



Audit of the Superior Court of California, County of Santa Barbara

REPORT OF
INTERNAL AUDIT SERVICES

NOVEMBER 2012



ADMINISTRATIVE OFFICE
OF THE COURTS

JUDICIAL COUNCIL AND COURT LEADERSHIP
SERVICES DIVISION

INTERNAL AUDIT SERVICES

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Superior Court of California, County of Santa Barbara

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MANAGEMENT SUMMARY

Introduction

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

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

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

IAS audits cover all four of the above areas. The audit process involves a review of the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS performed a similar audit in Fall 2006 and Winter 2007.

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

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

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

IAS audits are designed to identify instances of non-compliance, such as the issues highlighted below. Although IAS audits do not emphasize or elaborate on areas of

compliance, we did identify examples in which the Court was in compliance with applicable requirements.

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

Audit Issues Overview

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

This report includes repeat issues from the Court's February 2007 audit report, including notable issues in the area of accounts payable practices. Although the audit identified other issues reported within this report, the following issues are highlighted for Court management's attention. Specifically, the Court needs to improve and refine certain procedures and practices to ensure compliance with statewide statutes, policies, and procedures. These issues are summarized below:

Procurement Practices (Section 9, Issue 9.1)

On March 24, 2011, Senate Bill 78 was enacted, creating Part 2.5 of the Public Contract Code (PCC) designated the California Judicial Branch Contract Law (JBCL). With certain exceptions, the JBCL requires that superior courts, as well as other judicial branch entities (JBEs), comply with provisions of the PCC that are applicable to state agencies and departments related to the procurement of goods and services. PCC Section 19206 of the JBCL requires the Judicial Council to adopt and publish a Judicial Branch Contracting Manual (JBCM) incorporating procurement and contracting policies and procedures that JBEs must follow. To meet the unique needs of the court and ultimately achieve the goals set forth in the PCC, each presiding judge has the authority to vary the Court's application of any non-mandatory business or accounting practice set forth in the JBCM. Any variances should be documented in the court's Local Contracting Manual.

Our review of selected procurement and purchase card transactions revealed that the Court did not have on file written purchase authorizations, such as an approved purchase requisition or other written purchase authorization, for eight procurement transactions and six purchase card transactions we reviewed. In addition, one of the 15 purchase card transactions reviewed revealed that the Court purchased items for a holiday luncheon for Court staff. Although the purchase card users obtained approval of their requests to purchase food, supplies, and gifts, there was no evidence that the Presiding Judge or Court Executive Officer pre-approved the holiday luncheon itself. Nevertheless, although the purchase of holiday

luncheon items is a questionable use of public Court funds, the purchase of gifts/prizes is considered a gift of public funds and is unallowable per Article 16, Section 6, of the California Constitution. Also, the Court did not always follow the JBCM non-competitive procurement requirements. For example, the Court could not provide documentation supporting three of five sole source procurements and could not demonstrate it obtained three or more competitor quotes for one of three competitively bid procurements. Further, the Court did not adequately control and oversee the use of its purchase cards. For example, the Court could not provide a purchase card check-out form for four purchase card transactions; therefore, we could not determine whether the purchase card was used by an authorized user. Finally, although the JBCM states that individual court employee travel expenses may be purchased with a court purchase card that is used only for court travel expenses, five of the 15 purchase card transactions reviewed that were related to individual court employee travel expenses indicated that the purchase card was also used for non-travel expenditures.

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

Invoice Payment Processing (Section 11, Issue 11.1 – Repeat)

The FIN Manual provides trial courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements. Specifically, FIN 8.01 and FIN 8.02 provide uniform guidelines for courts to use when processing vendor invoices and individual claims (also referred to as invoices) for payment. These guidelines include procedures for establishing and maintaining a payment authorization matrix listing court employees who are permitted to approve invoices for payment along with dollar limits and scope of authority of each authorized court employee. The guidelines also include preparing invoices for processing, matching invoices to purchase documents and proof of receipt, reviewing invoices for accuracy, approving invoices for payment, and reconciling approved invoices to the payment transactions recorded in the accounting records. Finally, the guidelines state that advance payments to vendors are only made in unusual circumstances and are not permitted for time and materials service contracts or for the purchase of goods.

Our review of selected paid invoices and claims revealed that, at the time of our review, the Court had not established a payment authorization matrix. The Court stated that it uses its purchase requisition and approval matrix as its payment authorization matrix. Nevertheless, authorized court staff, as indicated on its purchase requisition and approval matrix, did not review and approve prior to payment 30 of 39 invoices and claims selected for review. Also, the Court made a \$235,000 advance payment for the purchase of custom-made furniture, although advance payments are unallowable per the FIN Manual. Further, The Court did not consistently follow the FIN Manual procedures for processing the 39 paid invoices and claims we selected to review. For example, the Court did not match and agree four invoices to proof of receipt of goods or services prior to payment processing.

The Court agreed to most of the issues and recommendations and indicates taking corrective action to address the noted issues that it agreed with.

Distribution of Collections (Section 6, Issue 6.1 – Repeat)

The Court did not distribute certain collections as prescribed by statutes and guidelines. State statutes and local ordinances govern the distribution of the fines, fees, penalties, and other assessments that courts collect. The Court uses its case management system to assess and distribute the collections it makes. At month-end, the Court prepares a report of revenues collected.

Our review of selected standard distribution tables identified various calculation and distribution errors. For example, the Court distributed the 2 percent State automation amount on traffic school cases even though the 2 percent distribution is not applicable in most traffic school cases.

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

STATISTICS

The Superior Court of California, County of Santa Barbara (Court), has 21 judges and three subordinate judicial officers who handled approximately 113,000 cases in fiscal year (FY) 2011–2012. At the time of our review, the Court operated three courthouses in Santa Barbara, three courthouses in Santa Maria, one courthouse in Lompoc, and one courthouse in Solvang. Further, the Court employed approximately 272 full-time-equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of over \$31 million for the fiscal year that ended June 30, 2012.

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

During FY 2011–2012, the Court received various services from the County. For instance, the Court received County provided services including, but not limited to, communication, information technology, vehicle maintenance, and mental health evaluation services. All County-provided services are covered under a Memorandum of Understanding (MOU) with the County, except for mental health evaluation services. It also received court security services from the County Sheriff under a separate MOU.

The charts that follow contain general Court statistical information.

County Population (Estimated as of January 1, 2012)	427,267
<small>Source: California Department of Finance</small>	
Number of Case Filings in FY 2010–2011:	
Criminal Filings:	
1. Felonies	
2. Non-Traffic Misdemeanor	2,660
3. Non-Traffic Infractions	9,563
4. Traffic Misdemeanors	8,100
5. Traffic Infractions	5,201
	72,664
Civil Filings:	
1. Civil Unlimited	1,886
2. Family Law (Marital)	1,445
3. Family Law Petitions	2,105
4. Probate	534
5. Limited Civil	4,741

6. Small Claims	1,535
Juvenile Filings:	
1. Juvenile Delinquency – Original	879
2. Juvenile Delinquency – Subsequent	623
3. Juvenile Dependency – Original	325
4. Juvenile Dependency – Subsequent	5
Source: Judicial Council of California's 2012 Court Statistics Report	
Number of Court Locations	8
Number of Courtrooms	27
Source: Superior Court of California, County of Santa Barbara	
Judicial Officers as of June 30, 2011:	
Authorized Judgeships	21.0
Authorized Subordinate Judicial Officers	3.0
Source: Judicial Council of California's 2012 Court Statistics Report	
Court Staff as of June 30, 2012:	
Total Authorized FTE Positions	293.78
Total Filled FTE Positions	271.75
Total Fiscal Staff	12.50
Source: Fourth Quarter FY 2011–2012 Quarterly Financial Statements and FY 2011 – 2012 Schedule 7A	
Select FY 2011-2012 Financial Information:	
Total Revenues	\$30,415,275
Total Expenditures	\$31,648,518
Total Personal Services Costs	\$24,938,896
Total Temporary Help Costs	\$408,942
Source: Fourth Quarter FY 2011–2012 Quarterly Financial Statements	
FY 2011-2012 Average Monthly Cash Collections (As of March 31, 2012)	\$2,621,736
Source: Superior Court of California, County of Santa Barbara	

FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the Administrative Office of the Courts (AOC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of Santa Barbara (Court), implemented this fiscal system and processes fiscal data through the AOC Trial Court Administrative Services Office that supports the Phoenix Financial System. The fiscal

data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

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

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

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

- **Governmental**
 - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
 - **Special Revenue** – Used to account for certain revenue sources "earmarked" for specific purposes (including grants received). Funds here include:
 - **Special Revenue**
 1. Dispute Resolution – 120004
 2. Enhanced Collections – 120007
 3. Pre-Trial Services – 120008
 4. Other County Services - 120009
 5. 2% Automation – 180004
 6. Children's Waiting Room – 180005
 - **Grants**
 1. AB1058 Family Law Facilitator – 1910581
 2. AB1058 Child Support Commissioner – 1910591
 3. Substance Abuse Focus – 1910601
- **Fiduciary**
 - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used "to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs."¹ Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds

¹ GASB Statement No. 34, paragraph 69.

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 parties on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide financial statements.² **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
- Distribution – 400000
 - Civil Filing Fees Fund – 450000

² GASB Statement No. 34, paragraph 12.

**Santa Barbara Superior Court
Trial Court Operations Fund
Balance Sheet
(Unaudited)**

	For the Fiscal Year Ending June 30,					
	2012				2011	
	Governmental Funds			Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
General	Special Revenue					
		Non-Grant	Grant			
ASSETS						
Operations	\$ (1,842,882)	\$ 1,279,027	\$ 0	\$ 50,150	\$ (513,706)	\$ (441,560)
Payroll	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
Revolving Distribution	\$ 5,000			\$ 3,276,401	\$ 5,000	\$ 5,000
Civil Filing Fees				\$ 0	\$ 0	\$ (30,137)
Trust				\$ 1,896,868	\$ 1,896,868	\$ 2,123,463
Cash on Hand	\$ 7,130				\$ 7,130	\$ 7,152
Cash with County						
Cash Outside of the AOC						
Total Cash	\$ (1,830,752)	\$ 1,279,027	\$ 0	\$ 5,223,418	\$ 4,671,693	\$ 1,823,017
Short Term Investment	\$ 10,046,399			\$ 530,980	\$ 10,577,379	\$ 15,156,999
Investment in Financial Institution						
Total Investments	\$ 10,046,399			\$ 530,980	\$ 10,577,379	\$ 15,156,999
Accrued Revenue	\$ 6,999	\$ 1,026		\$ 0	\$ 8,025	\$ 12,653
Accounts Receivable - General						
Dishonored Checks						
Civil Jury Fees						
Due From Other Funds	\$ 420,050			\$ 0	\$ 420,050	\$ 464,330
Due From Other Governments	\$ 395,244	\$ 274,543	\$ 0		\$ 669,787	\$ 319,863
Due From Other Courts	\$ 0			\$ 0	\$ 0	\$ 0
Due From State	\$ 568,711	\$ 5,843	\$ 343,036		\$ 917,590	\$ 1,291,092
Trust Due To/From	\$ 0			\$ 86,104	\$ 86,104	\$ 101,414
Distribution Due To/From				\$ 2,193	\$ 2,193	\$ 38,984
Civil Filing Fee Due To/From						
General Due To/From	\$ 1,344				\$ 1,344	\$ 1,477
Total Receivables	\$ 1,392,348	\$ 281,413	\$ 343,036	\$ 88,297	\$ 2,105,094	\$ 2,229,812
Prepaid Expenses - General	\$ 0				\$ 0	\$ 63,495
Salary and Travel Advances						\$ 0
Total Prepaid Expenses	\$ 0				\$ 0	\$ 63,495
Other Assets						
Total Other Assets						
Total Assets	\$ 9,607,994	\$ 1,560,440	\$ 343,036	\$ 5,842,696	\$ 17,354,165	\$ 19,273,322
LIABILITIES AND FUND BALANCES						
Accrued Liabilities	\$ 171,562	\$ 19,341	\$ 18,120		\$ 209,024	\$ 150,544
Due to Other Funds	\$ 5	\$ 146,654	\$ 275,584	\$ 87,448	\$ 509,691	\$ 606,205
Due to State	\$ 2,962	\$ 29,254			\$ 32,216	\$ 49,347
TC145 Liability				\$ 542,879	\$ 542,879	\$ 505,922
Due to Other Governments	\$ 6,994	\$ 337	\$ 9,279		\$ 16,610	\$ 325,038
AB145 Due to Other Government Agency				\$ 3,191,424	\$ 3,191,424	\$ 3,323,982
Due to Other Public Agencies						
Sales and Use Tax	\$ 371				\$ 371	\$ 455
Interest				\$ 71	\$ 71	\$ 31
Miscellaneous Accts. Pay. and Accrued Liab.	\$ 241				\$ 241	\$ 1,726
Total Accounts Payable and Accrued Liab.	\$ 182,135	\$ 195,586	\$ 302,983	\$ 3,821,823	\$ 4,502,527	\$ 4,963,249
Civil				\$ 1,366,160	\$ 1,366,160	\$ 1,462,545
Criminal				\$ 566,130	\$ 566,130	\$ 601,747
Unreconciled - Civil and Criminal				\$ 3,729	\$ 3,729	\$ 3,729
Trust Held Outside of the AOC						
Trust Interest Payable				\$ 20,238	\$ 20,238	\$ 27,903
Miscellaneous Trust						
Total Trust Deposits				\$ 1,956,258	\$ 1,956,258	\$ 2,095,924
Accrued Payroll	\$ 1,290,045	\$ 84,619	\$ 40,053		\$ 1,414,717	\$ 1,274,913
Benefits Payable	\$ (204,439)	\$ 0	\$ 0		\$ (204,439)	\$ (5,689)
Deductions Payable	\$ (1,504)	\$ 0	\$ 0		\$ (1,504)	\$ (1,504)
Payroll Clearing						
Total Payroll Liabilities	\$ 1,084,102	\$ 84,619	\$ 40,053		\$ 1,208,774	\$ 1,267,720
Revenue Collected in Advance						\$ 0
Liabilities For Deposits	\$ 22,521			\$ 28,018	\$ 50,540	\$ 85,040
Jury Fees - Non-Interest				\$ 35,235	\$ 35,235	\$ 27,950
Fees - Partial Payment & Overpayment				\$ 1,361	\$ 1,361	\$ 725
Uncleared Collections	\$ 0			\$ 0	\$ 0	\$ 0
Other Miscellaneous Liabilities						\$ 0
Total Other Liabilities	\$ 22,521			\$ 64,615	\$ 87,136	\$ 113,716
Total Liabilities	\$ 1,288,757	\$ 280,205	\$ 343,036	\$ 5,842,696	\$ 7,754,694	\$ 8,440,609
Total Fund Balance	\$ 8,319,236	\$ 1,280,235	\$ 0		\$ 9,599,471	\$ 10,832,714
Total Liabilities and Fund Balance	\$ 9,607,994	\$ 1,560,440	\$ 343,036	\$ 5,842,696	\$ 17,354,165	\$ 19,273,322

