and Sufficient Management Oversight of Exhibit Room Activities

#### Background

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

- A physical inventory of exhibits to confirm their existence and status, which includes reconciling exhibit items to the records stored in an automated or manual exhibit inventory system,
- A periodic and independent inspection by Court employees not handling exhibits, and,

- A methodology to timely purge exhibits in accordance statute, such as PC §1417 et. seq.

Furthermore, properly safeguarding exhibits starts with strong controls over access to the exhibit storage areas. Access should be limited to as few employees as possible and entry key locks to exhibit areas should be such that can only be opened by one key and that key cannot be duplicated.

The Court has exhibit storage areas at five court facilities, with the Central Renee C. Davidson (RCD) Courthouse being the main exhibit storage facility. The Court has implemented various controls to ensure that exhibits are appropriately handled and safeguarded. For instance, a regularly updated Exhibit Room Manual is provided to exhibit custodians to ensure that Penal Code sections and internally established procedures for handling exhibits are followed. Additionally, due to case management system limitations, the main RCD exhibit custodian uses a manual system that she developed using access database that she calls (EMS) or exhibit management system to track existing and disposed exhibits.

Although the Court has established good controls to handle and safeguard exhibits, there are areas noted that could be improved upon. For example, during the review the following was noted:

### Issues

1. There is insufficient management oversight of exhibit room activities. For example, the court is not performing periodic inspections of all exhibits holding areas at all court locations that hold exhibits. (**Repeat Issue**) This is evidenced by the following:
  - In the FHJ exhibit room testing revealed: (a) Civil cases that have been identified for destruction but the destruction date has passed; (b) Case files that should be taken to their new location under the Court new re-organization; and (c) Seven boxes of personal items belonging to a former employee.
  - At the FHJ, GSHJ, and HHJ exhibit rooms testing revealed that exhibits have been retained at these locations too long. These locations had cases that were complete but no action had been taken by the Court to determine the proper disposition of the evidence in these cases.
  - In the WWM exhibit room testing revealed that there was poster board exhibits that needed to be picked up by the main RCD location for destruction. In addition, this location had jury questionnaires that were not evidence to any case stored in the exhibit room.
2. Exhibit holding areas are at risk of being compromised due to lack of strong controls with key entry. For example, during inspection the following was noted:

- The exhibit room at one location is opened by a master key lock. This same key is a master key that allows access to other areas at the court and is not its own unique key. Therefore, others at the Court that have the same master key would have un-authorized access to the exhibit room .
  - At another location, the exhibit room is located within another room where non-exhibits are stored. Any employee that has a key and access to the outer door and has card key access to the inner door can gain entry to the exhibit room. Furthermore, the outer door opens into a small room that is used as a general purpose store room for this court location.
  - The exhibit cabinets that are used in a third location's courtrooms are not secured with their own unique key. For example, each courtroom uses a 3 drawer metal file cabinet located in a corner of the courtroom behind the bench. Each of these cabinets can all be opened by the same key.
3. Access to the Courts various exhibit room locations is not being limited to as few persons as possible. Preferably each exhibit location should have limited access to the exhibit custodian and a backup person, except in extraordinary circumstances.
  4. The task of performing the physical inventory to reconcile the exhibit tracking system to the exhibit item is not properly segregated. This task should be performed at least annually, and should be performed by someone other than the exhibit custodian so to ensure the integrity of the inventory as being an accurate and complete record of exhibits.

### **Recommendations**

To ensure that the Court maintains an accurate and complete record of exhibits and exhibits are properly secured while being stored, the Court should do the following:

1. Perform periodic inspections at each exhibit storage location to ensure that appropriate documentation support the addition and disposal of exhibits. For instance, this review should include a validation of exhibit list forms collected by courtroom clerks to the exhibit files. Any items where the case is complete the disposition should be determined for these items. For example, they can be returned to the presenting party or disposed. Whatever action is taken should be appropriately documented in the case file, and if being disposed, all appropriate disposal documentation must be completed. In addition, to ensure proper management oversight, inspections should be performed by an appropriate individual other than the exhibit custodian, such as the custodian's direct supervisor or manager.
2. Further control access to each exhibit holding area by implementing stronger controls over keys that gain access the exhibit holding areas. The court should at a minimum do the following:

- Inventory all keys that gain access to the exhibit holding areas.
  - Ensure that access to each exhibit holding area can only be achieved by one unique key and a duplicate as a back-up.
  - Restricting access to all exhibit holding areas in general by re-evaluating current exhibit locations and methods of entry to ensure that the Court has strong controls in place to limit all ways to access the exhibit holding areas.
3. When the court has completed its current re-organization the Court should perform a review of all staff that has access to each locations exhibit holding areas. Once the court has determined which individuals have access to each exhibit room the Court should determine if those individuals still require access while keeping in line with the objective that access should be limited to as few persons as possible, preferably the custodian and one backup, except in extraordinary circumstances.
  4. Properly segregate the task of performing the annual inventory at each exhibit storage location, which includes a reconciliation of the records maintained in the exhibit tracking system to the exhibit. This task should performed by someone other than the exhibit custodian. Due to the sheer number of exhibits stored in the Central location, RCD, it may be a burden to require a full inventory to be conducted annually. As an alternative, a surprise inventory on a sample basis may be performed by an appropriate individual outside of the Central exhibit staff.

**Superior Court Response By: Cathy Mills Date: March 2, 2012**

1. The Court agrees with this finding. The Court is in the process of realigning its managerial structure due to recent retirements and will move to strengthen the oversight of exhibits. It should be noted that during the recent reorganization/consolidation of case types by court location, some physical case files were not moved. This is because there was not an immediate need for the physical case files to conduct hearings but this will be addressed.

The personal items of a former employee have been removed; the poster board at WWM has been relocated to RCD for destruction; the jury questions have been moved to the jury office; and exhibits found to have been retained too long will be disposed of.

2. The Court agrees with this finding. With respect to specific issues cited please note the following:
  - The door locks to that room were rekeyed on September 15, 2011.
  - Only three staff has access to the exhibits room. Access is by card key. As assignments change, access is removed and access is then provided to the new

exhibits staff person. If anything is needed by the Civil or Family Law staff, they have to request the needed item through the Criminal Division.

- Safes will be purchased and installed for each courtroom to specifically hold exhibits.

3. The Court is in agreement.

4. The Court is in agreement.

## **16.2 Several Issues Noted in the 2007 Audit in Regards to the Court's Exhibits Have Not Been Resolved**

### **Background**

A comprehensive review of the Court's exhibit function was conducted during the last audit that took place in 2007. Several deficiencies issues were identified in the Court's audit report in key areas that are essential to properly handling, safeguarding, recording, and transferring exhibits.

If the Court fails to have an effective control infrastructure in place that cover these areas, the Court is at risk of not meeting its responsibilities when accepting an exhibit during a trial.

Concerns from the prior audit include an apparent lack of management oversight and involvement. The entire management team contributes to creating a positive control environment or "tone at the top".<sup>3</sup> In order to establish and maintain adequate control, court staff involved in the exhibits processes need the support and direction of management.

### **Issues**

The Court has exhibit storage areas at five court facilities, with the Central RCD Courthouse storing the majority of exhibits including cash, firearms, and controlled substances. This location also stores toxic and biohazard materials that require special handling and packaging. All other exhibit locations store mostly paper documents and poster boards that hold no intrinsic value.

Although, we are noting these items that the Court has yet to resolve, we would like to note that several items from the 2007 exhibit audit review have been addressed or are currently being addressed with the limited resources that are available to the Court during these difficult financial times. Currently, the Court has many good controls already in place to handle and safeguard exhibits, but the Court still has not established other important controls that are essential for the Court to meet its responsibility of accepting and holding exhibits. For example, the following items were noted in the 2007 review and are still not resolved:

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<sup>3</sup> *Management's Responsibility for Internal Controls*, Office of the New York State Comptroller's Office, October 2010, page 6.

1. The Court is not following prudent business practices for certain high risk items within the exhibit room. For example, at the Court's main exhibit room at the Central RCD Courthouse guns are not stored under heightened security, (i.e. locked cabinet). In addition, some high risk items are stored together when prudence indicates separate secured storage.
2. Although the Court has exhibit policy and procedures, these policy and procedures have not been formalized by being reviewed and approved by the Court Executive Team. Exhibit policy and procedures are critical to a control framework. Formalized exhibit procedures clearly define what is expected of the court exhibit staff and also gives direction on how to properly handle all procedures related to exhibit handling in a consistent and cohesive manner.
3. The Court is accepting sensitive evidence that is submitted during a trial that is not properly packaged or labeled. For example, justice partners are presenting drug evidence that has not been packaged properly in a sealed tamper proof package or sealed vacuum plastic. The package must be properly labeled and the label must include the weight. For example, during the review of controlled substance exhibits held at the RCD exhibit room it was noted that several packages of controlled substance were in open sandwich bags and had no label stating how much controlled substance was in the bag by weight. These items are being accepted in the court room in this condition. In addition, not all biological and chemical exhibits are being submitted by justice partners as evidence during a trial in the appropriate sealed container or package that protects the integrity of the evidence and protects all Court staff that comes in contact with the evidence from being exposed to toxic chemicals or hazardous biological materials.
4. Not all Court exhibit holding locations have adequate controls over the monitoring of who enters and exits the exhibit holding areas. For example, it was noted:
  - There is no system that monitors who has been in exhibit storage and at what times. Especially important at the main RCD exhibit rooms; there is no card access reader or closed circuit television with recording. In addition, not all locations are using a formal visitor/use log. This leaves the Court at risk of un-authorized activity in the exhibit holding areas. Without proper entry controls in place it would be difficult if not impossible to monitor the activity in the exhibit holding area.
5. The current organizational structure is inadequate given the size of the Court and the large number of exhibits that the Court handles. For example:
  - The current organizational structure has left the Courts exhibit operations with a lack of no clear direction, which as a result, has hindered the courts ability to put into place previous audit recommendations. The Court has an experienced exhibit custodian that works out of the main exhibit holding area at the RCD

location, but there is no direct line management that oversees the entire court exhibit operations. The Court operations director oversees the exhibits operations but this individual also oversees many aspects of the courts daily operations and makes it difficult dedicate the time and authority needed to develop and implement clear uniform procedures that are to be followed by all court locations that handle exhibits. Presently, each location has implemented its own informal procedures without managerial direction and power to enforce strict court exhibit policies for all justice partners.

6. Neither RCD or the entire exhibit process for the Court have a clear statement of mission, operational objectives, or statements of duties authorized by management.
  - The current custodian at RCD created an unofficial statement of duties, and statement of mission. The prior custodian also created her own statement of duties and e-mailed it to management. But these duties have never been formalized by the Court Executive Team. The statement of duties and mission should be considered an important legal document that each exhibit employee must sign and date acknowledging that they have read and agree to the important responsibility of their position.
7. There is an apparent conflict of interest present in the Court's process for managing preliminary hearing exhibits. The District Attorney (D.A.) stores both the prosecution's and defense's exhibits. The Court's management of criminal exhibits is addressed by Penal Code §1417- §1417.9. §1417 appears to place the duty to retain exhibits with the Court: "All exhibits which have been introduced or filed in any criminal action or proceeding *shall be retained by the clerk of court who shall establish a procedure to account for the exhibits properly,*" (italics added) *Cal. Penal Code §1417 (West 2006)*. No authority could be located that directly addresses to whom the clerk may delegate the duty to retain and account for criminal exhibits; while delegation to another agent of the court would seem appropriate, assigning the authority to the prosecuting agency may run counter to §1417. Furthermore, although the Court has an M.O.U. with the County addressing the service provided by the D.A. and the roles and responsibilities of the D.A. and Court, this MOU was signed in 1995 and is outdated.

### **Recommendations**

To ensure that it maintains an accurate and complete record of exhibits and exhibits are properly stored, the Court should do the following:

1. As discussed with the court, certain high risk items should be kept locked in separate secured storage within the exhibit room. In addition, certain items while related should be stored separately for safety.

2. The Court should further develop its written procedures for handling, securing, and accounting for exhibits. Once finalized the Court Executive Team should review and adopt these procedures designating them as the official procedures used for all court locations that hold exhibits.
3. Under PC §1417.3 the Court can refuse to retain high risk exhibits (guns, drugs, weapons). If photographic exhibit substitution is not an option and the Court chooses to retain high risk exhibits, it is incumbent upon the Court Executive Team to establish and implement formal Court protocols to all justice partners (District Attorneys and Sheriff) advising them of the court's policy which they must follow when submitting high risk exhibits during a trial. No high risk exhibit should be accepted in the court room if it is not adequately packed and labeled. All biologic evidence will be packaged in sealed packages so to not put any court staff at risk of exposure.
4. The Court should upgrade the physical security of exhibit room to include:
  - The use of employee access cards to open the exhibit room door. (Main RCD location)
  - The use of CCTV cameras at the exhibit room entrance. (Main RCD location)
  - If exhibit area visitors cannot be logged electronically, establish an exhibit area visitor's log which includes but is not limited to; visitor's name, the date, time and purpose of the visit, the exhibit requested to see, and the time logged in and out. (All exhibit holding locations)
5. The Court should establish dedicated authority that oversees all court wide exhibit operations. This authority should be empowered by The Court Executive Team to make decisions on behalf of the courts exhibit handling processes and implement audit recommendations. By having an established dedicated authority backed by the Executive Team the exhibit organizational structure will have uniform policies throughout all exhibit locations and own this responsibility by creating a clear organizational mission and setting goals.
6. Using the unofficial statement of duties and statement of mission created by the exhibit custodian at RCD, the Court should further develop this statement and once it is complete it should be formally adopted by the Court Executive Team. Given the importance of exhibits in the judicial process, the statement of duties and mission should be read, signed, and dated by each exhibit employee and that document should be retained in the employee's personnel records.
7. The Court should perform a risk based evaluation of their process for storing, maintaining, and safeguarding preliminary hearing exhibits; to aid in this evaluation the court may wish to seek legal counsel. If, after evaluating this process, the court elects to continue transferring preliminary hearing exhibits to the D.A., a new up-to-date M.O.U. should be created which addresses this service including but not limited to documenting the roles and responsibilities of the D.A. and the Court.



**Superior Court Response By: Jim Brighton Date: April 2013**

Response #1:

The Court agrees with this finding. However, the Court does segregate high risk items within the exhibit collection area and all these items are in an alarmed room. The Court recognizes some items are stored together when they are presented together in a case and will take corrective action.

Response #2:

The court does have exhibit policy and procedures but they have not been formalized by the Court Executive Team. The exhibit policy and procedures was drafted in 2000 and has been placed on the agenda for the March 15, 2012 Executive Team meeting (see attached Policy and Procedures). Anticipating approval from the Executive Team, the Court expects to be able to formalize the exhibit policy and procedures by spring 2012.

Response #3:

The Court agrees with this finding. During the audit, what was shown to the auditor were drugs that were being prepared for disposal which included drugs from very old cases when heating sealing was not common practice. While the Court does occasionally receive improperly sealed drugs from our justice partners, we do have an exhibit procedure which includes a requirement that toxic evidence must be packed in heat sealed bags. Most drugs received are accompanied by an Evidence Envelope with lists the type and weight of the drugs. The Court also routinely receives hazardous biological materials from our justice partners and while the same exhibit procedure requirement applies, the Exhibit Unit is making every effort to utilize photographic substitution of these types of exhibits in an effort to minimize the impact on court personnel.

Court staff will work with our justice partners to ensure that sensitive evidence is properly packaged and labeled. It should be noted that the Court is not always able to control how evidence is presented in Court.

Response #4:

The exhibit custodian at the RCD Courthouse is a manager and oversees the entire court exhibit operation as well as subordinate staff at RCD. In addition, on December 7, 2011, an organizational change placed the Exhibit Unit under the supervision of the Criminal Court Services Manager. The exhibit custodian routinely reminds courtroom clerks' courtwide of the necessity of following exhibit procedures that have been in place for many years. The Court continues to work with managers at each court location to ensure uniformity with procedures and policy.

Response #5:

The exhibit custodian at the RCD Courthouse is a manager and oversees the entire court exhibit operation as well as subordinate staff at RCD. In addition, on December 7, 2011, an organizational change placed the Exhibit Unit under the supervision of the Criminal Court Services Manager. The exhibit custodian routinely reminds courtroom clerks' courtwide of

the necessity of following exhibit procedures that have been in place for many years. The Court continues to work with managers at each court location to ensure uniformity with procedures and policy.

Response #6:

The Court will review the unofficial statement of duties and statement of mission previously submitted. An official statement of duties and mission will be submitted to the Court Executive Team with anticipated approval by spring 2012. The creation of an official form will follow.

Response #7:

The Court agrees with this finding however the Court has a Memorandum of Understanding with the District Attorney which was signed in 1995 (copy attached). The Court has initiated discussions with the DA to update and renew this MOU.

## 17. Court Interpreters

### Background

Courts are mandated to provide specially trained language interpreters for witnesses, victims, and defendants who understand little or no English in criminal, misdemeanor, and delinquency matters, as well as certain civil matters. Persons who are deaf or hard of hearing are entitled to an interpreter for all court proceedings, whether criminal or civil. The cost of legally mandated court interpreters is State-funded. Additionally, the Judicial Council is responsible for certifying and registering court interpreters, developing a comprehensive program to ensure an available, competent pool of qualified interpreters, and set statewide pay rates for contract interpreter services in criminal proceedings. Furthermore, SB 371 (Chapter 1047, Statutes of 2002) established an employment model for court interpreters, allowing contracted certified and registered interpreters to become trial court employees.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures</b>				
938502 COURT INTERPRETER TRAVEL	102,176.05	100,509.71	1,666.34	1.66%
938503 COURT INTERPRETERS - REGI	104,220.70	67,302.72	36,917.98	54.85%
938504 COURT INTERPRETERS - CERT	363,119.87	450,586.99	(87,467.12)	-19.41%
938505 COURT INTERPRETERS - NONR	97,799.66	50,117.03	47,682.63	95.14%
938506 COURT INTERPRETERS - NONC	65,759.03	52,514.55	13,244.48	25.22%
938507 COURT INTERPRETERS - AMER	107,014.60	108,361.91	(1,347.31)	-1.24%
938511 COURT INTERPRETER - LODGI	202.90	0.00	202.90	n/a
* 938500 - COURT INTERPRETER SERVIC	840,292.81	829,392.91	10,899.90	1.31%
<b>Revenues</b>				
834010 PROGRAM 45.45-COURT INTER	(2,999,998.00)	(3,098,013.47)	(98,015.47)	3.16%
** 834000-PROGRAM 45.45 - REIMBURSEM	(2,999,998.00)	(3,098,013.47)	(98,015.47)	3.16%

We reviewed selected FY 2010–2011 court interpreter claims as part of our accounts payable review in Section 11 of the report to determine whether per diem rates and travel expense reimbursements paid were appropriate. There are no significant issues to bring to the attention of management.

## 18. Facilities

### **Background**

The Trial Court Facilities Act of 2002 (Senate Bill 1732) was enacted to transfer the responsibility for funding and operation of California's more than 450 courthouse facilities from the counties to the State. Uniting responsibility for operations and facilities increases the likelihood that operational costs will be considered when facility decisions are made, and enhances economical, efficient, and effective court operations. After the transfer of each facility, the Judicial Council assumes full responsibility for the building, with ongoing input from county representatives. All Court facilities have been transferred to Judicial Council responsibility, with the last transfer agreement executed in 2009.

In FY 2009-2010, the Judicial Council requested and received approval from the State Department of Finance to enter into a capitalized lease purchase agreement with the County of Alameda (County) for use and occupancy of a new East County courthouse. The planned five-story Alameda East County Hall of Justice (Courthouse) in the City of Dublin will replace the six courtrooms in the leased Gail Schenone Hall of Justice in Pleasanton and seven courtrooms formerly located in the Allen E. Broussard Courthouse in downtown Oakland, a facility vacated in 2007 due to severe flooding. The Courthouse project will also include space for jury services, court clerk and operations, information technology, in-custody holding, and separate circulation for the public, staff, and in-custody defendants.

The County of Alameda is financing and managing the Courthouse project and donated the land for the site. The State's portion of the debt will be retired using a combination of funds from the local Courthouse Construction Fund, local Civil Assessments, Court Facilities Trust Fund, along with a one-time Senate Bill (SB) 1407 (Ch. 311, Statutes of 2008) contribution of \$50 million for up front construction costs. The Courthouse project is currently in the design phase and construction is estimated to be completed by mid-2015.

The Alameda Superior Court received the AOC's approval to use court reserves for the cost of attorney fees related to the negotiation and preparation of the development agreement and related documents for the financing and construction of the new East County Courthouse. As of June 30, 2011, the Court had expended \$300,000 for attorney fees related to the Courthouse project.

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

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2011	2010		
<b>Expenditures</b>				
935203 STORAGE	231,622.95	289,717.68	(58,094.73)	-20.05%
* 935200 - RENT/LEASE	231,622.95	289,717.68	(58,094.73)	-20.05%
935301 JANITORIAL SERVICES	1,323,904.41	1,157,458.19	166,446.22	14.38%
935303 JANITORIAL CLEANING SUPPL	102,669.95	108,103.75	(5,433.80)	-5.03%
* 935300 - JANITORIAL	1,426,574.36	1,265,561.94	161,012.42	12.72%
935401 REPAIRS	0.00	21,388.38	(21,388.38)	-100.00%
935409 KEY CARD, REPAIR COUNTER,	0.00	734.20	(734.20)	-100.00%
* 935400 - MAINTENANCE AND SUPPLIES	0.00	22,122.58	(22,122.58)	-100.00%
935601 ALTERATION & IMPROVEMENTS	23,131.85	8,025.30	15,106.55	188.24%
* 935600 - ALTERATION	23,131.85	8,025.30	15,106.55	188.24%
935701 SIGNS & RELATED SUPPLIES	779.23	383.58	395.65	103.15%
935703 FLAGS, FLAG POLES AND BAN	412.25	0.00	412.25	n/a
935799 OTHER FACILITY COSTS - GO	29,437.52	26,573.27	2,864.25	10.78%
* 935700 - OTHER FACILITY COSTS - G	30,629.00	26,956.85	3,672.15	13.62%
935899 OTHER FACILITY COSTS - SE	106,930.13	149,100.59	(42,170.46)	-28.28%
* 935800 - OTHER FACILITY COSTS - S	106,930.13	149,100.59	(42,170.46)	-28.28%
** FACILITY OPERATION TOTAL	1,818,888.29	1,761,484.94	64,419.38	3.66%

There are no significant issues to report to management.

## **19. Miscellaneous**

This section covers Court donations, escheatment activities, and indirect cost recovery processes.