Source: Phoenix Financial System

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

	For Fiscal Year						
	2012				2011		
	Governmental Funds			Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue					
Non-Grant		Grant					
REVENUES							
State Financing Sources							
Trial Court Trust Fund	\$ 22,671,533	\$ 50,571		\$ 22,722,104	\$ 22,743,049	\$ 30,810,969	\$ 30,239,801
Trial Court Improvement Fund	\$ 115,371			\$ 115,371	\$ 58,613	\$ 58,659	\$ 56,713
Judicial Administration Efficiency & Mod Fund	\$ 13,038			\$ 13,038		\$ 93,016	
Judges' Compensation (45.25)	\$ 193,149			\$ 193,149	\$ 199,500	\$ 198,433	\$ 199,500
Court Interpreter (45.45)	\$ 1,228,113			\$ 1,228,113	\$ 1,356,731	\$ 1,216,525	\$ 1,017,000
MOU Reimbursements (45.10 and General)	\$ 712,768	\$ 2,453		\$ 715,221	\$ 392,624	\$ 392,639	\$ 305,976
Other Miscellaneous	\$ 1,148,182			\$ 1,148,182	\$ 1,148,182		
	\$ 26,082,154	\$ 53,024		\$ 26,135,178	\$ 25,898,699	\$ 32,770,242	\$ 31,818,990
Grants							
AB 1058 Commissioner/Facilitator			\$ 825,950	\$ 825,950	\$ 820,616	\$ 820,616	\$ 820,616
Other AOC Grants			\$ 35,117	\$ 35,117	\$ 40,000	\$ 40,190	
Non-AOC Grants							
			\$ 861,067	\$ 861,067	\$ 860,616	\$ 860,806	\$ 820,616
Other Financing Sources							
Interest Income	\$ 37,779	\$ 4,539		\$ 42,318	\$ 55,600	\$ 58,815	\$ 50,000
Donations						\$ 250	
Local Fees	\$ 568,921			\$ 568,921	\$ 679,700	\$ 679,617	\$ 698,120
Non-Fee Revenues	\$ 171,164			\$ 171,164	\$ 185,000	\$ 185,053	\$ 170,900
Enhanced Collections		\$ 1,028,961		\$ 1,028,961	\$ 1,066,308	\$ 1,170,502	\$ 815,226
Escheatment	\$ 185,280			\$ 185,280			
Prior Year Revenue							
County Program - Restricted		\$ 1,030,304		\$ 1,030,304	\$ 1,164,689	\$ 1,016,847	\$ 1,145,968
Reimbursement Other	\$ 50,414			\$ 50,414	\$ 44,000	\$ 43,970	\$ 55,815
Sale of Fixed Assets							
Other Miscellaneous	\$ 341,668			\$ 341,668	\$ 163,864	\$ 59,250	\$ 3,500
	\$ 1,355,225	\$ 2,063,804		\$ 3,419,030	\$ 3,359,161	\$ 3,214,305	\$ 2,939,529
Total Revenues	\$ 27,437,379	\$ 2,116,829	\$ 861,067	\$ 30,415,275	\$ 30,118,476	\$ 36,845,353	\$ 35,579,135
EXPENDITURES							
Personal Services							
Salaries - Permanent	\$ 14,882,601	\$ 992,448	\$ 509,395	\$ 16,384,444	\$ 16,337,132	\$ 16,583,385	\$ 16,511,902
Temp Help	\$ 381,390	\$ 25,536	\$ 2,016	\$ 408,942	\$ 298,819	\$ 290,599	\$ 408,455
Overtime	\$ 18,312	\$ 1,451	\$ 0	\$ 19,763		\$ 29,597	\$ 22,750
Staff Benefits	\$ 7,352,635	\$ 526,351	\$ 246,761	\$ 8,125,747	\$ 9,128,632	\$ 7,472,801	\$ 8,293,556
	\$ 22,634,938	\$ 1,545,786	\$ 758,172	\$ 24,938,896	\$ 25,764,583	\$ 24,376,382	\$ 25,236,663
Operating Expenses and Equipment							
General Expense	\$ 1,346,413	\$ 123,099	\$ 1,514	\$ 1,471,027	\$ 1,852,310	\$ 1,032,251	\$ 1,082,341
Printing	\$ 82,347	\$ 2,258	\$ 284	\$ 84,888	\$ 114,137	\$ 114,779	\$ 88,962
Telecommunications	\$ 184,425	\$ 1,254	\$ 423	\$ 186,102	\$ 198,780	\$ 196,327	\$ 228,858
Postage	\$ 131,146	\$ 19,071	\$ 223	\$ 150,441	\$ 136,686	\$ 95,517	\$ 131,409
Insurance	\$ 15,281		\$ 328	\$ 15,609	\$ 12,967	\$ 12,967	\$ 12,840
In-State Travel	\$ 31,885	\$ 191	\$ 2,150	\$ 34,226	\$ 27,497	\$ 27,368	\$ 22,724
Out-of-State Travel						\$ 23	\$ 1,977
Training	\$ 17,921		\$ 598	\$ 18,518	\$ 4,724	\$ 6,499	\$ 4,265
Security Services	\$ 734,897		\$ 100,953	\$ 835,849	\$ 879,504	\$ 6,468,556	\$ 6,646,646
Facility Operations	\$ 388,426	\$ 37,718		\$ 426,144	\$ 402,172	\$ 426,311	\$ 671,703
Utilities	\$ 3,043	\$ 2,943		\$ 5,986	\$ 2,115	\$ 3,624	
Contracted Services	\$ 1,620,122	\$ 323,091	\$ 58,998	\$ 2,002,211	\$ 1,966,866	\$ 1,725,356	\$ 1,653,849
Consulting and Professional Services	\$ 94,801	\$ 8,135	\$ 412	\$ 103,347	\$ 120,606	\$ 134,658	\$ 65,284
Information Technology	\$ 921,518	\$ 53,521	\$ 5,343	\$ 980,382	\$ 679,969	\$ 696,785	\$ 715,887
Major Equipment	\$ 136,580			\$ 136,580	\$ 332,705	\$ 105,539	\$ 7,131
Other Items of Expense	\$ 21,695	\$ 50	\$ 3,231	\$ 24,976	\$ 24,075	\$ 24,107	\$ 20,420
	\$ 5,730,500	\$ 571,331	\$ 174,455	\$ 6,476,286	\$ 6,755,113	\$ 11,070,666	\$ 11,354,296
Special Items of Expense							
Grand Jury							
Jury Costs	\$ 227,647			\$ 227,647	\$ 241,429	\$ 241,429	\$ 167,465
Judgements, Settlements and Claims							
Debt Service							
Other							
Capital Costs							
Internal Cost Recovery	\$ (164,002)		\$ 164,002	\$ 0	\$ 0	\$ 0	
Prior Year Expense Adjustment	\$ 5,689			\$ 5,689		\$ 9,241	
	\$ 69,333		\$ 164,002	\$ 233,335	\$ 241,429	\$ 250,671	\$ 167,465
Total Expenditures	\$ 28,434,771	\$ 2,117,117	\$ 1,096,629	\$ 31,648,518	\$ 32,761,125	\$ 35,697,719	\$ 36,758,424
Excess (Deficit) of Revenues Over Expenditures	\$ (997,392)	\$ (289)	\$ (235,562)	\$ (1,233,243)	\$ (2,642,649)	\$ 1,147,633	\$ (1,179,289)
Operating Transfers In (Out)	\$ (235,562)		\$ 235,562	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance (Deficit)							
Beginning Balance (Deficit)	\$ 9,552,190	\$ 1,280,523	\$ 0	\$ 10,832,714	\$ 10,832,714	\$ 9,685,080	\$ 9,685,080
Ending Balance (Deficit)	\$ 8,319,236	\$ 1,280,235	\$ 0	\$ 9,599,471	\$ 8,190,065	\$ 10,832,714	\$ 8,505,791

Source: Phoenix Financial System

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

	For Fiscal Year								
	2012						2011		
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
PROGRAM EXPENDITURES:									
Judges & Courtroom Support	\$ 7,592,681	\$ 644,000	\$ 120			\$ 8,236,802	\$ 8,565,930	\$ 7,925,712	\$ 8,541,895
Traffic & Other Infractions	\$ 1,252,029	\$ 48,647				\$ 1,300,676	\$ 1,549,828	\$ 1,293,704	\$ 1,441,637
Other Criminal Cases	\$ 2,384,032	\$ 184,587				\$ 2,568,619	\$ 2,505,155	\$ 2,454,660	\$ 2,353,183
Civil	\$ 1,677,388	\$ 247,546				\$ 1,924,935	\$ 1,914,236	\$ 1,871,166	\$ 2,012,792
Family & Children Services	\$ 1,248,409	\$ 28,463		\$ 164,002		\$ 1,440,874	\$ 1,470,936	\$ 1,448,004	\$ 1,207,434
Probate, Guardianship & Mental Health Services	\$ 516,524	\$ 84,500				\$ 601,024	\$ 591,876	\$ 561,147	\$ 573,583
Juvenile Dependency Services	\$ 56,489	\$ 295,082				\$ 351,571	\$ 416,804	\$ 56,487	\$ 86,504
Juvenile Delinquency Services	\$ 275,254	\$ 54,955				\$ 330,209	\$ 245,199	\$ 310,179	\$ 267,762
Other Court Operations	\$ 3,157,853	\$ 1,244,201				\$ 4,402,054	\$ 4,922,938	\$ 3,604,414	\$ 4,286,146
Court Interpreters	\$ 986,653	\$ 311,420				\$ 1,298,072	\$ 1,358,631	\$ 1,212,252	\$ 1,286,459
Jury Services	\$ 448,297	\$ 123,498	\$ 227,527			\$ 799,323	\$ 839,895	\$ 833,583	\$ 679,836
Security		\$ 1,057,496				\$ 1,057,496	\$ 923,455	\$ 6,644,417	\$ 6,569,455
Trial Court Operations Program	\$ 19,595,610	\$ 4,324,396	\$ 227,647	\$ 164,002		\$ 24,311,655	\$ 25,304,883	\$ 28,215,726	\$ 29,306,686
Enhanced Collections	\$ 405,072	\$ 485,279				\$ 890,351	\$ 1,066,308	\$ 1,037,390	\$ 824,795
Other Non-Court Operations	\$ 885,526	\$ 26,649				\$ 912,175	\$ 1,034,651	\$ 906,294	\$ 1,024,380
Non-Court Operations Program	\$ 1,290,597	\$ 511,928				\$ 1,802,526	\$ 2,100,959	\$ 1,943,685	\$ 1,849,175
Executive Office	\$ 698,763	\$ 72,109				\$ 770,871	\$ 759,419	\$ 766,070	\$ 665,503
Fiscal Services	\$ 1,266,456	\$ 80,237		\$ (164,002)		\$ 1,182,691	\$ 1,195,733	\$ 1,335,828	\$ 1,674,398
Human Resources	\$ 430,406	\$ 46,111			\$ 5,689	\$ 482,206	\$ 619,525	\$ 927,716	\$ 590,187
Business & Facilities Services	\$ 814	\$ 261,688				\$ 262,502	\$ 238,190	\$ 100,733	\$ 137,509
Information Technology	\$ 1,656,250	\$ 1,179,817				\$ 2,836,066	\$ 2,542,416	\$ 2,407,963	\$ 2,534,966
Court Administration Program	\$ 4,052,689	\$ 1,639,962		\$ (164,002)	\$ 5,689	\$ 5,534,337	\$ 5,355,283	\$ 5,538,309	\$ 5,602,563
Expenditures Not Distributed or Posted to a Program									
Prior Year Adjustments Not Posted to a Program									
Total	\$ 24,938,896	\$ 6,476,286	\$ 227,647	\$ 0	\$ 5,689	\$ 31,648,518	\$ 32,761,125	\$ 35,697,719	\$ 36,758,424

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 Santa Barbara (Court) has:

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

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

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on March 21, 2012.

The entrance meeting was held with the Court on April 11, 2012.

Audit fieldwork commenced on May 8, 2012.

Fieldwork was completed in November 2012. (Audit suspended in June and July to accommodate the Court)

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary exit meeting to review the draft report and audit results was held on January 31, 2013, with the following Court management:

- Gary Blair, Court Executive Officer
- Rayna Pinkerton, Court Fiscal Officer

IAS received the Court's final management responses to the IAS recommendations on March 5, 2013, and final management responses to the Appendix A log items on March 1, 2013. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the completed audit report for its review and comment on March 28, 2013. On April 10, 2013 IAS received the Court's final comments and suggestions concerning its review of the audit report and the Court did not indicate that a final exit would be necessary before IAS presented the report to the Judicial Council.

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 responsibility for managing its own operations. All employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity and professionalism. All employees shall also operate within the specific levels of authority that may be established by the trial court for their positions.

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

The table below presents general ledger account balances from the Superior Court of California, County of Santa Barbara (Court), that are considered 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		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Revenue				
833000-PROGRAM 45.25 - REIMBURSE	193,149.00	198,433.00	(5,284.00)	-2.66%
Expenditures				
906300 - SALARIES - JUDICIAL OFFICER	568,535.40	582,255.42	(13,720.02)	-2.36%
920500 - DUES AND MEMBERSHIPS	4,900.00	5,325.00	(425.00)	-7.98%
933100 - TRAINING	18,518.14	6,498.67	12,019.47	184.95%

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 review of records. Primary areas reviewed included an evaluation of:

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

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 was one minor issue associated with this area that is contained in Appendix A to this report.

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 their budgets on an ongoing basis to assure that actual expenditures do not exceed budgeted amounts. As personnel services costs account for the majority of most, if not all, trial courts budgets, courts must establish a position management system that includes, at a minimum, a current and updated position roster, a process for abolishing vacant positions, and a process and procedures for requesting, evaluating, and approving new and reclassified positions.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Assets				
120050 SHORT TERM INVESTMENTS-LA	9,586,757.54	11,070,993.86	(1,484,236.32)	-13.41%
120051 SHORT TERM INVESTMENTS-CA	990,621.14	4,086,004.65	(3,095,383.51)	-75.76%
Liabilities				
374305 SOCIAL SECURITY & MEDICAR	(1,524.60)	(1,524.60)	0.00	0.00%
374501 FEDERAL INCOME TAX WITHHO	20.35	20.35	0.00	0.00%
374702 BENEFITS PAYABLE-MEDICAL	(175,395.66)	-	(175,395.66)	-100.00%
374703 BENEFITS PAYABLE-DENTAL E	(15,259.06)	(5,688.86)	(9,570.20)	-168.23%
374704 BENEFITS PAYABLE-VISION E	(1,684.44)	-	(1,684.44)	-100.00%
374706 BENEFITS PAYABLE-FLEX SPE	(12,100.00)	-	(12,100.00)	-100.00%
375001 ACCRUED PAYROLL	1,414,717.04	1,274,912.74	139,804.30	10.97%
Expenditures				
900300 - SALARIES - PERMANENT	15,815,908.84	16,001,129.85	(185,221.01)	-1.16%
903300 - TEMP HELP	408,941.92	290,599.12	118,342.80	40.72%
906300 - SALARIES - JUDICIAL OFFI	568,535.40	582,255.42	(13,720.02)	-2.36%
908300 - OVERTIME	19,762.99	29,597.07	(9,834.08)	-33.23%
SALARIES TOTAL	16,813,149.15	16,903,581.46	(90,432.31)	-0.53%
910301 SOCIAL SECURITY INS & MED	923,478.74	944,891.04	(21,412.30)	-2.27%
910302 MEDICARE TAX	230,161.71	232,516.95	(2,355.24)	-1.01%
910300 - TAX	1,153,640.45	1,177,407.99	(23,767.54)	-2.02%
910401 DENTAL INSURANCE	72,998.81	74,816.33	(1,817.52)	-2.43%
910501 MEDICAL INSURANCE	1,330,496.23	1,410,564.30	(80,068.07)	-5.68%
910503 RETIREE BENEFIT	253,951.81	228,203.65	25,748.16	11.28%
910504 COBRA MEDICAL	1,882.62	1,692.39	190.23	11.24%
910505 COBRA DENTAL	136.38	126.45	9.93	7.85%
910400 - HEALTH INSURANCE	1,659,465.85	1,715,403.12	(55,937.27)	-3.26%
910601 RETIREMENT (NON-JUDICIAL	4,757,965.17	4,112,686.75	645,278.42	15.69%
912301 RETIREMENT (SUBORDINATE A	136,249.05	115,979.68	20,269.37	17.48%
910600 - RETIREMENT				
912403 ALTERNATIVE PLAN	3,471.42	2,299.75	1,171.67	50.95%
912400 - DEFFERED COMPENSATION	3,471.42	2,299.75	1,171.67	50.95%
912500 - WORKERS' COMPENSATION	316,933.00	267,729.00	49,204.00	18.38%

912701 DISABILITY INSURANCE - SD	-	63.78	(63.78)	-100.00%
913301 UNEMPLOYMENT INSURANCE	39,757.98	22,247.86	17,510.12	78.70%
913501 LIFE INSURANCE	4,368.52	3,480.85	887.67	25.50%
913502 LONG-TERM DISABILITY	53,842.84	55,516.63	(1,673.79)	-3.01%
913601 VISION CARE INSURANCE	52.44	(14.84)	67.28	453.37%
912700 - OTHER INSURANCE	98,021.78	81,294.28	16,727.50	20.58%
STAFF BENEFITS TOTAL	8,125,746.72	7,472,800.57	652,946.15	8.74%
PERSONAL SERVICES TOTAL	24,938,895.87	24,376,382.03	562,513.84	2.31%

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

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

There were no significant issues to report to management.

3. Fund Accounting

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Fund Balance				
552001 FUND BALANCE - RESTRICTED	2,164,546.00	3,326,661.23	(1,162,115.23)	-34.93%
552002 FUND BALANCE - COMMITTED	3,303,115.69	-	3,303,115.69	100.00%
553001 FUND BALANCE - ASSIGNED	5,365,052.00	6,358,419.11	(993,367.11)	-15.62%
Fund Balances	10,832,713.69	9,685,080.34	1,147,633.35	11.85%
Revenue				
836000-MODERNIZATION FUND - REIMB	13,038.00	93,016.45	(79,978.45)	-85.98%
837000-IMPROVEMENT FUND - REIMB	115,371.00	58,659.00	56,712.00	96.68%
840000-COUNTY PROGRAM - RESTRICTE	1,030,304.22	1,016,847.02	13,457.20	1.32%
Expenditures				
701100 OPERATING TRANSFERS IN	(235,561.95)	(264,045.76)	28,483.81	10.79%
701200 OPERATING TRANSFERS OUT	235,561.95	264,045.76	(28,483.81)	-10.79%

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

There were no significant issues to report to management.

4. Accounting Principles and Practices

Background

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

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Assets				
130001 A/R-ACCRUED REVENUE	8,025.28	12,652.52	(4,627.24)	-36.57%
140002 TRUST-DUE FROM DISTRIBUTI	86,104.03	101,414.39	(15,310.36)	-15.10%
140005 DISTRIBUTION-DUE FROM TRU	-	30,690.59	(30,690.59)	-100.00%
140007 DISTRIBUTION-DUE FROM OPE	2,193.23	8,293.42	(6,100.19)	-73.55%
140011 OPERATIONS-DUE FROM TRUST	390.64	947.26	(556.62)	-58.76%
140012 OPERATIONS-DUE FROM DISTR	953.41	529.57	423.84	80.03%
140014 GENERAL-DUE FROM SPECIAL	420,049.82	464,329.95	(44,280.13)	-9.54%
150001 A/R - DUE FROM OTHER GOVE	669,786.98	319,862.98	349,924.00	109.40%
152000 A/R-DUE FROM STATE	917,590.28	1,291,091.65	(373,501.37)	-28.93%
Receivables	2,105,093.67	2,229,812.33	(124,718.66)	-5.59%
172001 PREPAID EXPENSES	-	63,494.63	(63,494.63)	-100.00%
Prepaid Expenses	-	63,494.63	(63,494.63)	-100.00%
Accounts Receivable	2,105,093.67	2,293,306.96	(188,213.29)	-8.21%

Revenue

812100-TCTF - PGM 10 OPERATIONS	22,722,104.18	30,810,969.09	(8,088,864.91)	-26.25%
816000-OTHER STATE RECEIPTS	1,148,182.00	-	1,148,182.00	100.00%
821000-LOCAL FEES REVENUE	568,921.44	679,617.49	(110,696.05)	-16.29%
821200-ENHANCED COLLECTIONS – REV	1,028,961.31	1,170,502.43	(141,541.12)	-12.09%
822000-LOCAL NON-FEES REVENUE	171,164.07	185,052.75	(13,888.68)	-7.51%
823000-OTHER – REVENUE	526,947.29	59,499.75	467,447.54	785.63%
825000-INTEREST INCOME	42,317.81	58,815.42	(16,497.61)	-28.05%
831000-GENERAL FUND - MOU/REIMB	11,408.34	12,870.00	(1,461.66)	-11.36%
832000-PROGRAM 45.10 - MOU/REIMB	703,812.83	379,769.00	324,043.83	85.33%
833000-PROGRAM 45.25 – REIMBURSEM	193,149.00	198,433.00	(5,284.00)	-2.66%
834000-PROGRAM 45.45 – REIMB	1,228,113.00	1,216,525.00	11,588.00	0.95%
838000-AOC GRANTS – REIMB	861,067.00	860,806.00	261.00	0.03%
860000-REIMBURSEMENTS – OTHER	50,413.52	43,970.36	6,443.16	14.65%

Expenditures

999900 -PRIOR YEAR EXPENSE ADJUST	5,688.86	9,241.47	(3,552.61)	-38.44%
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We compared general ledger year-end account balances between the prior two fiscal years and reviewed accounts that experienced material and significant variances from year-to-year. We also assessed the Court's procedures for processing and accounting for trust deposits, disbursements, and refunds to determine whether its procedures ensure adequate control over trust funds. Further, we reviewed selected FY 2011–2012 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant guidance.

There were no significant issues to report to management.