There were no issues identified in this section to report on.

**APPENDIX A**

**Issue Control Log**

**Superior Court of California,  
County of Alameda**

**Note:**

**The Issues 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 considered minor and listed only in the appendix. Additionally, issues that were not significant enough to be included in the report were communicated with the 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 incomplete at the end of the audit have an ‘I’ in the column labeled I and include the Court’s Estimated Completion Date.**

**Internal Audit Services will periodically contact the Court to monitor the status of its stated corrective efforts.**

**March 2013**

Appendix A  
Issues Control Log

FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1 Court Administration</b>								
	1.1		No issue noted					
<b>2 Fiscal Management</b>								
	2.1		<b>Log items noted</b>					
		Log	File cabinets that the payroll files are stored in are not kept locked at all times. These files contain confidential information like copies social security cards and drivers license.		C	This matter has been addressed.	Jean Shapiro, Payroll Manager	Complete
		Log	Employees working under the Court's Finance Division did not have overtime authorization approval documented as required by Court's policy and procedures.		C	This matter has been addressed and the proper authorization is required for all Finance division staff for overtime.	Jean Shapiro, Payroll Manager	Complete
		Log	Neither the Court's policy and procedures nor the union agreement have any provisions for any type of payoff or conversion of comp time once an employee reaches the max of 80 hours.	I		HR will have to renegotiate this with the unions near the expiration of the respective union MOU's.	Sheila Tolbert, HR representative	December 2013
<b>3 Fund Accounting and Budgets</b>								
	3.1		No issue noted					
<b>4 Accounting Principles and Practices</b>								
	4.1	3	<b>The Court Needs to Improve Controls over the Accounting and Treasury Processes</b>					
			At June 30, 2011, one of the Court's bank accounts outside of the AOC, Bank of America Acct. 14995-11244-Old Master had a balance of \$2,415,023.36. The funds held in this account were not booked to the general ledger and were therefore not reported. The Court transferred these funds from the Old Master account to the Operations Account in September 2011, with the exception of \$100,000. The residual \$100,000 had not yet been booked to Phoenix as of October 26, 2011.	I		The Court is concerned that this issue has resulted in an audit finding. The Court had been working with and coordinating its efforts to resolve the outstanding matters with respect to the monies in the 'old master account'. Although the ultimate movement of the monies from the master account to the AOC's operating account took longer than the June 30, 2011 date we had targeted, the Court, based on the guidance of AOC staff, moved the monies by the end of the first quarter of the succeeding fiscal year. The Court maintained the \$100,000 in the 'old master account' in the event that the County claimed that the Court owed them any remaining monies going back to issues that arose several years ago. The AOC Sacramento staff were aware of this action. The Court has since taken the necessary steps to book the \$100,000 to the general ledger in the early Fall of 2011.	Matthew McDonald, Court CFO	Complete
		Log	Per the instruction of Phoenix Staff, the Court booked \$783,837 of "Non-AOC Grant" revenue to general fund #120001 NTCTF; grant revenue should be booked to a special revenue fund.		C	The Court disagrees with this finding. The Court followed the guidance and direction of the AOC's staff in addressing this issue. It is the Court's position that this issue should not rise to the level of a reportable finding. <b>IAS Response:</b> Upon IAS review, the documents represent grants in the form of an MOU and has informed TCAS.	Matthew McDonald, Court CFO	Complete
		Log	The local revenue booked to general ledger accounts 821191 DMV History/Priors; 821170 Marriage Licenses; 821183 Uninsured Motorist; and that portion of 821122 Administrative Fees comprised of revenue collected under the authority of Vehicle Code section 40508.6(b) were booked to the general fund (Fund 120001, NTCTF) in fiscal year 2010-2011. The expenditure of these monies is restricted by the applicable statutes, and such revenue should be booked to a special revenue fund.		C	The Court disagrees with this finding. The Court books revenues based on direction and guidance from the Trial Court Administrative Services Unit on the proper use of funds within the SAP general ledger system, and the court does not 'create' special funds. The Court was instructed to do this after it was determined that these were in fact "not grants" but MOU's. <b>IAS Response:</b> Upon IAS review, the documents represent grants in the form of an MOU and has informed TCAS.	Matthew McDonald, Court CFO	Complete
		Log	At June 30, 2011, B of A Acct. 14991-29062-Trust had a balance of \$5,704,734.61, while the accounting detail in the RADAR sub ledger totaled \$5,768,322.51, an un-reconciled difference of \$63,587.90.	I		This matter has been nearly resolved with a reduction of the discrepancy to approximately \$2,500.	Matthew McDonald, Court CFO	Complete
		Log	Court submitted a AB 1058 CSC grant invoice for billing period (5/1/11 - 5/28/11) with totals that did not match expense claim detail summary sheet and supporting backup that was approved and signed by CFO.		C	The Court calculates the total billing, but can only bill for two-thirds of expenses to the federal match funding in the final period of the FY for AB 1058 CSC grant. One-third of the expenses is considered the Court's match.	Harry Ma , Budget Manager	Complete



Appendix A  
 Issues Control Log

FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
5	Cash Handling							
		5.1	6	<b>The Court is at Risk of Theft Due to Weak Controls over Void Transactions</b>				
				I		<p>The Court is in agreement with the findings and recommendations contained herein. The Court will explore the feasibility of configuring case management systems to perform a "hard close" to prevent after hour voids as recommended.</p> <p>The Court will also incorporate a directive to its cash handling policy and procedures that restrict voids from being performed in the CMS by any employee including supervisors and managers, after the end of day cashier close out.</p> <p>The Court will continue to improve its voided monitoring process as recommended.</p>	Pat Edwards, Chief Information Officer	Ongoing and through December 2013
				I		Same as above.	Matthew McDonald Finance Director Jim Brighton Operations Chief	Ongoing and through December 2014
				I		Same as above.	Matthew McDonald Finance Director Jim Brighton Operations Chief	Ongoing and through December 2015
			Log	I		Same as above.	Matthew McDonald Finance Director Jim Brighton Operations Chief	Ongoing and through December 2016
		5.2	7	<b>Controls over Manual Receipts is Insufficient</b>				
					C	<p>The Court agrees. Accordingly, the Finance Bureau completed a recent court wide inventory of all manual receipt books and now have custody and control of all unused manual receipt book from all locations and divisions. All locations are now required to turn in their completed books before new books are issued.</p>	Matthew McDonald Finance Director	Completed.

Appendix A  
 Issues Control Log

FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9	Cash Handling CONTINUED		<b>Controls over Manual Receipts is Insufficient CONTINUED</b>					
			Not all Court locations are consistently following FIN 10.02, 6.3.9. For example, receipt books are not being strictly controlled by the area supervisor and only issued to the cashiers when the system is down. At the Fremont location each clerk receives a receipt book every morning when they pick up their beginning till bags and they keep the receipt book with them all day whether the system goes down or not. While at the WWM location an attempt was made to inventory the 24 receipt books from their old supply. 6 books could not be located and the supervisor had no record of where the missing books were or to whom the books were assigned. Ultimately, after some searching the missing books were found. 3 books were in clerks' desk drawers and 3 were lent to the criminal department on the second floor.	I		The Court is in agreement. The Court will implement a standardized manual receipt log for all locations/divisions; ensure that manual receipts have a strict numerical sequence and that all pages of the manual receipt are properly completed and distributed; and will perform periodic refresher training on manual receipts.	Matthew McDonald Finance Director	Ongoing and through December 2013
			Not all Court locations have sufficient controls over the review of handwritten receipts. For example, of the 30 handwritten receipts selected for review at the WWM location, book # 3 (sequence 1051 – 1100) had one receipt # 1057 where the receipt was not completed, not voided, and the (white-payer) and (yellow-accounting) copies were missing, only the blank pink copied remained. In addition, book # 14 (sequence 1601-1650) had no carbons in book for sequence #'s (1601-1640). Since they were missing, there was nothing to document how and when these receipts were used and if they were used appropriately. At the Pleasanton location 31 receipts were selected to validate if they had been entered into the CMS appropriately, two receipts (from 2011) could not be verified as entered into the CMS.	I		The Court is in agreement. The Court will implement a standardized manual receipt log for all locations/divisions; ensure that manual receipts have a strict numerical sequence and that all pages of the manual receipt are properly completed and distributed; and will perform periodic refresher training on manual receipts.	Matthew McDonald Finance Director	Ongoing and through December 2014
			Not all Court locations are consistently filling out all fields when writing up a manual receipt. To properly document the manual receipt as a record of the transaction that occurred, it is imperative that all fields on the manual receipt are completed. After reviewing each location's manual receipt books it was noted that in many cases the field documenting the CMS receipt number was never completed. For example, of the 30 manual receipts selected for review at WWM, only 5 had the CMS receipt number recorded to document the receipt had been entered into the CMS. At Hayward criminal only 4 out of 11 had the CMS receipt number documented on the receipt. Hayward civil had only 1 out of 12 receipts that were selected for review showing the CMS receipt number. Other court locations were better at recording the CMS receipt number but still had some receipts that were either missing the CMS receipt number or some other field on the receipt.	I		Same as above.	Matthew McDonald Finance Director	Ongoing and through December 2015
		Log	Manual receipts are not processed timely into the CMS. At Hayward Criminal, the manager was unaware that it is their responsibility to process the receipt into the CMS thus processing of several receipts is delayed because Finance must catch them and inform the Court to process.	I		Same as above.	Matthew McDonald Finance Director	Ongoing and through December 2016
		Log	Some court locations do not have assigned manual receipt books in cases of system downtime. For Fremont Criminal, clerks will obtain manual receipts from the Traffic clerks. For WWM Traffic, division borrowed books from the Traffic division. For RCD Civil, manager will obtain manual receipt books from the Finance division, which is located in RCD as well.	I		Same as above.	Matthew McDonald Finance Director	Ongoing and through December 2017
	5.3	10	<b>Some Physical Safeguards are Inadequate Due To Poor Controls</b>					
			Unprocessed mail payments are not secured overnight as recommended by FIN 10.02, section 6.1.1(1). For example, specifically it was noted that at the RCD civil division unprocessed mail remained in the inbox in plain sight and is not placed in a safe or other lockable compartment. <b>(Repeat Issue From Previous Audit)</b>	I		The Court is in agreement with issue # 1 and will proceed accordingly with an expected date of completion October 31, 2012	Jim Brighton/John Reymundo/Operations Mgrs	October 2012
			The following control weaknesses were noted in the Court's current safe procedures: • Safe contents are not inventoried periodically. Safes contained cash, checks, money orders and mail as far back as 2004. (Repeat Issue From Previous Audit) • The safe combination at each court location is known by many persons which exceeds the operating requirements necessary for that location. For example, Alameda Family Law safe is known by the manager and five other managers. (Repeat Issue From Previous Audit) • There is no record of safe combination changes and a list of personnel knowing the combination as required in FIN 10.02, section 6.1.1(3d).	I		The Court is in agreement with issue and recommendation #2. Multiple managers are required to know safe combinations to ensure proper coverage and accessibility to secured safes. Managers are often rotated to various court locations to ensure proper coverage for the various operations. The Alameda courthouse, for example, has one family law manager. In the event that the Alameda manager is absent, another manager from another court location will be assigned to the Alameda courthouse. The Court is in agreement with the recommendation to adopt a policy that requires the safe combination to be changed on a periodic basis or at management's discretion as events which affect safe security occur and will proceed accordingly by October 31, 2012. The Court will maintain a log of all persons that have access to each of the Court's safes and will periodically inventory the contents of each safe.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing

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Issues Control Log

FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9	Cash Handling CONTINUED		<b>Some Physical Safeguards are Inadequate Due To Poor Controls CONTINUED</b>					
			Clerks beginning cash bags are not being properly secured by clerks during the day as required by FIN 10.02, section 6.1.1(1). For example, At Alameda Family Law, although the clerks have lockable till bags, one window workstation is not configured with lockable drawers. In addition, at the Berkeley location, although the till bags lock, these bags are not secured in each clerks lockable desk drawers because the keys for the drawers cannot be located. <b>(Repeat Issue From Previous Audit)</b>	I		The Court is in agreement with issue # 3and will proceed accordingly with an expected date of completion October 31, 2012	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing.
		Log	Safe combination is not changed on a periodic basis as recommended in FIN 10.02 section 6.1.1 para. 3.e.iv		C	Same as above.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing.
		Log	Repeat Issue: At the time of observation, safe is kept unlocked during the day and is accessible to unauthorized personnel. Although noted a different division, this issue was identified in the 2007 audit.		C	Same as above.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing.
		Log	Safe contains additional cash bags that exceed the location's operating requirements. Each cash bag retained has a \$100 bill. Hayward Civil has \$600, Hayward Criminal has \$200 and RCD Civil has \$1,300. These should be returned to Finance.		C	Same as above.	Matthew McDonald Finance Director	Completed
		5.4	11					
			<b>Controls Over the Change Fund Are Weak and Certain FIN Manual Requirements Are Not Met</b>					
			The Court has not performed a thorough evaluation of all established change funds after divisional reorganization was completed resulting in accounting discrepancies and unnecessarily high change fund sizes. At the time of review, Finance acknowledged that it is unaware of the current change funds retained by each location and the amounts it reported are not accurate. Our review identified discrepancies at 6 locations that understated the change funds by almost \$1,000 in aggregate and observed 5 change fund sizes that seem to exceed the locations' operating needs due to infrequent change fund daily activity. Both Oakland WWM Traffic and Hayward Civil have change funds of \$1,400, both Pleasanton and Berkeley have \$500 each and Hayward Criminal has \$800.	I		The Court has performed a thorough evaluation off all established change funds as evident in our annual cash audit in January 2011. However, since that cash audit, the Court has begun the process of consolidating divisions at each court location, to satellite divisions at north and south county locations. This consolidation was in progress at the time of the audit. After the completion of the consolidation, the Court will evaluate the change fund needed at each satellite division.	Sylvester Okoro Banking Manager	October 2012
			Change fund is not verified at the end of the day to ensure that it reconciles to the day's beginning balance as required in FIN 10.02 section 6.3.1 par. (6). Implementation of this control may have prevented discrepancies in existing change funds at several locations where the amount on hand does not match the amount known by the location. At Oakland RCD Criminal, change fund is over by \$20 while at Hayward Family Law, it is short by \$48.17. <b>(Repeat Issue Noted From 2007 Audit).</b>	I		The Court is in agreement and will proceed accordingly with an expected date of completion August 31, 2012.	Sylvester Okoro Banking Manager	October 2012
			Five of the 13 locations have a change fund exceeding \$500, however, the Court does not comply with policies and procedures stated in FIN 10.02 section 6.3.1 par.(5). Specific requirements not met are as follows: <ul style="list-style-type: none"> <li>• Change fund custodian does not have a copy of the FIN Manual policy on change funds</li> <li>• Change fund custodian has not been "officially appointed" by CEO or designee</li> <li>• Change fund custodian is not independent of other cash handling responsibilities (i.e. de facto custodians are managers/supervisors who also perform daily closeout verification)</li> <li>• Custodian does not keep a detailed record to document change fund establishment and replenishment, the amount and denomination of currency and coin held in the fund, and all exchanges of currency and coin made from the fund. <b>(Repeat Issue Noted From 2007 Audit)</b></li> <li>• At some locations where change fund is transferred to another custodian or where a new custodian is introduced, there are no personal audits of the fund and no approval of change fund change of custodian form when custody of the change fund transferred to another custodian.</li> </ul>	I		Each manager was given a copy of the FIN Manual 10.02 regarding Cash Handling prior to this audit. The Court will officially appoint a change fund custodian at each satellite division, but due to the recent reductions in work force, the custodian will likely be a de facto custodian who also performs daily closeout verification.	Sylvester Okoro Banking Manager	October 2012
			External counts, or counts conducted by an employee other than the change fund custodian, of several change funds do not comply with the recommended schedule stated in FIN 10.02 section 6.3.1 par. (7). Finance performs external counts through its annual cash audit, however, change funds exceeding \$200 is counted more frequently (e.g. \$200.01 - \$500 is quarterly and over \$500 is monthly). This affects 10 of the 13 established change funds.	I		With the establishment of satellite divisions and the inherit increase of cash transactions at these locations, the Court will establish a change fund greater than \$500. Due to consolidation of Finance staff, the Court may not be able to meet the requirements of a monthly cash audit and will consider submitting an Alternative Procedure Form to the AOC for approval no later than October 31, 2012	Sylvester Okoro Banking Manager	October 2012
		Log	Verifier does not review each check to ensure they are accurately completed and does not verify the checks against the adding machine tape totals submitted by the cashier. This is recommended.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing

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 Issues Control Log

FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9	Cash Handling CONTINUED		<b>Controls Over the Change Fund Are Weak and Certain FIN Manual Requirements Are Not Met. CONTINUED</b>					
		Log	During daily balancing and closeout, the clerks do not consistently complete and sign the daily worksheet as required in FIN 10.02 section 6.3.10 para.2 and as required by the Court's cash handling policy under section "Balancing Daily Deposit". We recommend an update to the court's policy to address closeout documents specific to TCMS.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Verifier did not verify the starting cash bag as stated in FIN 10.02 section 6.3.10 para.2. Also, the verifier did not complete the cash bag verification log in the presence of the clerk to signify proper chain of custody process.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Suggested two-person team does not open mail as recommended by FIN 10.02 section 6.4 para.2.a. Two-person team entails having two persons opening, sorting and preferably logging any payments in the presence of each other.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Mail payments log is not utilized as recommended by FIN 10.02 section 6.4 para.3.a-b	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Some mail payments are processed by the person/s who opened the mail, which does not comply with FIN 10.02 section 6.4 para.2.f	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Existing mail payments log is inadequate because it does not capture the check number or an attached tape total of payments as recommended in FIN 10.02 section 6.4 para.2.b & c.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Mail payments are not processed timely. There is a backlog of more than 2 business days. Backlog occurred during Dec 2011-Jan 2012 period due to vacations and illnesses. However, backlog has been resolved upon follow-up at the end of January 2012.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	<b>Repeat Issue.</b> No public notice regarding the provision of receipts was found as recommended.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Public notice regarding receipts is not posted at all collection windows. Of the 8 collection windows available, only 5 had the notice posted.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	<b>Repeat Issue.</b> No public notice, in English and Spanish, regarding fee waivers was found as required by CRC 3.63.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
		Log	Clerks do not consistently follow required credit card processing procedures. For example, the clerk did not check for a valid ID to verify the credit card belongs to the customer as prudent business practice.	I		The Court is in agreement and will proceed accordingly.	Jim Brighton/John Reymundo/Operations Mgrs	Ongoing
	5.5	12	<b>Compliance with Requirements Regarding Dishonored and Partial Payments in Civil Actions Needs Consistency and Improvement</b>					
			For civil filings with dishonored check payments, the Court did not consistently issue the required Notice of Returned Check or did not consistently issue the notice on a timely basis. For example, of the 20 civil NSF payments reviewed, 8 of the 20 did not have the NSF notice issued timely. a) 2 – Considered “untimely” because no notice sent at all. b) 2 – Considered “untimely” because the notice was sent 9 or more days after the Court was notified by the bank. c) 4 , notwithstanding the 2 noted above in (b), – Considered “untimely” because the notice was issued at least 11 business days, with the longest being 41 business days, after the original payment was presented to the Court. This delay appears to be due to the Court’s current deposit process.	I		The Court is in agreement and will proceed accordingly.	Matthew McDonald Finance Director	June 30,2013
			For civil filings with partial payments, the Court did not consistently issue the required Notice of Partial Payment and did not always timely issue the notice after receipt of the partial payment. In 3 of the 19 civil cases tested, the civil division managers and/or supervisors did not issue any notices. Of the cases with notices issued, 9 of 16 notices were issued at least 84 days after receipt of partial payment with 328 days being the longest.	I		The Court is in agreement with the findings and recommendations. The civil management will ensure that the Notice of Partial Payments prepared and promptly sent to the paying party.	Matthew McDonald Finance Director	Ongoing
			The Court did not consistently void the civil filings as required when full payment was not received after the 20-day period has elapsed. In 9 of 18 cases with dishonored check notices and in 10 of 16 cases with partial payment notices, the civil managers and/or supervisors did not void them in the work queue in DOMAIN thus the cases proceeded without receiving the full amount of the civil filing fee and administrative charge, which do not comply with both CCP 411.20 (b) and CCP 411.21 (b).	I		The Court is in agreement with the findings and recommendations. The civil divisions will put mechanisms in place to improve the tracking and monitoring process to ensure civil filings are properly voided when full payment of the required fee and administrative charge is not received by the expiration date.	Matthew McDonald Finance Director	Ongoing

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FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9	Cash Handling CONTINUED			<b>Compliance with Requirements Regarding Dishonored and Partial Payments in Civil Actions Needs Consistency and Improvement CONTINUED</b>				
		Log	In 2 of 19 Partial Pmts tested, the Notice of Partial Payment was not issued as required in CCP 411.21 (a).	I		The Court is in agreement and will take the necessary corrective action.	Matthew McDonald Finance Director	Ongoing
		Log	Court is not using the mandatory fee waiver forms as required by GC 68633 and California Rules of Court 3.51, 8.26, and 8.818. Specifically the court is not using forms 003, 007, and 008. The Court uses its own DOMAIN generated form.	I		The Court is in agreement and will take the necessary corrective action.	Matthew McDonald Finance Director	Ongoing
6	Information Systems	6.1	14	<b>Information Technology Systems Development/Acquisition Responsibilities and Reporting</b>				
					C	The Court is in agreement, fully understands the issues raised as well as the responsibilities related to the development and acquisition of an information technology system, and in the future will adopt sound business practices for similar projects.	Pat Edwards/Linda Salcido/Court Mgmt	Ongoing
					C	The Court is in agreement and fully intends to comply with the requirements discussed above and standard IT procurement practices discussed in the Judicial Branch Contract Manual.	Pat Edwards/Linda Salcido/Court Mgmt	Ongoing
					C	The Court is in agreement.	Pat Edwards/Linda Salcido/Court Mgmt	Ongoing
					C	The Court is in agreement and in the future will complete a thorough analysis of a potential project's cost and benefits before investing any significant resources.	Pat Edwards/Linda Salcido/Court Mgmt	Ongoing
					C	The Court is in agreement and will document and retain all key decisions that impact the project in general, including the goals of the project.	Pat Edwards/Linda Salcido/Court Mgmt	Ongoing
					C	The Court is in agreement and in the future will ensure compliance by noticing the CTA when required concerning the project in conformance with GC § 68511.9.	Pat Edwards/Linda Salcido/Court Mgmt	Ongoing
		6.2	18	<b>The Court Did Not Properly Distribute Certain Collections in Accordance with Statutes and Guidelines</b>				
				I		The Court has conducted a review of the test work conducted by the auditors. During our review, we found sufficient evidence and corroboration of the auditor's findings related and have developed a work plan and strategy to address and resolve the outstanding matters. It is the Court's intent to address and correct the related distribution tables, formulas, and methodologies within the TCMS system no later than early second quarter of 2013, preferably in April 2013.	Matthew McDonald Finance Director	April 2013
				I		See Above.	Matthew McDonald Finance Director	April 2013
				I		See Above.	Matthew McDonald Finance Director	April 2013
				I		See Above.	Matthew McDonald Finance Director	April 2013
				I		See Above.	Matthew McDonald Finance Director	April 2013
				I		See Above.	Matthew McDonald Finance Director	April 2013