5. Cash Collections

Background

Trial courts must collect and process payments in a manner that protects the integrity of the court and its employees and promotes public confidence. Thus, trial courts should institute procedures and internal controls that assure the safe and secure collection, and accurate accounting of all payments. The FIN Manual, FIN 10.02, provides uniform guidelines for trial courts 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, FIN 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Cash Accounts				
100000 POOLED CASH	126,733.47	124,790.48	1,942.99	1.56%
100025 DISB CHECK-OPERATIONS	(562,911.13)	(508,109.55)	(54,801.58)	-10.79%
100027 DISB OUTGOING EFT	(77,528.27)	(3,068.82)	(74,459.45)	-2426.32%
114000 CASH-REVOLVING	5,000.00	5,000.00	0.00	0.00%
117000 CASH DISTRIBUTION ACCOUNT	3,122,652.51	128,961.29	2,993,691.22	2321.39%
117002 CASH DISTRIBUTION IN-TRAN	-	30,136.65	(30,136.65)	-100.00%
119001 CASH ON HAND - CHANGE FUN	7,130.00	7,152.19	(22.19)	-0.31%
Overages/Shortages				
823004 CASHIER OVERAGES	320.62	374.87	(54.25)	-14.47%
952599 CASHIER SHORTAGES	677.22	515.86	161.36	31.28%

We visited selected court locations with cash handling responsibilities and assessed various cash handling processes and practices through observations and interviews with Court operations managers and staff. We did not review the Santa Maria Court location as it was in the process of moving to a new location during our review. Specific processes and practices reviewed include, but are not limited to, the following:

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

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

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

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

5.1 The Court Could Strengthen Some of Its Cash Handling Procedures

Background

To protect the integrity of the court and its employees, and to promote public confidence, the FIN Manual, Policy No. FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This policy requires courts to institute procedures and internal controls that assure the safe, secure collection, and accurate accounting of all payments. For example, FIN 10.02, 6.3.7, states, in part, that receipts issued by the trial court should provide information sufficient to create an adequate audit trail that ensures proper distribution of monies received. The section also states that the trial court shall keep a record of all receipts issued and periodically monitor receipt sequence numbers to identify gaps and assure that all receipts are accounted for.

In addition, FIN 10.02, 6.3.9, states that in case the automated accounting system fails, the supervisor or designated employee will issue books of pre-numbered receipts and the cashier will issue customers a handwritten receipt as well as retain a copy. The supervisor issuing the receipt books will monitor and maintain an accounting of the receipt books, including receipt books issued and to whom, date issued, person returning the receipt book(s), the receipts used within each receipt book, and the date the receipt books are returned. Handwritten receipt transactions must be processed as soon as possible after the automated system is restored.

Further, to assure that payment processing errors and irregularities do not go undetected, FIN 10.02, 6.3.12, requires courts to conduct surprise cash counts on all trial court staff that handle payments in the normal course of their duties. A surprise cash count is an independent balancing of a cash drawer or register:

- That is conducted in the presence of the cashier by a court supervisor, manager, or fiscal officer who does not have direct responsibility for processing payments. A record of these cash audits should be maintained for audit and management purposes;
- Performed on a "random" day determined by the supervisor or manager. By "random", the date picked to perform the surprise cash count should not be easily determined by court staff (I.e., the third Thursday of each quarter); and
- That was not previously communicated to the trial court staff.

The frequency of the surprise cash counts will depend on a number of factors including, but not limited to, the size of the trial court, the amount of currency processed, the number of checks and money orders processed, the overages and shortages at a particular location, and the experience of the court staff involved. Surprise cash counts should be conducted at least quarterly and as frequently as monthly.

Finally, the FIN Manual, Policy No. FIN 1.01, 6.4 (4), requires courts to document and obtain AOC approval of their alternative procedures if court procedures differ from the procedures in the FIN Manual. The paragraph further states that alternative procedures not approved by the AOC will not be considered valid for audit purposes.

Issues

Our review of the Court's cash handling practices and associated documents at four Court locations that receive and process payments from the public revealed some locations that could strengthen their procedures in the following areas:

1. **Handwritten Receipts** – A log to account for the manual receipt books, including the receipt book(s) issued, to whom the receipt book(s) were given, the date issued, the person returning the book(s), the receipts used within each book, and the date the receipt book(s) are returned, is not maintain at all four Court locations. As a result, our review of five manual receipt books at one location revealed three missing manual receipts.

In addition, one Court location did not always record all relevant information on the handwritten receipts, such as the date the payment was received or the amount received spelled out.

Further, one Court location did not always verify, such as by a CMS receipt attached or CMS receipt number written on the manual receipt copy, that the handwritten receipt payments are promptly entered into the case management system. As a result, the same Court location did not always enter handwritten receipt payments in the case management system as soon as the system was restored. Specifically, the Court location entered five of the 10 handwritten receipts we reviewed between five and 33 business days after receiving the payment.

2. **Surprise Cash Counts** – The Court has not conducted surprise cash counts at four locations that collect and process payments received from the public. As a result, the Court cannot ensure that payment processing errors and irregularities are being identified and corrected in a timely manner.

Recommendations

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

1. Ensure that each Court location maintains an accounting, such as a log, of handwritten receipt books issued, including the receipt books issued, to whom the receipt books was given, the date given, the person returning the receipt books, the receipts used within each

- book, and the date on which the receipt books are returned. Also, ensure that cashiers complete handwritten receipts with all relevant information. Further, ensure that handwritten receipts are entered in the case management system as soon as the system is restored and that a CMS receipt or CMS receipt number is on the manual receipt copy with a manager, supervisor, or fiscal staff initials on the handwritten receipt to demonstrate verification that the payment was promptly entered.
2. Require each location to perform random surprise cash counts at least quarterly as required in the FIN Manual.
 3. Prepare alternative procedure requests and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures and process payments as recommended. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

Superior Court Response By: Rayna Pinkerton, CFO **Date:** November 28, 2012

The court agrees with Issue #1. The court is currently maintaining a log of handwritten receipt books issued, including the receipt books issued, to whom the receipt books was given, the date given, the person returning the receipt books, the receipts used within each book, and the date on which the receipt books are returned. The court is auditing handwritten receipts to insure that the receipts are entered in the case management system as soon as the system is restored and that a CMS receipt or CMS receipt number is on the manual receipt copy with a manager, supervisor, or fiscal staff initials on the handwritten receipt to demonstrate verification that the payment was promptly entered.

Date of Corrective Action: November 1, 2012

Responsible Person(s): Marguerite Sanchez – Financial Analyst (Revenue and Collections)

The court agrees with Issue #2. The court will perform random surprise cash counts at least quarterly. Annual Calendar (for Fiscal Management eyes only) has been prepared with surprise cash counts every three weeks.

Date of Corrective Action: November 11, 2012

Responsible Person(s): Tim Upton – Supervisor, Accounting and Collections

5.2 Procedures for Tracking and Monitoring Dishonored Payments in Civil Actions Need Improvement

Background

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

- The check has been returned to the court unpaid;
- The court has imposed an administrative fee 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.

In addition, 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. Further, 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's Supervising Accountant, designated fiscal staff access the bank website daily, download images of any returned unpaid checks (NSF checks), and send the NSF checks to the Court's Collections unit. The Collections unit voids the respective payment in the Court's case management system (CMS) and generates a Notice of Demand for Payment (notice). The notice is usually mailed within one day of voiding the payment, with a copy of the notice sent to the Civil Department. The Civil Department is responsible for docketing the notice in CMS, and the CMS records an entry in the case on the date the notice is generated.

However, our review of selected civil cases where payments were voided due to NSF checks revealed that the Court's notice allows the paying party 25 days to pay the required civil filing and administrative fees instead of the required 20 days. In addition, the Court did not void the filings and allowed cases to proceed even though the responsible parties had not paid the required civil filing and administrative fees within the notice period or prior to a scheduled hearing, whichever occurred first. Specifically, the Court did not void the filing and allowed two of the ten NSF check cases we reviewed to proceed even though the required filing and administrative fees were not paid within the notice period. In fact, for a third NSF check case, the Court dismissed the case five days after the notice was sent even though the responsible party had not paid the required NSF fee.

Recommendations

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

1. Revise its notice to require the responsible parties to pay within 20 days of the date of the notice notifying them of the unpaid returned check.
2. If the responsible parties do not pay the civil filing and NSF administrative fees prior to the expiration of the 20-day notice period, scheduled trial, or hearing, whichever occurs first, the Civil Department should void the filing and proceed as if it had not been filed.

3. The Court should initiate collection proceedings to collect the required civil filing and NSF administrative fees due to the Court for any civil case where it allowed the case to continue or conclude and the responsible parties did not pay the required civil filing and NSF administrative fees.

Superior Court Response By: Marguerite Sanchez, Financial Analyst, Revenue and Collections, Mark Hanson, Judicial Services Manager/Civil, Santa Barbara, and Ellen Scott, Judicial Services Manager/Civil, Santa Maria **Date:** January 28, 2013

Recommendation #1: The court agrees that the notice should require full payment of the filing fee and administrative fee within 20 days of the mailing date of notice OR no later than one day prior to a scheduled trial, or hearing, whichever comes first. Changes to this effect are in the process of being made to the notice and put into production. The court will, however, follow the Code of Civil Procedure, Section 1013, which requires an additional 5-day grace period before the filing is voided but this will not be stated in the notice to the party.

Date of Corrective Action: January 25, 2013

Responsible Person(s): Mark Hanson -- Judicial Services Manager/Civil, Santa Barbara and Ellen Scott – Judicial Services Manager/Civil, Santa Maria

Recommendation #2: The court agrees. Corrective measures are already in place.

In Santa Barbara, the ‘Notice of Demand for Payment’ is placed into a “tickler” folder which is checked daily by a Lead Clerk in Legal Process (with the Supervisor of Legal Process or other Lead Clerk in Legal Process acting as back-ups during times of absence). In Santa Maria the court had already put into effect that copies of the ‘Notice of Demand for Payment’ are provided to the supervisor and 2 lead clerks in legal process. These 3 individuals tickle the date on which payment should be received or the filing voided. Having three individuals tracking this information should provide adequate coverage.

Date of Corrective Action: January 25, 2013

Responsible Person(s): Julie Nicola, Judicial Services Supervisor, Sr., Santa Maria and Narzralli Baksh, Judicial Services Supervisor, Sr. Santa Barbara.

Recommendation #3: The court agrees that a process for the collection of filing and administrative fees involving NSF checks should be investigated and established, and the court will proceed to do so.

Fiscal will notify the Civil Department through an e-mail that a civil fee payment has been dishonored. The email will list the party who submitted the check and the type of fee payment. Collections will void the payment on the case and send a notice to the party who tendered the check as well as to the party or the party’s attorney if the party is represented, on whose behalf the check was tendered, giving the party 20 days to pay. If any trial or other hearing is scheduled to be heard prior to the expiration of the 20 day period the notice will specify that the fee shall be paid on a date prior to the trial or hearing.

Date of Corrective Action: January 25, 2013 and January 28, 2013

Responsible Person(s): Mark Hanson -- Judicial Services Manager/Civil, Santa Barbara and Ellen Scott -- Judicial Services Manager/Civil, Santa Maria, and Tim Upton -- Supervisor, Accounting and Collections

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

Background

Before courts may process their civil filings, parties of civil cases must pay the required filing fees in full or be granted a fee waiver. Otherwise, when a party does not pay the required civil filing fees in full, the court must void the filing. Specifically, the California Code of Civil Procedure, Section 411.21, requires the clerk, by mail, to notify the party tendering the check that the check was made out for an amount less than the required filing fee, an administrative charge of \$25 or a reasonable amount determined by the Court has been imposed to reimburse the court for the costs of processing the partial payment and providing the notice, and that the party has 20 days from the date of the mailing of the notice within which to pay the remainder of the required fee and the administrative charge. It further states that the clerk shall void the filing if the party who tendered a check in an amount less than the required filing fee has not paid the full amount of the fee and the administrative charge within 20 days of the date on which the required notice was mailed.

Issues

According to the Court, Civil Department supervisors track partial payment cases on their individual calendars. If full payment of the filing fees is not received within 20 days of the mailing of the required notice, the filing is voided. Civil Department clerks mail the required notices on the same day that a partial payment is received.

However, our review of eight civil cases in which parties made partial payments of civil filing fees revealed that the Court allows parties more than the required 20 days to pay the remaining filing fees due, does not always send the required notice, does not always void the filings when the required filing fees are not paid in full within the time required, and does not assess the required administrative charge. Specifically, we noted the following anomalies:

1. The Court's Notice of Payment Due (notice) allows parties 25 days to pay the remainder of the required filing fees instead of the required 20 days.
2. For two of the eight cases reviewed, although the Court mailed its notice the same day it received the partial payment, the Court did not void the filings by the date indicated in its notice. It did, however, receive the remainder of the filing fees due between 33 and 463 days after the notice was mailed. Further, in another case, the Court did not send the required notice and, therefore, did not void the filing even though the party did not pay within 20 days of the initial payment. In effect, the Court never put the party on notice of the fees due. The party paid the remainder of the filing fees due 45 days after the initial partial payment was made.

3. The Court does not assess an administrative fee to cover the costs for providing notice that a check submitted for a filing fee is in an amount less than the required fee and for all related administrative, clerical, and other costs as required by Code of Civil Procedure, Section 411.21(g).

Recommendations

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

1. Revise its notice to require the responsible parties to pay the remainder of the required filing fees within 20 days of the mailing date of the notice.
2. Ensure clerks mail the required 20-day notice within one business day of receiving a partial payment. Also, ensure supervisors track and follow up on civil cases in which the Court issued a 20-day notice of insufficient filing fees and void filings that are not paid in full by the due date.
3. Ensure clerks include the required administrative fee, \$25 or a reasonable amount determined by the Court, in the total amount due when generating the required 20-day notice.

Superior Court Response By: Mark Hanson, Judicial Services Manager/Civil, Santa Barbara, and Ellen Scott, Judicial Services Manager/Civil, Santa Maria **Date:** November 28, 2012

Recommendation #1: The court agrees that the notice should require full payment of the filing fee within 20 days of the mailing date of notice. Changes to this effect are in the process of being made to the notice and put into production. The court will, however, follow the Code of Civil Procedure, Section 1013, which requires an additional 5-day grace period before the filing is voided but this will not be stated in the notice to the party.

Date of Corrective Action: 11/28/12

Responsible Person(s): Mark Hanson – Judicial Services Manager/Civil, Santa Barbara and Ellen Scott – Judicial Services Manager/Civil, Santa Maria

Recommendation #2: The court agrees. Corrective measures are already in place.

In Santa Barbara, the Notice of Payment Due is placed into a “tickler” folder which is checked daily by a Lead Clerk in Legal Process (with the Supervisor of Legal Process or other Lead Clerk in Legal Process acting as back-ups during times of absence).

In Santa Maria the court had already put into effect that copies of the Notice of Payment Due are provided to the supervisor and 2 lead clerks in legal process. These 3 individuals tickle the date on which payment should be received or the filing voided. Having three individuals tracking this information should provide adequate coverage.

We are currently investigating a way of electronically generating a report that will capture cases in which a Notice of Payment Due has been sent. This report would be automatically sent to the Supervisor and two Lead Clerks in both Santa Barbara and Santa Maria. If we are able to automatically generate such a report, it will be implemented immediately.

Date of Corrective Action: 11/5/12

Responsible Person(s): Julie Nicola, Judicial Services Supervisor, Sr., Santa Maria, and Narzralli Baksh, Judicial Services Supervisor, Santa Barbara.

Recommendation #3: The court agrees. The court misunderstood CCP 411.21(g) thinking that the actual cost needed to be determined. The court has adopted the \$25 administrative fee. The Notice of Payment Due form is being revised to include this fee. The case management system will be updated to accommodate this fee and the court will implement as soon as possible.

Date of Corrective Action: 11/15/12

Responsible Person(s): Mark Hanson – Judicial Services Manager/Civil, Santa Barbara, and Ellen Scott – Judicial Services Manager/Civil, Santa Maria.

6. Information Systems

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Expenditures				
943201 IT MAINTENANCE	15,942.39	7,775.91	8,166.48	105.02%
943202 IT MAINTENANCE - HARDWARE	75,231.61	71,841.48	3,390.13	4.72%
943203 IT MAINTENANCE - SOFTWARE	595,598.81	459,715.88	135,882.93	29.56%
943200 - IT MAINTENANCE	686,772.81	539,333.27	147,439.54	27.34%
943300 - IT COMMERCIAL CONTRACT	-	8,000.00	(8,000.00)	-100.00%
943400 - IT INTER-JURISDICTIONAL	4,363.72	19,301.95	(14,938.23)	-77.39%
943501 IT REPAIRS & SUPPLIES	22,798.77	13,855.53	8,943.24	64.55%
943502 IT SOFTWARE & LICENSING F	40,053.23	84,037.31	(43,984.08)	-52.34%
943503 COMPUTER SOFTWARE	9,459.31	5,437.40	4,021.91	73.97%
943505 SERVER SOFTWARE	51,065.15	1,941.82	49,123.33	2529.76%
943506 SECURITY SOFTWARE	449.00	15,138.32	(14,689.32)	-97.03%
943509 MAINFRAME ACCESSORIES AND	165,420.33	9,739.48	155,680.85	1598.45%
943500 - IT REPAIRS/SUPPLIES/LICE	289,245.79	130,149.86	159,095.93	122.24%
INFORMATION TECHNOLOGY (IT) TOTAL	980,382.32	696,785.08	283,597.24	40.70%
946601 MAJOR EQUIPMENT - IT	54,849.44	7,704.95	47,144.49	611.87%

We reviewed various IS controls through interviews with Court management, observation of IS storage facilities and equipment, and review of records. Some of the primary areas reviewed 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 access to Department of Motor Vehicles (DMV) records.
- Automated calculation and distribution of collected fees, fines, penalties, and assessments for a sample of criminal and traffic cases.

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

6.1 The Court Needs to Improve Its Calculations and Distributions of Court Collections

Background

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

Issues

Our review of the Court's process for calculating and distributing the fines, penalties, fees, and other assessments it collects determined that the Court uses Sustain Justice Edition (Sustain) as its case management system (CMS) for all case types. Sustain has the fiscal capability to automatically calculate the required distributions of the monies it collects except for the PC 1463.22(a) base reductions for proof of insurance cases, the HS 11372.5 criminal lab and HS 11372.7 drug program base enhancements, and the HS 11502 base fine allocation. These distributions are done at month-end when the Court prepares a month-end report of revenues collected and submits it to the County.

To determine whether the Court correctly calculated and distributed its collections, we reviewed the calculated distributions of selected cases with violations that the Court disposed of from January 2012 through August 2012. In total, we reviewed 12 cases of the following case types:

- **Traffic Infraction (8 total)** – Red Light (2), Speeding (2), Child Seat (2), Proof of Correction (1), and Proof of Insurance (1).
- **Misdemeanor/Felony (4 total)** – DUI (1), Reckless Driving (1), Domestic Violence (1), and Health & Safety (1).

Our review of the calculated distributions of the Court collections noted the following calculation and distribution errors:

1. The VC 40508.6(a) administrative fee for subsequent convictions was assessed in seven of nine applicable cases reviewed even though no prior convictions existed.
2. The GC 68090.8 two percent automation fee was not assessed to the GC 76000.10 EMAT penalty in six of nine applicable cases reviewed. Also, the GC 68090.8 two percent automation fee was not assessed to the PC 1463.25 Alcohol Education penalty for the one DUI case reviewed.
3. For the one DUI case reviewed, the GC 76000.5 Additional EMS penalty, the portion of the GC 70372(a) State Court Construction penalty distributed to the State Immediate and

- Critical Needs Account, and the additional \$1 for every \$10 or portion of \$10 related to the GC 76104.7 additional DNA penalty effective June 27, 2012, were not assessed. As a result, the distributions of the base fine, the State and County penalties, the remaining DNA penalties, the GC 761000 penalties, and the 20 percent State surcharge were affected.
4. For the one reckless driving case reviewed, the GC 76104.1 EMS penalty and the GC 76000.5 additional EMS penalty were not assessed. As a result, the distributions of the base fine, the State and County penalties, the DNA penalties, the GC 76000 penalties, and the 20 percent State surcharge were affected.
 5. The PC 1463.11 30 percent allocation to the Red Light Fund was not applied to the GC 70372(a) State Court Construction penalty in one of the two red light cases reviewed.
 6. For the two traffic school cases reviewed, the GC 68090.8 two percent automation fee was assessed even though the fee is not applicable in traffic school cases, except for child seat cases, because the fines and penalties become a Traffic Violator School Fee.
 7. Fines, penalties, and fees were distributed incorrectly for the one child seat traffic school case reviewed. Specifically, the collections were distributed as a VC 42007 traffic school case. However, according to VC 27360(e), the fines for child restraint violations are exempt from conversion to the VC 42007 Traffic Violator School fee. The *SCO Manual of Accounting and Audit Guidelines for Trial Courts, Appendix C – Revision 22* provides similar guidance. Consequently, VC 27360 fines for child restraint violations are not distributed as VC 42007 TVS fees even when disposed with traffic school.

Recommendations

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

1. Configure its Sustain CMS to assess the VC 40508.6(a) administrative fee for subsequent convictions only on cases where a prior conviction exists.
2. Analyze its Sustain CMS distribution tables to ensure that the GC 68090.8 2 percent State Automation fee is assessed to the GC 76000.10 EMAT penalty in all applicable cases and to the PC 1463.25 Alcohol Education penalty in DUI cases.
3. Analyze its Sustain CMS distribution tables to ensure that the GC 76000.5 Additional EMS penalty, the portion of the GC 70372(a) State Court Construction penalty distributed to the State Immediate and Critical Needs Account, and the additional \$1 for every \$10 or portion of \$10 related to the GC 76104.7 Additional DNA penalty effective June 27, 2012, are assessed in DUI cases.
4. Analyze its Sustain CMS distribution tables to ensure that the GC 76104.1 EMS penalty and the GC 76000.5 Additional EMS penalty are assessed in reckless driving cases.

5. Analyze its Sustain CMS distribution tables to ensure that the PC 1463.11 30 percent allocation to the Red Light Fund is applied to the GC 70372(a) State Court Construction penalty in red light cases.
6. Configure its Sustain CMS to not assess the GC 68090.8 2 percent State Automation fee on traffic school cases, except for child seat traffic school cases.
7. Configure its Sustain CMS to distribute fines, penalties, and fees in child seat traffic school cases in accordance with VC 27360(e) and the *SCO Manual of Accounting and Audit Guidelines for Trial Courts, Appendix C – Revision 22*, where the fines and penalties for convictions of child restraint violations that are disposed with traffic school are exempt from conversion to the VC 42007 Traffic Violator School fee and, therefore, should not be allocated as VC 42007 TVS fees.

Superior Court Response By: Marguerite Sanchez, Financial Analyst, Revenue and Collections

Date: February 5, 2013

1. The Court is aware of this DMV administrative fee. However, the Court also understands that if enacted, recently proposed legislation would clearly authorize courts to charge this DMV administrative fee on the first conviction as well, making this issue and recommendation moot. Since the system modifications needed to implement the recommendation are complex and would take the Court months to program, test, and implement, and in that time the proposed legislation may be enacted into law making these system modifications a wasted effort, the Court will hold-off implementing the recommendation and continue its current practice in the expectation that the statute will be changed. Nonetheless, if the proposed legislation is not enacted as trailer-bill legislation this Summer 2013, the Court will initiate the appropriate system modifications to implement the audit recommendation.
2. The Court will ensure that the Sustain CMS distribution tables have been corrected to ensure that the 2% State Automation fee is assessed to the GC76000.10 EMAT penalty in all applicable cases and to the PC 1463.25 Alcohol Education penalty in DUI cases.
3. The Court will correct the Sustain CMS to ensure that the GC 76000.5 Additional EMS penalty, the portion of the GC 70372(a) State Court Construction penalty distributed to the State Immediate and Critical Needs Account, and the additional \$1 for every \$10 or portion of \$10 related to the GC 76104.7 additional DNA penalty effective June 27, 2012, are assessed in DUI cases.
4. The Court will analyze the Sustain CMS to ensure that the GC 76104.1 EMS penalty and the GC 76000.5 additional EMS penalty are assessed in reckless driving cases.
5. The Court will correct the Sustain CMS distribution table to ensure that PC 1463.11 30 percent allocation to the Red Light Fund is applied to the GC 70372(a) State Court Construction penalty in red light cases.

6. The Court will configure the Sustain CMS to not assess GC 68090.8 2 percent State Automation fee on traffic school cases, except for child seat traffic school cases.
7. The Court will correct the distribution of child seat traffic school to comply with VC 27360.

Date of Corrective Action: All issues will be corrected in February 2013.