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FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9			<b>The Court Did Not Properly Distribute Certain Collections in Accordance with Statutes and Guidelines CONTINUED</b>					
			GC 68090.8 - 2% State Automation is not applied to FG 13003 special base fine distribution. GC 68090.8(b) states that 2% applies to all fines, penalties and forfeitures. This overstates FG 13003 State and County distributions and understates 2% State distribution.	I		See Above.	Matthew McDonald Finance Director	April 2013
			VC 42007.3(a) - Red Light Traffic School 30% allocation is incorrect because it followed the 30% allocation for bail forfeiture pursuant to PC 1463.11. This resulted in an understated Red Light allocation because 30% is not applied to the following penalty assessments (PA) - GC 76104.6-DNA PA, GC 76104.7-Additional DNA PA, GC 76104-EMS PA and GC 76000.5 Additional EMS PA. Since total fine is unaffected (same as standard expected total), the understated amount is part of the VC 42007 TS Bail County distribution thus VC 42007 reporting in the 50/50 MOE Revenue split is overstated	I		See Above.	Matthew McDonald Finance Director	April 2013
			Some Red Light traffic school cases tested evidence gross overstatement of both EMS penalty assessments (GC 76104 and GC 76000.5). Cause for the significant variance cannot be determined. Since total fine is unaffected (same as standard expected total), the overstated amount reduces the amount for VC 42007 TS Bail County distribution thus VC 42007 reporting in the 50/50 MOE Revenue split is understated.	I		See Above.	Matthew McDonald Finance Director	April 2013
			For traffic school cases with city arrests, city portion of the base fine is incorrect because it is not net of 2%. Pursuant to VC 42007 (c), city distribution follows PC 1463.001(b)(3), which is for bail forfeiture/non-traffic school cases where 2% state automation is applicable. However, in traffic school cases, the 2% amount is not distributed to the state automation fund but rather is redirected to the VC 42007 County TVS fee.	I		See Above.	Matthew McDonald Finance Director	April 2013
			For Red Light bail forfeiture cases, penalty assessment (PA) calculations are incorrect because Red Light 30% allocation pursuant to PC 1463.11(a) is incorrectly understated. Thus, PA's subject to 30% red light allocation (GC 76000, GC 70372(a) and EMAT) are overstated while PA's not subject to 30% (DNA PA's and Additional EMS PA) are understated.	I		See Above.	Matthew McDonald Finance Director	April 2013
			PC 1463.11(a) - Red Light 30% allocation is incorrect and understated because 30% is not applied to the GC 76104-EMS PA and GC 76000.10 - S4 EMAT penalty.	I		See Above.	Matthew McDonald Finance Director	April 2013
			GC 68090.8 - 2% State Automation is not applied to PC 1463.11-30% Red Light allocation. GC 68090.8(b) states that 2% applies to all fines, penalties and forfeitures. Since 30% is taken from the base fine and applicable penalty assessments, 30% allocation is subject to 2%.	I		See Above.	Matthew McDonald Finance Director	April 2013
			Base fine used does not follow the recommended base in the Judicial Council's Uniform Bail and Penalty Schedule (UBS). This evidences a judge-ordered or non-standard fine which leads to percentage-based distribution that impacts PA distribution. PA distributions may be overstated if judge-ordered fine is more than the standard and vice versa.	I		See Above.	Matthew McDonald Finance Director	April 2013
			There is no evidence of 30 percent Railroad allocation for both bail forfeiture and traffic school cases. Court stated that calculation followed the 30 percent Red Light calculation, which is also incorrect.	I		See Above.	Matthew McDonald Finance Director	April 2013
		Log	Base fine is not correctly distributed between the City and County pursuant to PC 1463.002. County portion of the base fine is not calculated thus the City received 100% of the base fine.	I		See Above.	Matthew McDonald Finance Director	April 2013
		Log	Special base fine distributions related to Reckless Driving violations are not assessed. PC 1463.14(a)-Lab Fees and PC 1463.16-Alcohol Program Fees both at \$50 should be collected from the base fine prior to base fine distribution. If existed in a city arrest case, the city portion of the base fine will be overstated and the county portion will be understated.	I		See Above.	Matthew McDonald Finance Director	April 2013

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FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	6.3	15	<b>Business Continuity/Disaster Recovery Planning</b>					
			While the Court has developed BCP and COOP plans, the components affecting the Court's information technology infrastructure need improvement. The lack of a BCP plan was an issue previously identified in the 2007 audit. The 2007 audit, however, did not address the lack of a COOP plan because the AOC Office of Emergency Response and Security (OERS) COOP initiative began after the audit. The Court stated that it has coordinated with OERS in developing a COOP and anticipates including elements of the BCP in this plan. <b>(Repeat issue from 2007 audit)</b>	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing through June 2013
			The Court has an incomplete and untested DRP plan. The current DRP plan was still being developed during the time of the audit thus has not been tested. This plan has restore procedures for severe disasters or disasters affecting both Court and County datacenters, but restore procedures for major and minor disaster scenarios or disasters affecting outlying court locations, have yet to be documented. <b>(Repeat issue from both 2003 and 2007 audits)</b>	I		The Court does agree with the finding related to a viable Disaster Recovery Plan (DRP) and is in the process of taking the following corrective action.	Pat Edwards Chief Information Officer	Ongoing through June 2013
			The Court's failover testing process and procedures are not formalized and documented. Court conducts network and mission-critical application failover tests, however, testing plan and schedule, test approvals, test procedures and test results are not documented and available for review. Court's primary network and application systems are both located at the County datacenter, however, the back-up network system is located at the Court datacenter while the back-up application system is at the County data center.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing through June 2013
	6.4	16	<b>Noted in Previous Audits and Still Outstanding, the Court's IT Policies and Procedures on Logical Access Security Are Not Comprehensive and Require Updates</b>					
			<b>Repeat Issue (2003 and 2007).</b> Court does not have a separate policy on virus protection. Virus protection is mentioned in 3 of the Court's current policies and procedures; Acceptable Use policy, Remote Access policy and VPN policy. However, the policies do not state any of the procedures regarding updates, configurations and notifications as handled by network and security administrators.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
			Some current policies and procedures do not reflect the Court's current computing environment and do not evidence review for at least 5 years as follows: • Policy and procedures on Virtual Private Network (VPN) related to remote access technology was last revised on April 2004 and evidences outdated information. The Court currently uses Citrix Secure Socket Layer (SSL) VPN protocol but the policy still refers to traditional VPN protocols such as IPSec and L2TP VPN protocols. • Policy on remote access was last revised on November 2006 • Policies on username and password management were last updated in April 2001	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	Court does not minimize the number of individuals with administration authority, which is currently at 14 OIT employees. Administrators are classified into 5 groups: Server admin (6), Database admin (1), UNIX admin (1), Network admin (1) and Desktop admin (5).	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	Court allows concurrent logins to the network due to operational need (i.e. judicial officers log in from the bench and from the chambers). Court's mitigating control is at the client PC level wherein to require a PC screenlock (with password entry upon resume) after 30 minutes of inactivity.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	Court does not have time restrictions on DOMAIN sessions due to operational need but are investigating options. Court's mitigating control is at the client PC level wherein a PC screenlock (with password entry upon resume) is required after 30 minutes of inactivity.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	Court does not have a unique initial password for new user accounts in DOMAIN. DOMAIN has a default password for new accounts and although the system prompts a change at first logon, the use of a default password presents an opportunity for unauthorized access.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	Court is still using generic or temporary accounts for two external user groups of DOMAIN; Court Attendants and DCSS. Court is in the process of changing that and anticipates full transition to individual access by December 2012.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	<b>(Physical Security)</b> The back-up site (OIT Edgewater) is not built on elevated floors.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.

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6			<b>Information Systems CONTINUED</b>					
		Log	<b>Noted in Previous Audits and Still Outstanding, the Court's IT Policies and Procedures on Logical Access Security Are Not Comprehensive and Require Updates CONTINUED</b> (Physical Security) The back-up site (OIT Edgewater) does not have flood alarms installed.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	(Physical Security) At the back-up site (OIT Edgewater), Court may allow vendors who maintain the fire suppression and burglar alarm systems to enter the computer room without an escort	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	(Traffic/DMV) Three names out of our sample of 30 employees with INF 1128 forms are no longer employed with the court. The court should ensure that these former employees no longer have access to court systems and DMV databases. Also, 12 of the 27 current employees that we tested are not currently assigned to a Traffic or Criminal Division. The court should determine if these employees have DMV access that should be revoked if it is not required to fulfill their job responsibilities. The court should also review all employees with DMV access to determine if there are additional DMV accesses that should be revoked.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
		Log	(Traffic/DMV) Court migrated to new case management system in Oct 2011 but has not re-certified with the DMV. We recommend that the court re-certify TCMS with the DMV. TCMS is considered a new and improved infrastructure change that has been put into place since the court signed the certification back in March 2010.	I		The Court is in agreement and will take the necessary corrective action.	Pat Edwards Chief Information Officer	Ongoing.
7			<b>Banking and Treasury</b>					
	7.1							
			No issue noted					
8			<b>Court Security</b>					
	8.1		<b>Log items noted</b>					
		Log	Two out of eight court locations (Pleasanton & Hayward) contained fire extinguishers that have not been serviced or re-charged as appropriate.	I		This is an AOC/FMU responsibility; per FMU this is covered under the AOC PM (Preventive Maintenance) program and I will have this addressed today!	James Kremko AOC/OCCM	March 2, 2012
		Log	Four out of eight court locations (Berkeley, San Leandro Juvenile, Fremont, & Alameda) do not have certificates demonstrating that the x-ray screening equipment is appropriately registered with the California Department of Public Health.	I		The Court will investigate on the location of the certifications and if they are not located a new registration will be filed with the California Department of Public Health.	Linda Salcido, Procurement Manager	Ongoing.
		Log	Five out of eight court locations (WW Emanuel, RC Davidson, Pleasanton, Fremont, & Alameda) cannot provide appropriate records to demonstrate that the X-ray screening and metal detection equipment is routinely serviced and calibrated.		C	The x-ray equipment that did not have the proper records are under the AOC service agreement see schedule below: Alameda, 2233 Shoreline Drive - Scheduled for 03/31/12 Pleasanton, 5672 Stoneridge Drive, PM performed on 02/27/12 WWM, 661 Washington Street, Scheduled for 04/30/12 Fremont, 39439 Paseo Padre Pkwy - assigned to Adam Hayes to be completed. Adam Hayes is the technician for contractor servicing security equipment. RCD, 1225 Fallon Street, PM performed on 02/28/12	See court response	See court response
		Log	The Hayward court does not require the Sheriff's office to inspect, or x-ray packages that are delivered to the court.	I		The Sheriffs are required to inspect/x-ray all mail deliveries that come in through the entrance(s) where the x-ray equipment is located. The packages that do not get inspected or X-rayed are deliveries that come in the building through the loading dock. Typically these are large deliveries or inter-office mail. The building is not equipped or staffed to x-ray large packages.	Lt. Craft, Alameda County Sheriff	Incomplete
		Log	The Berkeley court location does not have an established key nest to secure and control duplicate or unassigned keys.	I		A key control procedure and securing of the additional keys will be set in place in the next month for Berkeley.	Lawrence Hudgins	March 2, 2012
		Log	The Fremont Court locations security DVR cannot record and store to memory more than two week's worth of video.	I		Due to funding restrictions, this facility does not have an upgraded DVR. Note: The AOC standards only required DVR memory/capacity for 7 days worth of video.	Ed Ellestad AOC/ERS	To be determined
		Log	The Alameda court location has no panic buttons installed in courtroom Dept 301.	I		We are currently working to resolve the problem with the duress alarms. This has been made a high priority and it should be resolved ASAP.	Lawrence Hudgins	Ongoing.
		Log	According to Lieutenant Lamb, Alameda County Sheriff, the hard drive at the Juvenile Detention center in San Leandro has no long term video storage.	I		It is the Court's understanding that all cameras at the Juvenile Detention Center are connected and managed by the County/Probation security equipment. We do not know what DVR capacity they have.	Ed Ellestad AOC/ERS	To be determined