Responsible Person(s): Marguerite Sanchez, Financial Analyst, Tim Upton, Accountant Supervising

7. Banking and Treasury

Background

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. The FIN Manual, FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. The Court deposits in AOC-established accounts allocations to the trial court for court operations. The Court deposits all monies collected with the County, including criminal and traffic fines and fees, bail trust, civil filing fees, and civil trust deposits.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Assets				
100000 POOLED CASH	126,733.47	124,790.48	1,942.99	1.56%
100011 OPS DEPOSIT	-	26,858.47	(26,858.47)	-100.00%
100017 OPS OUTGOING EFT	-	297.00	(297.00)	-100.00%
100024 DISB MISC BANK CREDIT	-	275.56	(275.56)	-100.00%
100025 DISB CHECK-OPERATIONS	(562,911.13)	(508,109.55)	(54,801.58)	-10.79%
100026 DISB CHECK-TRUST	(40,452.95)	(82,603.10)	42,150.15	51.03%
100027 DISB OUTGOING EFT	(77,528.27)	(3,068.82)	(74,459.45)	-2426.32%
100117 UCF OUTGOING EFT	-	(30,136.65)	30,136.65	100.00%
114000 CASH-REVOLVING	5,000.00	5,000.00	0.00	0.00%
117000 CASH DISTRIBUTION ACCOUNT	3,122,652.51	128,961.29	2,993,691.22	2321.39%
117002 CASH DISTRIBUTION IN-TRAN	-	30,136.65	(30,136.65)	-100.00%
118000 CASH-TRUST ACCOUNT	1,935,034.33	2,123,463.31	(188,428.98)	-8.87%
119001 CASH ON HAND - CHANGE FUN	7,130.00	7,152.19	(22.19)	-0.31%
120050 SHORT TERM INVESTMENTS-LA	9,586,757.54	11,070,993.86	(1,484,236.32)	-13.41%
120051 SHORT TERM INVESTMENTS-CA	990,621.14	4,086,004.65	(3,095,383.51)	-75.76%
Cash and Cash Equivalents	15,249,071.56	16,980,015.34	(1,730,943.78)	-10.19%
Liabilities				
321501 A/P DUE TO STATE	32,215.59	49,347.08	(17,131.49)	-34.72%
321600 A/P - TC145 LIABILITY	542,879.15	505,922.33	36,956.82	7.30%
322001 A/P - DUE TO OTHER GOVERN	16,609.87	325,037.62	(308,427.75)	-94.89%
323001 A/P - SALES & USE TAX	370.92	455.00	(84.08)	-18.48%
323002 BACKUP WITHHOLDING TAX FE	192.63	1,380.85	(1,188.22)	-86.05%
323005 BACKUP WITHHOLDING TAX ST	48.15	345.21	(297.06)	-86.05%
323010 TREASURY INTEREST PAYABLE	71.40	30.67	40.73	132.80%
330001 A/P - ACCRUED LIABILITIES	209,023.54	150,543.74	58,479.80	38.85%
Accounts Payable	1,311,102.38	1,639,267.68	(328,165.30)	-20.02%
351003 LIABILITIES FOR DEPOSITS	22,521.27	17,173.29	5,347.98	31.14%
353050 AB145 DUE TO OTHER GOVERN	523,796.16	562,914.70	(39,118.54)	-6.95%
353070 DUE TO OTHER GOVERNMENT A	2,667,628.33	2,761,066.88	(93,438.55)	-3.38%
353080 LIABILITIES FOR DEPOSITS	28,018.33	67,867.03	(39,848.70)	-58.72%

353081 CRIMINAL UNCLAIMED/STALE	18,209.31	5,334.91	12,874.40	241.32%
353999 TRUST INTEREST PAYABLE	20,238.40	27,903.10	(7,664.70)	-27.47%
Current Liabilities	6,443,591.91	6,801,340.93	(357,749.02)	-5.26%
Revenue				
825000-INTEREST INCOME	42,317.81	58,815.42	(16,497.61)	-28.05%
Expenditures				
920301 MERCHANT FEES	179,444.10	252,795.92	(73,351.82)	-29.02%
920302 BANK FEES	18,835.10	25,109.27	(6,274.17)	-24.99%

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

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

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

7.1 The Court’s Escheatment Processes Need Improvement

Background

According to Government Code (GC) section 68084.1, any money, excluding restitution to victims, that has been deposited with the court or that a court is holding in trust and remains unclaimed for three years shall become property of the court if, after published notice pursuant to GC 68084.1, the money is not claimed or no verified complaint is filed and served.

Accordingly, the FIN Manual, Policy No. FIN 15.03, provides courts with guidance for escheating these unclaimed monies. Specifically, FIN 15.03, 6.2, outlines requirements for courts to follow regarding the published notice required by GC 68084.1, including publishing the notice once a week for two consecutive weeks in a newspaper of general circulation that is published in the county in which the court is located. The notice must state the amount of money, the fund in which it is held, and that it is proposed that the money will become the property of the court pursuant to GC 68084.1 on a designated date not less than 45 calendar days or more than 60 calendar days after the first publication of the notice. If possible, the notice should provide sufficient detail for a potential claimant to identify their monies.

Further, FIN 15.03, 6.3.4, states that documentation supporting all of the court’s actions concerning the escheat of monies must be retained in files until the latter of four years or the next AOC internal audit of the court, and outlines certain record retention requirements. For example, the retained records must include the following, as applicable:

- Records confirming that any associated case was closed or the money otherwise became eligible for distribution and the date on which the distribution occurred.

- A signed memorandum from the CEO certifying that the court received no claims to the money during the three years after the associated case was closed or the money otherwise became eligible for distribution.
- Material (e.g., letters, envelopes with post office stamps confirming “return to sender,” telephone notes, etc.) reflecting the court’s efforts to contact the lawful owner before escheating the money.
- For each day on which the court published notice of the proposed escheat, copies of the first page and the page bearing the notice from the newspaper of general circulation in which the notice was published or a Proof of Publication issued by the newspaper with a copy of the notice as published and attesting to the dates it was published.

Issues

Our review of 10 accounts the Court escheated during fiscal year 2011-2012 revealed the following:

1. Although the Court provided much of the required escheatment documentation, it did not provide documentation demonstrating its efforts to contact the lawful owners of the monies prior to escheatment. Specifically, the Court retained and provided documentation confirming that the cases were closed, a signed memorandum from the CEO certifying that the Court received no claims to the money during the three years after the associated case was closed, a copy of the required notice from the newspaper of general circulation in which the notice was published, and the date it escheated the funds. However, the Court could not provide documentation—such as contact letters, envelopes with “return to sender” Post Office stamps, telephone notes, etc.—demonstrating its efforts to contact the lawful owners of the monies prior to commencement of the escheatment process.
2. In addition, although the Court published a notice once a week for two consecutive weeks in a newspaper of general circulation in the county where the Court is located, it did not ensure the notices were complete and provided sufficient account identifying details. Specifically, the Court did not list on the notice one of the three escheated interpleader trust accounts we reviewed. Further, although it published the name of the trust fund, the total amount to be escheated by fund as well as the name of the parties in the required notice for the interpleader and condemnation trust accounts it escheated, it only published the name of the trust fund and the total amount to be escheated in the required notice for the small claims trust account. In other words, it did not list the names of the parties in the notice it published for the 28 small claims accounts it escheated to allow potential claimants to identify and claim their monies prior to escheatment.

Recommendation

To ensure that it complies with statute and the FIN Manual when escheating unclaimed civil monies, the Court should consider the following:

1. Make sure that it retains letters, envelopes with “return to sender” Post Office stamps, telephone notes, and other contact documents to adequately demonstrate the Court’s efforts

- to contact the lawful owners of unclaimed civil monies prior to commencement of the escheatment process.
2. Ensure that the required notices include each of the accounts it proposes to escheat and contain sufficient account details to allow potential claimants to identify and claim their monies prior to escheatment.

Superior Court Response By: Marguerite Sanchez, Financial Analyst, Revenue and Collections
Date: February 4, 2013

1. The Court will contact or attempt to contact, the lawful owner of the money (e.g., the person or entity to whom the court issued a check) prior to the start of the escheatment process and will document those efforts and will retain all documents that substantiate the attempt to notify lawful owners such as the letter, envelopes with “return to sender”, etc.
2. Santa Barbara Superior Court waited from 2006 to 2010 to complete an escheatment on civil cases pending an adopted FIN policy and procedure. When we finally were notified of a policy and procedure, we escheated 5 years of civil trusts. We published the name of the trust fund, the total amount to be escheated by fund, as well as the name of the parties for the interpleader and condemnation trust accounts. The only information we did not publish for the small claims accounts we escheated was the party names, case number and the trust amount associated with the individual case. In the future we will publish all case information so potential claimants can identify and claim their monies prior to escheatment.

Date of Corrective Action: Escheatment to take place in August 2013.

Responsible Person(s): Ellen Scott, Judicial Services Manager/Civil, Santa Maria, Mark Hanson, Judicial Services Manager/Civil, Santa Barbara, and Marguerite Sanchez, Financial Analyst.

8. Court Security

Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Expenditures				
934503 PERIMETER SECURITY-SHERIF	783.93	1,199,862.07	(1,199,078.14)	-99.93%
934504 PERIMETER SEC-CONTRCT (OT	720,749.73	533,427.85	187,321.88	35.12%
934505 PERIMETER SECURITY - ENTR	133.33	179,270.97	(179,137.64)	-99.93%
934510 COURTROOM SECURITY-SHERIF	111,647.89	4,550,817.14	(4,439,169.25)	-97.55%
934512 ALARM SERVICE	2,534.58	5,177.67	(2,643.09)	-51.05%
934500 - SECURITY	835,849.46	6,468,555.70	(5,632,706.24)	-87.08%
941101 SHERIFF - REIMBURSEMENTS	13,015.00	12,905.00	110.00	0.85%
941100 - SHERIFF	13,015.00	12,905.00	110.00	0.85%
945204 WEAPON SCREENING X-RAY MA	63,890.54	75,243.75	(11,353.21)	-15.09%
945207 SECURITY SURVEILLANCE - M	-	7,927.74	(7,927.74)	-100.00%

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

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

9. Procurement

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Expenditures				
920500 - DUES AND MEMBERSHIPS	4,900.00	5,325.00	(425.00)	-7.98%
920600 - OFFICE EXPENSE	193,084.92	215,913.31	(22,828.39)	-10.57%
921500 - ADVERTISING	12,178.45	5,423.57	6,754.88	124.55%
921700 - MEETINGS, CONFERENCES, E	19,045.32	13,794.77	5,250.55	38.06%
922300 - LIBRARY PURCHASES AND SU	142,903.75	136,935.18	5,968.57	4.36%
922500 - PHOTOGRAPHY	-	1,468.12	(1,468.12)	-100.00%
922600 - MINOR EQUIPMENT - UNDER	633,759.67	183,850.31	449,909.36	244.72%
922700 - EQUIPMENT RENTAL/LEASE	84,143.61	93,969.68	(9,826.07)	-10.46%
922800 - EQUIPMENT MAINTENANCE	105,706.68	13,566.64	92,140.04	679.17%
922900 - EQUIPMENT REPAIRS	3,048.60	1,693.75	1,354.85	79.99%
923900 - GENERAL EXPENSE - SERVIC	72,857.37	79,948.35	(7,090.98)	-8.87%
924500 - PRINTING	84,888.44	114,779.36	(29,890.92)	-26.04%
925100 - TELECOMMUNICATIONS	186,101.64	196,326.65	(10,225.01)	-5.21%
926200 - STAMPS, STAMPED ENVELOPE	41,959.66	32,299.72	9,659.94	29.91%
926300 - POSTAGE METER	108,481.54	63,217.00	45,264.54	71.60%
928800 - INSURANCE	15,609.00	12,967.00	2,642.00	20.37%
933100 - TRAINING	18,518.14	6,498.67	12,019.47	184.95%
934500 - SECURITY	835,849.46	6,468,555.70	(5,632,706.24)	-87.08%
935200 - RENT/LEASE	105,256.68	106,876.28	(1,619.60)	-1.52%
935300 - JANITORIAL	247,525.10	245,257.24	2,267.86	0.92%
935400 - MAINTENANCE AND SUPPLIES	7,797.52	49,380.47	(41,582.95)	-84.21%
935600 - ALTERATION	55,854.16	22,152.55	33,701.61	152.13%