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8	Court Security CONTINUED		Log items noted CONTINUED					
		Log	All Court locations, except Hayward, do not have key logs that track specifically metal keys.	I		Key logs will be standardized and implemented in the next few weeks for all Alameda County court locations.	Lawrence Hudgins	March 2, 2012
9	Procurement							
	9.1	13	<b>The Court Needs to Strengthen Compliance with Procurement Policies and Procedures</b>					
			A properly approved purchase requisition, as required by FIN Policy No. 6.01, section 6.3, was not documented in the procurement files of 9 of the 30 (30%) sample transactions tested.	I		The recent retirement of the procurement specialist who had been assigned to the Office of Information Technology has provided an opportunity for the Court to reassess the controls in place for purchasing	Linda Salcido Procurement Manager	Completed
			9 of 30 transactions tested were sole source procurements; proper sole source documentation required by FIN Policy No. 6.01 section 6.11 was not found in the procurement files for 7 of 9 (77%) of these transactions.	I		Same as above	Linda Salcido Procurement Manager	Completed
			Three written offers were not documented in the procurement files for four of the "Competitive Procurements" tested, as required by FIN Policy No. 6.01, section 6.5.4.	I		Same as above	Linda Salcido Procurement Manager	Completed
			The procurement file did not document three offers as required by FIN Policy No. 6.01, section 6.5.3 for three small purchase transactions.	I		Same as above	Linda Salcido Procurement Manager	Completed
			For one of the "low value" procurement samples tested, the procurement file did not document three phone/internet offers as required by FIN Policy No. 6.01, section 6.5.2.1.	I		Same as above	Linda Salcido Procurement Manager	Completed
			In FY 2010-2011, 39 credit card transactions exceeded the single purchase limit of \$1,500 established in FIN Policy No. 6.01 section 6.14.4.	I		Same as above	Linda Salcido Procurement Manager	Completed
		Log	The properly approved purchase requisition found in the procurement files of 2 of the 30 samples tested did contain proper account coding as mandated by FIN Policy No. 8.01, section 6.3.5.	I		Same as above	Linda Salcido Procurement Manager	Completed
10	Contracts							
	10.1		<b>Log items noted</b>					
		Log	Three of ten or 30% of contracts tested did not contain a contract change clause that details how a contract can be changed.		C	This clause was included in one of the contract, however detail was not clearly described. Clause was inadvertently missed in other contracts; one contract has been terminated and future contracts with other vendor contain required clauses per AOC.	Linda Salcido, Procurement Manager	Completed
		Log	Four of ten or 40% of contracts tested did not contain a dispute(s) resolution clause.		C	These contracts cover lease and service agreements for equipment provided to Court by vendor. Templates were required to obtain items or services. BPO language provides for warranty clause which is sent to vendor as notification of encumbrance of funds.	Linda Salcido, Procurement Manager	Completed
		Log	Ten of ten or 100% of contracts tested did not contain a remedies clause.		C	Template used for these contracts was obtained through AOC; the Court was not aware that this clause was absent from template. New JBCM template contains all required clauses and is being used per JBCL.	Linda Salcido, Procurement Manager	Completed
		Log	Four of five or 80% of the contract files tested did not contain any information about the vendor's DVBE (disabled veteran business enterprise).		C	Court does not have a Contract Administrator; this function being handled by Secretary who has only basic knowledge of FIN policies. Court will document this information in files for future audits.	Linda Salcido, Procurement Manager	Completed
		Log	Five of five or 100% of the contract files tested did not contain the year the vendor was established.		C	Court does not have a Contract Administrator; this function being handled by Secretary who has only basic knowledge of FIN policies. Court will document this information in files for future audits.	Linda Salcido, Procurement Manager	Completed
		Log	Five of five or 100% of the contract files tested did not contain any information about the annual gross receipts.		C	Court does not have a Contract Administrator; this function being handled by Secretary who has only basic knowledge of FIN policies. Court will document this information in files for future audits.	Linda Salcido, Procurement Manager	Completed
		Log	The Court's current contracting manual and procedures are not up to date and are not in compliance with the new JBCM Guidelines that went into effect 10/1/2011. Court advised they are in process of completing new contracting manual and hope to have it completed by 6/30/2012.	I		The Court is in agreement and has completed a new contracting manual.	Linda Salcido, Procurement Manager	Completed
		Log	The Court's current MOU with the County does not include IT services that are provided by the County. <b>(REPEAT ISSUE)</b>	I		The Court is in agreement and is currently in the process of negotiating an agreement with the County as it relates to IT services.	Pat Edwards/Linda Salcido	June 30, 2013

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11	Accounts Payable							
		11.1	4	<b>The Court Did Not Comply with FIN Manual Requirements When Paying Travel Expenses</b>				
			Of the nine travel expense claims reviewed where the expense incurred was as a result of a participation in a conference or training, all nine of the claims were processed and paid even though they did not have documentation to support that the individual attended and completed the conference or training as required by FIN 8.03, paragraph 6.3(1)(i).	I		The Court is in general agreement with the findings and recommendations in this issue memorandum and will take the necessary steps to take corrective action. The Court does note its concern, however, over the materiality of some of the auditor's findings rising to the level of an Issue Memorandum, rather than the more appropriate Verbal, or Logged issues or findings. Many of the Travel Expense Claims' missing information related to expenses of no more than a few dollars. <b>IAS Response:</b> In regards to materiality of the findings, IAS viewed the issues in total and notes in issue #1, the five bulleted items are examples.	Matthew McDonald Finance Director	Completed
			Of the six travel expense claims reviewed where an employee stayed at a hotel, three of the claims did not include a hotel bill that showed a zero balance due as required by FIN 8.03, paragraph 6.3(1)(f).	I		Same as above	Matthew McDonald Finance Director	Completed
			Of the four travel expense claims reviewed that had airline tickets claimed, two claims did not have the airline itinerary as backup documentation as required by FIN 8.03, paragraph 6.3.1(a).	I		Same as above	Matthew McDonald Finance Director	Completed
			Of the five travel expense claims reviewed that had an "other transportation charge" claimed, two claims were paid without having the receipt documentation for the cost as required by FIN 8.03, paragraph 6.3.1(c).	I		Same as above	Matthew McDonald Finance Director	Completed
			Of the seven travel expense claims reviewed where a parking charge was claimed, one claim was paid but the claim did not have a receipt to document the charge or any evidence that the receipt was misplaced as required by FIN 8.03, paragraph 6.3.1(d).	I		Same as above	Matthew McDonald Finance Director	Completed
			The Court is not always paying mileage expense claims appropriately as required by FIN 8.03, paragraph 6.3.2(b). For example, of the fourteen mileage claims reviewed, two of the claims were paid for mileage from the claimant's home when the lesser of the mileage was from their headquarters to the business destination.	I		Same as above	Matthew McDonald Finance Director	Completed
			Of the six hotel expenses reviewed, four claims were requesting a reimbursement for their hotel costs. None of these claims had documentation to support that they had attempted to have the hotel waive the Transient Occupancy Tax as recommended by FIN 8.03, paragraph 6.1.7(2).	I		Same as above	Matthew McDonald Finance Director	Completed
		11.2	5	<b>The Court Does Not Comply with FIN Manual Requirements to Reimburse Business-Related Meal Expenses</b>				
			Of the 8 business meal expenses reviewed, 4 did not have a business meal form, email, or memo in which to appropriately document the business expense.		C	The Court is in agreement and has taken correction action to resolve the issue.	Matthew McDonald Finance Director	Completed
			Of the 8 business meal expenses reviewed, 8 were not approved by PJ or CEO.		C	Same as above	Matthew McDonald Finance Director	Completed
			Of the 4 business meal expenses reviewed that did have a business meal form, email or memo filled out, 2 were not completed properly, therefore, it could not be determined if the expenses were appropriate because the form did contain adequate information on the business meal form to determine if the expense was appropriate.		C	Same as above	Matthew McDonald Finance Director	Completed
			Specifically, of the 8 business meal expenses reviewed, 5 did not contain appropriate documentation to determine if there was a reasonable purpose to hold the meeting during a meal period.		C	Same as above	Matthew McDonald Finance Director	Completed
			Of the 8 business meal expenses reviewed, 6 were inappropriately paid even though there was not enough information or there was no (email or memo) to determine if the meal met the required times to qualify for payment. For example, all business meals requests should contain: date of meal; scheduled start and end time of meeting; specific attendees and title. As a result, it could not be determined based on info provided if breakfast was served appropriately; if lunch was served appropriately; if dinner was served appropriately; and location that event took place.		C	Same as above	Matthew McDonald Finance Director	Completed
			Of the 8 business meal expense claims reviewed, only 2 had enough information to determine if the meal was within the cost limits, and of those 2, one was for a meal that was over the \$10 lunch limit per FIN 8.05, 6.6,c version 7		C	Same as above	Matthew McDonald Finance Director	Completed
			4 of the 30 sample invoices tested were not date stamped as required by FIN Policy No. 8.01, section 6.3.1		C	Same as above	Matthew McDonald Finance Director	Completed
			Log Three of the A/P sample files tested did not contain proof of services received as required by FIN Policy No. 6.01, section 6.8.1.		C	Same as above	Matthew McDonald Finance Director	Completed

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11	Accounts Payable CONTINUED			<b>The Court Does Not Comply with FIN Manual Requirements to Reimburse Business-Related Meal Expenses CONTINUED</b>				
		Log	One of the vendor claims tested did not include case numbers and an itemized invoice was not found appended to the claim as required by FIN Policy No. 8.02 sections 6.2 and 6.3.	I		Same as above	Matthew McDonald Finance Director	Completed
		Log	Court Reporter transcripts were being paid by the Court at an incorrect rate. For example, they were being paid at a rate per page and not by every 100 words as required by GC 69950.	I		Same as above	Matthew McDonald Finance Director	Completed
		Log	Per FIN 8.04, section 6.3, the petty cash fund should be kept to the lowest amount that is sufficient to meet the needs of the court. RCD petty cash fund required replenishment of \$210.22 for FY 10/11, therefore the need at RCD does not warrant a \$600 petty cash fund. It is recommended that the fund be reduced to \$300.	I		The RCD petty cash will be reduced to \$300.	Ed Song	Completed
		Log	The court is not in compliance with FIN 8.04, section 6.2. For example, the petty cash fund at the Berkeley location was not held separate from all other monies in its own specific separate locked drawer or cabinet with access being limited to only the custodian.	I		The Berkely courthouse no longer needs a petty cash fund. As such, the Berkely petty cash fund will be dissolved.	Ed Song	Completed
		Log	FIN 8.04 section 6.2 states that the petty cash custodian shall have no other cash handling responsibilities. The Berkeley location is in conflict with this policy. For example, the custodian supervises front end cashiers and performs daily closeout and balance procedures.	I		The Berkely courthouse no longer needs a petty cash fund. As such, the Berkely petty cash fund will be dissolved.	Ed Song	Completed
		Log	Court management and the executive administration support are not always ensuring that their staff have completed an updated "Authorization to Use Privately Owned Vehicles on State Business form" (STD.261 Rev. 3-95) each year. For example, of the court staff that were reviewed as part of the travel claim testing, it was noted that two employees traveled on court business but did not have an updated form (STD.261 Rev. 3-95) on file with the Court facility department.	I		The STD.261 is typically sent out by the Facilities Unit every year. These may have been new employees or new travelers. We will verify with Facilities.	Doug Bailey/Matthew McDonald	Complete
		Log	Of the 14 travel expense claims where mileage was claimed, 2 of the claims were paid for mileage from home when the lesser of the mileage was from their headquarters. Court has advised that they accept the risk of not validating mileage for appropriateness and are aware of all risks.	I		In one case, the travel was from Walnut Creek to Santa Barbara, instead of Oakland to Santa Barbara, a difference of five miles each way. The other case was for travel between Berkeley and Oakland Airport instead of Oakland to the airport, a total one-way difference of eight miles.	Doug Bailey/Matthew McDonald	Complete
		Log	Of the 16 travel expenses claims reviewed that qualified as a claim that required the TEC claim form to be completed, 5 of the claim forms either were not fully completed or were not completed at all.		C	Court has taken note and will educate staff to complete all appropriate form sections in future.	Doug Bailey/Matthew McDonald	Complete
12	Fixed Asset Management							
		12.1	8	<b>The Court's Asset Management Efforts have not Improved Significantly since 2003 and will Benefit from a Comprehensive Process</b>				
				I		The Court is in agreement with the findings and recommendations. The Court is in the midst of developing and implementing a fixed asset project that is to be completed by October, 2012. This includes taking physical inventory as well as developing policies and procedures for tracking of all assets at all court locations. The Court will use the system currently being used to track information technology assets - ServiceDesk Plus - for recording and tracking fixed assets.	Doug Bailey/Matthew McDonald	October 2013
				I		Same as above	Doug Bailey/Matthew McDonald	October 2013
				I		Same as above	Doug Bailey/Matthew McDonald	October 2013
				I		Same as above	Doug Bailey/Matthew McDonald	October 2013

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12 Fixed Asset Management CONTINUED			The Court's Asset Management Efforts have not Improved Significantly since 2003 and will Benefit from a Comprehensive Process CONTINUED					
			Court does not maintain a complete Asset Transfer/Disposal Listing that contains all required elements and therefore is not in compliant with FIN 9.01, section 6.7.1 and section 6.7.2 and ROC 10.830	I		Same as above	Doug Bailey/Matthew McDonald	October 2013
			The Court is not providing proper "notice of disposal" and thus is not in compliant with FIN 9.01, section 6.7.3 and ROC 10.830 which requires proper "notice of disposal". For example, the court is not advertising items for transfer/disposal on its website or with the AOC 60 days prior to disposal.	I		Same as above	Doug Bailey/Matthew McDonald	October 2013
	12.2	9	<b>Improve Accuracy to CAFR Report 18-Fixed Assets Reporting</b>					
			The court does not track, monitor, or report its non-IT fixed assets. As a result, this asset is not accurately capitalized nor reported on Report 18-Fixed Assets.	I		The Court is in agreement with the findings and recommendations. The Court is in the midst of developing and implementing a fixed asset project that is to be completed by October, 2012. This includes taking physical inventory as well as developing policies and procedures for tracking of all assets at all court locations. The Court will use the system currently being used to track information technology assets – ServiceDesk Plus – for recording and tracking fixed assets.	Doug Bailey/Matthew McDonald	October 2013
			The Court is not accurately reporting its position on the CAFR Report 18 because the amount of each fixed asset purchases reported by OIT to finance includes only the cost of the item. Therefore, the Court is not capitalizing the total investment cost of its fixed asset purchases, and thus the amount to be included in the Report 18 ending balance calculations is inaccurate. Asset purchases should include the cost of the item plus accessories, sales tax, freight, and installation	I		The Court is in agreement with the findings and recommendations. The Court is in the midst of developing and implementing a fixed asset project that is to be completed by October, 2012. This includes taking physical inventory as well as developing policies and procedures for tracking of all assets at all court locations. The Court will use the system currently being used to track information technology assets – ServiceDesk Plus – for recording and tracking fixed assets.	Doug Bailey/Matthew McDonald	October 2013
			The court is inaccurately capitalizing the cost of commercially developed software. According to GASB 51 (Accounting and Financial Reporting for Intangible Assets), unless the Court has significantly modified commercial "off the shelf" software, the court should not be capitalizing the cost of commercially developed software. For example, in FY 07/08 the Court capitalized a \$12,500 software purchase, and in FY 08/09 the Court capitalized \$18,909 in software purchases. In FY 10/11 the Court capitalized \$29,805 in software purchases. The total cost of commercially developed software that was incorrectly capitalized between FY 07/08, 08/09, and 10/11 was \$61,214. In addition, the court has recently incurred expenses on a traffic case management system called (TCMS) that it developed internally. In FY 09/10, the cost was \$200,000 and in FY 10/11, the cost was \$251,786. These costs should have been capitalized, but were not	I		Same as above	Doug Bailey/Matthew McDonald	October 2013
			The Court is not reporting correctly on its CAFR Report 18 because it does not include all items that have been transferred or disposed. For example, the Court provided three asset transfer/disposal lists. Two of the three transfer/disposal lists provided by the court do not include the purchase date and amount; these data elements would assist in identifying the asset to be transferred or disposed from the asset listing which would support the Report 18. Furthermore, six of the servers on the "OIT Salvage List March 2011" are not on the list of retired equipment submitted to Finance. As a result, they were not included in the FY 10/11 Report 18 ending balance calculations. The servers are each valued at \$15,000. As a result, an additional \$90,000 should have been included as a deduction in the FY 10/11 Report 18 ending balance calculations.	I		With respect to the FY11-12 CAFR report, all asset purchases will be properly classified and the entire amount will be capitalized. All internally developed software will be captured and capitalized. The Court will record all fixed asset transfer/disposal in the correct amount(s).	Doug Bailey/Matthew McDonald	October 2013
			The Court does not have an asset listing(s) which supports the balances reported in the Report 18 Fixed Asset balances. The court relies upon rolling balances to calculate the ending balance reported on Report 18-Fixed Assets. In other words, the court enters the Additions and Deductions reported by OIT in the formula that calculates the ending balance. This practice is inconsistent with the guidance provided by the FIN MANUAL and that is noted in the CAFR worksheet instructions. The guidance states: A document listing from SAP must be provided to substantiate the amounts reported as increases or decreases to the court's Fixed Assets. The court, in determining the amount to enter as an Addition in the Report 18 ending balance formula, must query the Major Equipment-\$5,000 and over range of general ledger accounts (945203 – 946699). Each purchase order in that range of accounts must be analyzed in determining the correct amount to capitalize for a particular fiscal year. Due to the accounting knowledge needed to properly record the value of the assets, preferably this activity should be performed or overseen by the court finance department	I		The Court is in agreement with the findings and recommendations. The Court is in the midst of developing and implementing a fixed asset project that is to be completed by October, 2012. This includes taking physical inventory as well as developing policies and procedures for tracking of all assets at all court locations. The Court will use the system currently being used to track information technology assets – ServiceDesk Plus – for recording and tracking fixed assets.	Doug Bailey/Matthew McDonald	October 2012

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13 Audits			No Issues noted					
14 Records Retention			No Issues Noted					
15 Domestic Violence	15.1	17	<b>Some Criminal Domestic Violence Fines and Fees Were Incorrectly and Inconsistently Imposed and Assessed</b> PC 1203.097, Domestic Violence Probation Fine, was not assessed in 14 of 15 Wiley Manual cases tested. One of the Wiley Manual cases tested listed a fine of \$188 on the Order to Appear, but the judge changed the fine to \$588 on the sentencing order. Collections records show that the defendant paid the \$188 plus a \$35 installment fee, and not the \$588 fine ordered by the Court. In one of the Wiley Manual cases tested PC 1202.4(b), State Restitution fine, PC 1465.8 Court Security, and GC 70373 Criminal Conviction Assessment were not assessed PC1203.097, Domestic Violence Probation Fine was not assessed in two of the four cases tested from Hayward location Two of the four cases tested from Hayward location, sentencing orders were dated between 7/28/2009 and 7/1/2011 and the PC 1465.8 security fee assessed \$20 when it should have been \$30 GC 70373, Criminal Conviction Assessment, was not assessed in two of the four cases tested from the Hayward location PC 1202.44, Probation Revocation Restitution Fine, was not assessed in one of the cases tested from the Hayward location PC1203.097, Domestic Violence Probation Fine, was not assessed in both of the cases tested from Pleasanton location. PC1203.097, Domestic Violence Probation Fine, was not assessed in both of the cases tested from Fremont location. In one of the cases tested from the Fremont location, PC 1465.8 (Court Security Fee) and GC 70373 (Criminal Conviction Assessment) were ordered by the judge but not included in the breakdown of the bulk fine performed by the collections department.		C	The Court agrees with the issues identified. In 2012, Domestic Violence (DV) Cases/Calendars were consolidated. All north Alameda County DV cases are heard in the Rene C. Davidson Courthouse and all south Alameda County cases are heard in the Hayward Hall of Justice. This change was implemented to achieve efficiency, but it has also been helpful in affecting uniformity. In addition, the Chair of the Courts Criminal Committee discussed the imposition of mandatory fees, fines or assessments and to insure that they are being imposed consistently. These penalties have been added to the Courts sentencing sheet.	Pat Sweeten/Presiding Judge	Complete
16 Exhibits	16.1	1	<b>The Court Lacks Sufficient Controls Over Exhibit Room Entry and Sufficient Management Oversight of Exhibit Room Activities</b> There is insufficient management oversight of exhibit room activities. For example, the court is not performing periodic inspections of all exhibits holding areas at all court locations that hold exhibits. (Repeat Issue) This is evidenced by the following: • In the FHJ exhibit room testing revealed: (a) Civil cases that have been identified for destruction but the destruction date has passed; (b) Case files that should be taken to their new location under the Court new re-organization; and (c) Seven boxes of personal items belonging to a former employee. • At the FHJ, GSHJ, and HHJ exhibit rooms testing revealed that exhibits have been retained at these locations too long. These locations had cases that were complete but no action had been taken by the Court to determine the proper disposition of the evidence in these cases. • In the WWM exhibit room testing revealed that there was poster board exhibits that needed to be picked up by the main RCD location for destruction. In addition, this location had jury questionnaires that were not evidence to any case stored in the exhibit room.	I		1. The Court agrees with this finding. The Court is in the process of realigning its managerial structure due to recent retirements and will move to strengthen the oversight of exhibits. It should be noted that during the recent reorganization/consolidation of case types by court location, some physical case files were not moved. This is because there was not an immediate need for the physical case file to conduct hearings but this will be addressed. The personal items of a former employee have been removed; the poster board at WWM has been relocated to RCD for destruction; the jury questions have been moved to the jury office; and exhibits found to have been retained too long will be disposed of.	Jim Brighton Operations Chief	June 30, 2013