935700 - OTHER FACILITY COSTS - G	9,295.83	2,644.66	6,651.17	251.49%
935800 - OTHER FACILITY COSTS - S	414.66	-	414.66	100.00%
936100 -UTILITIES	5,986.21	3,623.56	2,362.65	65.20%
938300 - GENERAL CONSULTANT AND P	288,620.15	280,226.09	8,394.06	3.00%
938500 - COURT INTERPRETER SERV	306,876.40	307,118.81	(242.41)	-0.08%
938600 - COURT REPORTER SERVICES	120,015.00	116,459.00	3,556.00	3.05%
938700 - COURT TRANSCRIPTS	318,261.62	298,027.22	20,234.40	6.79%
938800 - COURT APPOINTED COUNSEL	301,398.31	1,510.00	299,888.31	19860.15%
938900 - INVESTIGATIVE SERVICES	875.80	785.60	90.20	11.48%
939000 - COURT ORDERED PROFESS	135,342.25	100,020.25	35,322.00	35.31%
939100 - MEDIATORS/ARBITRATORS	8,550.00	15,150.00	(6,600.00)	-43.56%
939200 - COLLECTION SERVICES	270,011.47	333,275.87	(63,264.40)	-18.98%
939400 - LEGAL	203,354.79	235,936.46	(32,581.67)	-13.81%
939800 - OTHER CONTRACT SERVICES	48,905.05	36,846.45	12,058.60	32.73%
943200 - IT MAINTENANCE	686,772.81	539,333.27	147,439.54	27.34%
943300 - IT COMMERCIAL CONTRACT	-	8,000.00	(8,000.00)	-100.00%
943400 - IT INTER-JURISDICTIONAL	4,363.72	19,301.95	(14,938.23)	-77.39%
943500 - IT REPAIRS/SUPPLIES/LICE	289,245.79	130,149.86	159,095.93	122.24%
945200 - MAJOR EQUIPMENT	136,580.15	105,538.57	31,041.58	29.41%
952000 - UNIFORM ALLOWANCE	-	33.00	(33.00)	-100.00%
952300 - VEHICLE OPERATIONS	24,298.42	23,558.60	739.82	3.14%

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

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

9.1 The Court Can Further Improve Its Procurement Practices

Background

On March 24, 2011, Senate Bill 78 was enacted, creating Part 2.5 of the Public Contract Code (PCC) designated the California Judicial Branch Contract Law (JBCL). With certain exceptions, the JBCL requires that superior courts, as well as other judicial branch entities (JBEs), comply with provisions of the PCC that are applicable to state agencies and departments related to the procurement of goods and services. PCC Section 19206 of the JBCL requires the Judicial Council to adopt and publish a Judicial Branch Contracting Manual (JBCM) incorporating procurement and contracting policies and procedures that JBEs must follow. In interpreting the requirements of the JBCM and applying those requirements in the context of their own local operations and specific procurements, JBEs should seek to achieve the objectives of PCC Section 100, including ensuring full compliance with competitive bidding statutes; providing all qualified bidders with a fair opportunity to enter the bidding process; and eliminating favoritism, fraud, and corruption in the awarding of public contracts. To meet the unique needs of the court and ultimately achieve the goals set forth in PCC Sections 100–102, each presiding judge has the authority to vary the Court's application of any non-mandatory business or accounting practice set forth in the JBCM. Any

variances should be documented in the court's Local Contracting Manual. The JBCM supersedes the FIN Manual, Section 6.01.

The JBCM, Chapters 4 and 5, provides procurement requirements for competitive and non-competitive procurements, respectively. Additionally, the JBCM, Chapter 9, Section 9.2, discusses requirements for procurements using court purchase cards.

Issues

To determine whether the Court follows the procurement policies and procedures in the JBCM, we interviewed Court management and staff regarding its procurement practices. We also reviewed a selection of 19 fiscal year 2011-2012 procurement transactions and 15 fiscal year 2011-2012 purchase card transactions. Our review indicates that the Court did not always follow the JBCM procurement policies and procedures. Specifically, we noted the following:

1. The Court could not demonstrate prior written purchase authorization for many of its procurements. Specifically, the Court did not have on file written purchase authorizations, such as an approved purchase requisition or other written purchase authorization, for eight of the 19 procurements we reviewed. In addition, the Court could not demonstrate prior written purchase authorization for six of the 15 purchase card transactions we reviewed.
2. The Court used purchase cards to procure unallowable items. Specifically, one of the 15 purchase card transactions we selected to review revealed that the Court purchased items for a holiday luncheon for Court staff. Although the purchase card users obtained approval of their requests to purchase items that included food, supplies, and gifts, there was no evidence that the Presiding Judge (PJ) or Court Executive Officer (CEO) pre-approved the holiday luncheon itself. In addition, although the Court subsequently provided the requested information, at the time of our review, there was no evidence documenting the attendees, the time of day the luncheon was held, and the duration of the luncheon. Nevertheless, although the purchase of holiday luncheon items is a questionable use of public Court funds, the purchase of gifts, including a case of beer, is considered a gift of public funds and is unallowable per Article 16, Section 6, of the California Constitution, regardless of whether the funds came from the Trial Court Trust Fund or the Non-Trial Court Trust Fund.
3. The Court did not always follow the JBCM non-competitive procurement requirements as follows:
 - The Court could not provide documentation supporting three of five sole source procurements.
 - The total amount of one of ten procurements under a master agreement was over the maximum amount allowed per the master agreement. For another procurement transaction, the Court could not provide the master agreement; therefore, we could not determine whether the total amount of the procurement was within the maximum amount allowed per the master agreement.
 - In addition, the Court could not demonstrate it obtained three or more competitor quotes for one of three competitively bid procurements.

4. The Court did not adequately control and oversee the use of its purchase cards. Specifically, six purchase card transactions were not supported by an itemized vendor invoice or receipt as follows:
 - One transaction for personal Internet service for the CEO was not supported by an itemized invoice or receipt. Instead, the Court provided only a printout that was printed eight months after the purchase transaction, from the Internet service provider's website showing the different Internet service plans.
 - One transaction for lunch was supported by two charge receipts instead of the itemized vendor receipt.
 - One transaction for monthly payment of storage space was not supported by an itemized vendor invoice or receipt. Instead, the Court provided only a Court-generated listing of storage units, rental costs, division assigned to each storage unit, and contact information.
 - One transaction for airfare for two flights was not supported by an itemized vendor invoice or receipt.
 - One transaction for lodging was supported by a lodging receipt where the folio number, the type of credit card used, and the amount paid did not match the purchase card statement. Another purchase card transaction for lodging expense was not supported by an itemized lodging receipt with a zero balance.

In addition, the Court could not provide a purchase card check-out form for four purchase card transactions; therefore, we could not determine whether the purchase card was used by an authorized user. Further, one purchase card transaction was over the \$1,500 per transaction limit.

5. Although the JBCM, Chapter 9, Section 9.2, Paragraph B.7, states that individual court employee travel expenses may be purchased with a court purchase card that is used only for court travel expenses, the Court does not use a dedicated purchase card for court travel expenses. Specifically, for five purchase card transactions related to individual court employee travel expenses, the same purchase card was also used for non-travel expenditures.

Recommendations

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

1. Require the use of appropriately approved purchase requisitions to pre-authorize the procurement of goods and services, including procurements where the Court's purchase card is used.
2. Obtain PJ or CEO approval for any court function prior to procuring food and supplies for the function to ensure it is an appropriate Court function and allowable Court operations cost. Also, ensure all court staff is aware that buying gifts with court funds is considered a gift of public funds and is unallowable per Article 16, Section 6, of the California Constitution.

3. Ensure appropriate documentation is maintained to support procurement activities, such as support for sole source procurements and at least three vendor bids for competitively bid procurements. Also, for procurements under a master agreement, ensure appropriate court staff is aware of the maximum dollar amount allowed by the master agreement.
4. Remind accounts payable staff that purchase card transactions need to be supported by an itemized vendor invoice or receipt and that lodging expenses need to be supported by an itemized lodging receipt with a zero balance. Also, ensure appropriate court fiscal staff is following the Court's policy in requiring a completed purchase card check-out form prior to issuing a court purchase card to court staff. Further, remind purchase card users of the \$1,500 per transaction limit.
5. Dedicate one of the Court's purchase cards for use exclusively for individual court staff travel expenses.

Superior Court Response By: Rayna G. Pinkerton, CFO **Date:** January 22, 2013

1. The court will require written pre-authorization for each purchase on the internal Request for Purchase form.

Date of Corrective Action: March 1, 2013

Responsible Person(s): Ammon M. Hoenigman, Procurement Specialist Sr.

2. The court has implemented and enforced Business Related Meal Expense Request forms which are in compliance with The Trial Court Policies and Procedures Manual: Financial Business Meal Expense Policy No. FIN 8.05 and Financial Petty Cash Policy No. FIN 6.1 (2) in compliance with this recommendation.

In addition, the court will revise and issue a new Court Credit Card Policy. Each court employee that uses a court issued credit card must read the Court Credit Card Policy and certify that they will follow the court policy. The Court Credit Card Policy will include the usage of the internal Request for Purchase form for each purchase and Article 16, Section 6, of the California Constitution.

Date of Corrective Action: March 1, 2013

Responsible Person(s): Ammon M. Hoenigman, Procurement Specialist Sr.

3. The court will keep appropriate procurement documentation in each procurement file and will not exceed the maximum dollar amount allowable under any Master Agreement.

Date of Corrective Action: January 22, 2013

Responsible Person(s): Ammon M. Hoenigman, Procurement Specialist Sr.

4. Accounts Payable staff is fully aware of the current purchase card policy. However; they must have the ability to enforce the requirements. Therefore, the court will implement a policy to address the occurrence when a purchasing card user does not follow court policies. Also, the

court will include the requirement of itemized receipts, and lodging zero balance in the new Court Credit Card Policy form. In addition, each departmental credit card will be checked out to the responsible user on the Court Credit Card Check-Out form. Further, the court will amend the Credit Card Policy to allow for the exception of exceeding the per transaction limit, in the rare instances in which it proves necessary. If the amount exceeds the per transaction limit, the user must obtain prior written approval from the Court Executive Officer.

Date of Corrective Action: March 1, 2013

Responsible Person(s): Ammon M. Hoenigman, Procurement Specialist Sr.

5. The court will designate specific American Express cards which are only to be used for travel.

Date of Corrective Action: March 1, 2013

Responsible Person(s): Ammon M. Hoenigman, Procurement Specialist Sr.

10. Contracts

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Expenditures – Contracted Services				
938300 - GENERAL CONSULTANT AND P	288,620.15	280,226.09	8,394.06	3.00%
938500 - COURT INTERPRETER SERVIC	306,876.40	307,118.81	(242.41)	-0.08%
938600 - COURT REPORTER SERVICES	120,015.00	116,459.00	3,556.00	3.05%
938700 - COURT TRANSCRIPTS	318,261.62	298,027.22	20,234.40	6.79%
938800 - COURT APPOINTED COUNSEL	301,398.31	1,510.00	299,888.31	19860.15%
938900 - INVESTIGATIVE SERVICES	875.80	785.60	90.20	11.48%
939000 - COURT ORDERED PROFESS	135,342.25	100,020.25	35,322.00	35.31%
939100 - MEDIATORS/ARBITRATORS	8,550.00	15,150.00	(6,600.00)	-43.56%
939200 - COLLECTION SERVICES	270,011.47	333,275.87	(63,264.40)	-18.98%
939400 - LEGAL	203,354.79	235,936.46	(32,581.67)	-13.81%
939800 - OTHER CONTRACT SERVICES	48,905.05	36,846.45	12,058.60	32.73%
Expenditures – County Provided Services				
942100 - COUNTY-PROVIDED SERVICES	90,332.15	121,753.04	(31,420.89)	-25.81%

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

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

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

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

Background

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

Issues

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

1. The County provides the Court with communication services, information technology services, reprographic services, vehicle maintenance services, mental evaluation services, and juror parking spaces. However, the Court did not have an MOU with the County for the mental evaluation services the County provided to the Court for fiscal year 2010-2011. Without an MOU or other agreement with the County for these services, the Court and County are not in compliance with statute and the Court cannot be sure it is appropriately paying only for the level of county-provided services it agreed to receive.
2. Although we requested a copy, the Court did not provide the requested MOU or other agreement with the County for juror parking spaces. As a result, we could not determine whether services charged by the County are covered under an MOU or other agreement, whether accounts payable staff matched and agreed the County invoice to the terms of an MOU or other agreement prior to payment, and whether costs charged by the County agree to costs identified in an MOU or other agreement. Nevertheless, expenses paid by the Court for juror parking spaces are unallowable per California Rules of Court, Rule 10.810(d), Function 2.

Recommendations

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

1. Enter into an MOU with the County for the mental health evaluation services the County currently provides to the Court.
2. Discontinue payment for juror parking spaces since it is unallowable per California Rules of Court.

Superior Court Response By: Gary Blair, Chief Executive Officer **Date:** March 5, 2013

1. The Court agrees. The Court will enter into an MOU with the County for the mental health evaluation services the County provides to the Court beginning fiscal year 2013-2014.