Appendix A  
 Issues Control Log

FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
16 Exhibits CONTINUED	16.1	1	<b>The Court Lacks Sufficient Controls Over Exhibit Room Entry and Sufficient Management Oversight of Exhibit Room Activities CONTINUED</b>					
			<p>Exhibit holding areas are at risk of being compromised due to lack of strong controls with key entry. For example, during inspection the following was noted:</p> <ul style="list-style-type: none"> <li>The exhibit room at one location is opened by a master key lock. This same key is a master key that allows access to other areas at the court and is not its own unique key. Therefore, others at the Court that have the same master key would have un-authorized access to the room.</li> <li>At another location, the exhibit room is located within another room where non-exhibits are stored. Any employee that has a key and access to the outer door and has card key access to the inner door can gain entry to the exhibit room. Furthermore, the outer door opens into a small room that is used as a general purpose store room for this court location.</li> <li>The exhibit cabinets that are used in a third location's courtrooms are not secured with their own unique key. For example, each courtroom uses a 3 drawer metal file cabinet located in a corner of the courtroom behind the bench. Each of these cabinets can all be opened by the same key.</li> </ul>	I		<p>The Court agrees with this finding. With respect to specific issues cited please note the following:</p> <ul style="list-style-type: none"> <li>The door locks to the room was rekeyed on September 15, 2011.</li> <li>Only three staff have access to the exhibits room. Access is by card key. As assignments change, access is removed and access is then provided to the new exhibits staff person. If anything is needed by the Civil or Family Law staff, they have to request the needed item through the Criminal Division.</li> <li>Safes will be purchased and installed for each courtroom to specifically hold exhibits.</li> </ul>	Jim Brighton Operations Chief	June 30, 2014
			Access to the Courts various exhibit room locations is not being limited to as few persons as possible. Preferably each exhibit location should have limited access to the exhibit custodian and a backup person, except in extraordinary circumstances.	I		The Court is in agreement.	Jim Brighton Operations Chief	Ongoing
			The task of performing the physical inventory to reconcile the exhibit tracking system to the exhibit item is not properly segregated. This task should be performed at least annually, and should be performed by someone other than the exhibit custodian so to ensure the integrity of the inventory as being an accurate and complete record of exhibits.	I		The Court is in agreement.	Jim Brighton Operations Chief	Ongoing
		Log	There are no written procedures for the Exhibits Liaison position.	I		The Court is in agreement.	Jim Brighton Operations Chief	December 2013
		Log	Exhibits are kept at each location during the course of a trial. During the trial and until its conclusion the courtroom clerk is responsible for proper safekeeping and chain of custody. After conviction the exhibits are turned over to the exhibits liaison until they are sent to RCD for storage. The last scheduled delivery of exhibits from the Juvenile Justice Center to RCD was in approximately 2009 because the Juvenile Justice Center does not have a court attendant for delivery to RCD. The courtroom clerk acknowledged that she actually may have exhibits in her closet going back to 2007 when the court moved into the new Juvenile Justice Center.	I		The Court will work out a pick up schedule with juvenile.	Jim Brighton Operations Chief	Completed
16 Exhibits	16.2	2	<b>Several Issues Noted in the 2007 Audit in Regards to the Court's Exhibits Have Not Been Resolved</b>					
			The Court is not following prudent business practices for certain high risk items within the exhibit room. For example, at the Court's main exhibit room at the Central RCD Courthouse guns are not stored under heightened security, (i.e. locked cabinet). In addition, some high risk items are stored together when prudence indicates separate secured storage.	I		The Court agrees with this finding. However, the Court does segregate high risk items within the exhibit collection area and all these items are in an alarmed room. The Court recognizes some items are stored together when they are presented together in a case and will take corrective action.	Jim Brighton Operations Chief	June 30, 2013
			Although the Court has exhibit policy and procedures, these policy and procedures have not been formalized by being reviewed and approved by the Court Executive Team. Exhibit policy and procedures are critical to a control framework. Formalized exhibit procedures clearly define what is expected of the court exhibit staff and also gives direction on how to properly handle all procedures related to exhibit handling in a consistent and cohesive manner.	I		The court does have exhibit policy and procedures but they have not been formalized by the Court Executive Team. The exhibit policy and procedures was drafted in 2000 and has been placed on the agenda for the March 15, 2012 Executive Team meeting (see attached Policy and Procedures). Anticipating approval from the Executive Team, the Court expects to be able to formalize the exhibit policy and procedures by spring 2012.	Jim Brighton Operations Chief	June 30, 2013

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FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
16 Exhibits CONTINUED			Several Issues Noted in the 2007 Audit in Regards to the Court's Exhibits Have Not Been Resolved CONTINUED					
			The Court is accepting sensitive evidence that is submitted during a trial that is not properly packaged or labeled. For example, justice partners are presenting drug evidence that has not been packaged properly in a sealed tamper proof package or sealed vacuum plastic. The package must be properly labeled and the label must include the weight. For example, during the review of controlled substance exhibits held at the RCD exhibit room it was noted that several packages of controlled substance were in open sandwich bags and had no label stating how much controlled substance was in the bag by weight. These items are being accepted in the court room in this condition. In addition, not all biological and chemical exhibits are being submitted by justice partners as evidence during a trial in the appropriate sealed container or package that protects the integrity of the evidence and protects all Court staff that comes in contact with the evidence from being exposed to toxic chemicals or hazardous biological materials	I		The Court agrees with this finding. During the audit, what was shown to the auditor were drugs that were being prepared for disposal which included drugs from very old cases when heating sealing was not common practice. While the Court does occasionally receive improperly sealed drugs from our justice partners, we do have an exhibit procedure which includes a requirement that toxic evidence must be packed in heat sealed bags. Most drugs received are accompanied by an Evidence Envelope with lists the type and weight of the drugs. The Court also routinely receives hazardous biological materials from our justice partners and while the same exhibit procedure requirement applies, the Exhibit Unit is making every effort to utilize photographic substitution of these types of exhibits in an effort to minimize the impact on court personnel.  Court staff will work with our justice partners to ensure that sensitive evidence is properly packaged and labeled. It should be noted that the Court is not always able to control how evidence is presented in Court.	Jim Brighton Operations Chief	June 30, 2013
			Not all Court exhibit holding locations have adequate controls over the monitoring of who enters and exits the exhibit holding areas. For example, it was noted:  • There is no system that monitors who has been in exhibit storage and at what times. Especially important at the main RCD exhibit rooms; there is no card access reader or closed circuit television with recording. In addition, not all locations are using a formal visitor/use log. This leaves the Court at risk of un-authorized activity in the exhibit holding areas. Without proper entry controls in place it would be difficult if not impossible to monitor the activity in the exhibit holding area	I		The Court agrees with this finding. In September, 2011 the Exhibit Unit had all access doors to exhibit areas rekeyed specifically to the exhibit room and restricted from the master key. During the initial audit in the summer of 2011 the Exhibit Unit at the RCD Courthouse did institute the use of a formal visitor/use log. All individuals other than Exhibit Unit personnel are required to sign in and out when accessing the alarmed room. On February 3, 2012, card readers were ordered for three doors in the Exhibit Unit at the RCD Courthouse.	Jim Brighton Operations Chief	June 30, 2013
			The current organizational structure is inadequate given the size of the Court and the large number of exhibits that the Court handles. For example:  • The current organizational structure has left the Courts exhibit operations with a lack of no clear direction, which as a result, has hindered the courts ability to put into place previous audit recommendations. The Court has an experienced exhibit custodian that works out of the main exhibit holding area at the RCD location, but there is no direct line management that oversees the entire court exhibit operations. The Court operations director oversees the exhibits operations but this individual also oversees many aspects of the courts daily operations and makes it difficult dedicate the time and authority needed to develop and implement clear uniform procedures that are to be followed by all court locations that handle exhibits. Presently, each location has implemented its own informal procedures without managerial direction and power to enforce strict court exhibit policies for all justice partners.	I		The exhibit custodian at the RCD Courthouse is a manager and oversees the entire court exhibit operation as well as subordinate staff at RCD. In addition, on December 7, 2011, an organizational change placed the Exhibit Unit under the supervision of the Criminal Court Services Manager. The exhibit custodian routinely reminds courtroom clerks' courtwide of the necessity of following exhibit procedures that have been in place for many years. The Court continues to work with managers at each court location to ensure uniformity with procedures and policy.	Jim Brighton Operations Chief	June 30, 2013
			Neither RCD or the entire exhibit process for the Court have a clear statement of mission, operational objectives, or statements of duties authorized by management.  • The current custodian at RCD created an unofficial statement of duties, and statement of mission. The prior custodian also created her own statement of duties and e-mailed it to management. But these duties have never been formalized by the Court Executive Team. The statement of duties and mission should be considered an important legal document that each exhibit employee must sign and date acknowledging that they have read and agree to the important responsibility of their position.	I		The exhibit custodian at the RCD Courthouse is a manager and oversees the entire court exhibit operation as well as subordinate staff at RCD. In addition, on December 7, 2011, an organizational change placed the Exhibit Unit under the supervision of the Criminal Court Services Manager. The exhibit custodian routinely reminds courtroom clerks' courtwide of the necessity of following exhibit procedures that have been in place for many years. The Court continues to work with managers at each court location to ensure uniformity with procedures and policy.	Jim Brighton Operations Chief	June 30, 2013

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FUNCTION	RPT NO.	Issue Memo	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
16 Exhibits CONTINUED			Several Issues Noted in the 2007 Audit in Regards to the Court's Exhibits Have Not Been Resolved CONTINUED					
			There is an apparent conflict of interest present in the Court's process for managing preliminary hearing exhibits. The District Attorney (D.A.) stores both the prosecution's and defense's exhibits. The Court's management of criminal exhibits is addressed by Penal Code §1417- §1417.9. §1417 appears to place the duty to retain exhibits with the Court: "All exhibits which have been introduced or filed in any criminal action or proceeding shall be retained by the clerk of court who shall establish a procedure to account for the exhibits properly," (italics added) Cal. Penal Code §1417 (West 2006). No authority could be located that directly addresses to whom the clerk may delegate the duty to retain and account for criminal exhibits; while delegation to another agent of the court would seem appropriate, assigning the authority to the prosecuting agency may run counter to §1417. Furthermore, although the Court has an M.O.U. with the County addressing the service provided by the D.A. and the roles and responsibilities of the D.A. and Court, this MOU was signed in 1995 and is outdated.	I		The Court agrees with this finding however the Court has a Memorandum of Understanding with the District Attorney which was signed in 1995 (copy attached). The Court has initiated discussions with the DA to update and renew this MOU.	Jim Brighton Operations Chief	June 30, 2013
17 Court Interpreters	17.1		No Issues Noted					
18 Facilities	18.1		No Issues Noted					