Date of Corrective Action: July 1, 2013

Responsible individual: Gary Blair, Chief Executive Officer

2. The Court disagrees that it should discontinue paying for juror parking spaces. The Court uses locally collected non-Trial Court funding revenues to make the payments associated with these parking spaces, so the Court believes California Rules of Court, Rule 10.810, does not apply to the payments for these additional juror parking spaces. In addition, although not reduced to a written formal MOU, a former Presiding Judge and the County in May 2007 negotiated an agreement and agreed to these Court payments in exchange for these additional juror parking spaces.

11. Accounts Payable

Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Liabilities				
Accounts Payable	1,311,102.38	1,639,267.68	(328,165.30)	-20.02%
Current Liabilities	6,443,591.91	6,801,340.93	(357,749.02)	-5.26%
Reimbursements - Other				
860000-REIMBURSEMENTS - OTHER	50,413.52	43,970.36	6,443.16	14.65%
Expenditures				
920600 - OFFICE EXPENSE	193,084.92	215,913.31	(22,828.39)	-10.57%
921500 - ADVERTISING	12,178.45	5,423.57	6,754.88	124.55%
921700 - MEETINGS, CONFERENCES, E	19,045.32	13,794.77	5,250.55	38.06%
922300 - LIBRARY PURCHASES AND SU	142,903.75	136,935.18	5,968.57	4.36%
922500 - PHOTOGRAPHY	-	1,468.12	(1,468.12)	-100.00%
922700 - EQUIPMENT RENTAL/LEASE	84,143.61	93,969.68	(9,826.07)	-10.46%
922800 - EQUIPMENT MAINTENANCE	105,706.68	13,566.64	92,140.04	679.17%
922900 - EQUIPMENT REPAIRS	3,048.60	1,693.75	1,354.85	79.99%
924500 - PRINTING	84,888.44	114,779.36	(29,890.92)	-26.04%
925100 - TELECOMMUNICATIONS	186,101.64	196,326.65	(10,225.01)	-5.21%
926200 - STAMPS, STAMPED ENVELOPE	41,959.66	32,299.72	9,659.94	29.91%
926300 - POSTAGE METER	108,481.54	63,217.00	45,264.54	71.60%
928800 - INSURANCE	15,609.00	12,967.00	2,642.00	20.37%
929200 - TRAVEL- IN STATE	34,225.77	27,367.92	6,857.85	25.06%
931100 - TRAVEL OUT OF STATE	-	23.30	(23.30)	-100.00%
933100 - TRAINING	18,518.14	6,498.67	12,019.47	184.95%
935300 - JANITORIAL	247,525.10	245,257.24	2,267.86	0.92%
935400 - MAINTENANCE AND SUPPLIES	7,797.52	49,380.47	(41,582.95)	-84.21%

935600 - ALTERATION	55,854.16	22,152.55	33,701.61	152.13%
935700 - OTHER FACILITY COSTS - G	9,295.83	2,644.66	6,651.17	251.49%
935800 - OTHER FACILITY COSTS - S	414.66	-	414.66	100.00%
936100 - UTILITIES	5,986.21	3,623.56	2,362.65	65.20%
938300 - GENERAL CONSULTANT AND P	288,620.15	280,226.09	8,394.06	3.00%
938500 - COURT INTERPRETER SERVIC	306,876.40	307,118.81	(242.41)	-0.08%
938600 - COURT REPORTER SERVICES	120,015.00	116,459.00	3,556.00	3.05%
938700 - COURT TRANSCRIPTS	318,261.62	298,027.22	20,234.40	6.79%
938800 - COURT APPOINTED COUNSEL	301,398.31	1,510.00	299,888.31	19860.15%
938900 - INVESTIGATIVE SERVICES	875.80	785.60	90.20	11.48%
939000 - COURT ORDERED PROFESSION	135,342.25	100,020.25	35,322.00	35.31%
939100 - MEDIATORS/ARBITRATORS	8,550.00	15,150.00	(6,600.00)	-43.56%
939200 - COLLECTION SERVICES	270,011.47	333,275.87	(63,264.40)	-18.98%
939400 - LEGAL	203,354.79	235,936.46	(32,581.67)	-13.81%
939800 - OTHER CONTRACT SERVICES	48,905.05	36,846.45	12,058.60	32.73%
952000 - UNIFORM ALLOWANCE	-	33.00	(33.00)	-100.00%
952300 - VEHICLE OPERATIONS	24,298.42	23,558.60	739.82	3.14%
965100 - JUROR COSTS	227,646.55	241,429.49	(13,782.94)	-5.71%

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

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

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

11.1 The Court Needs to Strengthen Its Invoice Review and Approval Procedures

Background

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

Specifically, FIN 8.01 and FIN 8.02 provide uniform guidelines for courts to use when processing vendor invoices and individual claims (also referred to as invoices) for payment. These guidelines include procedures for establishing and maintaining a payment authorization matrix listing court employees who are permitted to approve invoices for payment along with dollar limits and scope of authority of each authorized court employee. The guidelines also include preparing invoices for

processing, matching invoices to purchase documents and proof of receipt, reviewing invoices for accuracy, approving invoices for payment, and reconciling approved invoices to the payment transactions recorded in the accounting records. Finally, the guidelines state that advance payments to vendors are only made in unusual circumstances and are not permitted for time and materials service contracts or for the purchase of goods.

Issues

To determine whether the Court adheres to the invoice processing policies and procedures in the FIN Manual, we interviewed appropriate Court staff regarding the Court's current invoice processing practices. We also reviewed selected invoices and claims paid in fiscal year 2011-2012 and identified the following weaknesses and areas of noncompliance:

1. At the time of our review, the Court had not established a payment authorization matrix. The Court stated that it uses its purchase requisition and approval matrix as its payment authorization matrix. Nevertheless, authorized court staff, as indicated on its purchase requisition and approval matrix, did not review and approve 30 invoices and claims prior to payment.
2. The Court made a \$235,000 advance payment for the purchase of custom-made furniture totaling \$470,000. Although the FIN Manual provides for minor exceptions, of which this purchase is not one of those exceptions, advance payments are unallowable per the FIN Manual, Section 8.01, Paragraph 6.5.e.
3. The Court did not consistently follow the FIN Manual procedures for processing the 39 paid invoices and claims we selected to review. For example:
 - a. Three invoices and two juror payment reports were not stamped with the date received.
 - b. The Court did not match and agree four invoices to proof of receipt of goods or services prior to payment processing. In addition, since there was no evidence of payment authorization signatures or initials for the two juror payment reports reviewed, we could not determine whether anyone verified or confirmed that the listed services were rendered prior to accounts payable staff processing the reports for payment.
 - c. Expenses for three invoices were not classified in the appropriate general ledger account.
 - d. For one invoice, the payment for HVAC equipment replacement is not an allowable court operation cost per California Rules of Court, Rule 10.810.
 - e. The Court could not provide prior court authorizations documenting the services and rates authorized, as well as any dollar or hour limit, for all four claims reviewed. In fact, for one court interpreter claim, the Court could not provide any written pre-approval authorizing payment of the court interpreter rate that exceeded the Judicial Council-approved rate or pre-approval of the interpreter's travel time.

Recommendations

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

1. Establish and maintain a payment authorization matrix that lists court employees who are permitted to commit court resources and approve invoices for payment. The matrix should include the dollar limits and scope of authority for each authorized employee. If the Court wishes to use its purchase requisition and approval matrix as its payment authorization matrix, it should broaden the matrix title to indicate this expanded use and clarify within the matrix that court employees who approve purchase requisitions may also approve payments, but cannot approve payments for the same purchases.

In addition, instruct accounts payable staff to not process invoices for payment without review and approval signatures by authorized staff.

2. Ensure that Court employees who are permitted to commit court resources are aware that advance payments to vendors are only made in unusual circumstances, such as registration fees for a conference or education program, and are not permitted for time and materials service contracts or for the purchase of goods.
3. Provide training and instruction to accounts payable staff to ensure they follow the uniform guidelines for processing invoices and claims that are provided in the FIN Manual.

Superior Court Response By: Tish Gordon, Project Manager, Fiscal Services
January 22, 2013

Date:

1. The Court has taken corrective action by implementing a new Payment Authorization Matrix that sets forth the Scope of Authority for employees and makes it clear that while specific employees may approve purchase requisitions and also approve payments, employees cannot approve payments for purchases they authorized. In addition, the Court has taken corrective action by emphasizing with accounts payable staff that they are not to process invoices unless they have appropriate approval signatures by authorized staff.

Date of Corrective Action: September 2012

Responsible Person(s): Rob Vlieger, AP Supervisor

2. The court disagrees with Issue #2.

The specific example referred to a deposit required by Tri-County Furniture to start production of custom designed cubicles and desks for the new court building in Santa Maria. We agree that advance payments are to be avoided except in unusual circumstances, but this purchase was necessary and had to be ordered without delay to meet the construction deadlines. It is unlikely and unreasonable that any vendor would build a custom product costing \$470,313.61 without some advance payment.

The Judicial Branch Contracting Manual, Chapter 9, section 9.1.B.Note, states "... a JBE may also make an advance payment under a contract in the following situations: (i) in

exchange for a contractual benefit from such advance payment (e.g., price discount from a Vendor); or (ii) where it is industry standard to pay in advance for goods/services.”

Tri-Counties Furniture required partial payment in advance and the court complied with the Judicial Branch Contracting Manual. This was for custom furniture specially manufactured for the court and was not suitable for sale to others.

IAS Response: *The beginning of the Court-referenced Judicial Branch Contracting Manual (JBCM) chapter and section states, “...if the JBE has conducted a reasonable risk assessment, and if the JBE’s Approving Authority (or designee) has authorized the advanced payment, a JBE may also make an advance payment...” Although the CEO approved the advanced payment, the Court did not provide evidence that it conducted a reasonable risk assessment. Nevertheless, this portion of the JBCM was added on April 24, 2012, three months after the contract with Tri-Counties Furniture for custom-made furniture for the Santa Maria courthouse was executed.*

Court Response: The Court did perform a Risk Assessment before entering into the contract with Tri-Counties Furniture which required an advance payment. The factors evaluated included:

- Years in business: The vendor has been in business for 30 years in the local community.
- Past experience: The court has purchased desks, chairs, and modular furniture from vendor for over 20 years, including several large installations of modular system workstations.
- Quality of product: Above satisfactory.
- Service: Excellent rapport with vendor. We know they will stand behind their product and correct any mistakes or problems.
- Vendor is listed on the Master Contracts list with US Communities.
- Compatibility: Vendor’s product is compatible with our existing modular workstations. This ensures consistent appearance and the ability to reconfigure workstations as needed, using existing and newer panels and surfaces.
- If we had used a different vendor, the product would not be compatible with the existing modular furniture. We would not have the assurance that a different vendor would be able to meet the production and delivery schedule or be inclined to correct mistakes and problems timely. Furthermore, all office furniture vendors require an advance deposit on a project of this size.

After an evaluation of the above factors, the risk of entering into a contract with Tri-Counties Furniture that required an advance payment was deemed to be minimal.

Since industry standards are that advance payments are required by vendors for installations of modular furniture, our court will request the AOC’s Procurement and Contracts unit to include this category as an exception in the Judicial Branch Contracting Manual, Chapter 9.

Further, we suggest that the AOC develop a process for courts to obtain a waiver to get AOC approval in a timely manner for when similar circumstance arise.

Date of Corrective Action: N/A
Responsible Person(s): N/A

3. We will address each item separately:
 - a. We agree with issue 3.a. The AP Supervisor, AP Clerk and the Accounting Supervisor have been reminded that all invoices and juror payments must be date stamped.
 - b. We agree that these four invoices did not have anyone sign for receipt of service. That lapse in processing has been corrected and AP staff knows that all future invoices must be supported by a proof of receipt. Further, we agree that the juror payment reports did not bear the initials or signature of the Jury Supervisor. This has been corrected for the future. The Jury Supervisor has been informed that the juror payment reports must be verified and signed before submission for payment.
 - c. We accept that these three invoices were coded to incorrect GL accounts. We have taken corrective action to re-class invoices for these vendors and to emphasize careful coding with our fiscal staff.
 - d. We accept that the HVAC is not allowable under Rule 10.810 and that is the reason that the payment was not from TCTF funds but from NTCTF funds. The data room (with the HVAC and IT equipment) is located in the Historic Courthouse and has not, nor will it be, transferred to the State. If the County won't pay, how should the court protect its IT equipment?

The Court's IT Director, Jim Brock, contacted AOC Facilities and asked for funding for a new HVAC. He communicated with Mary Beth Brewer and Russell Simonov and stressed the urgency of the request. The existing AC system in our courthouse was failing, causing the temperature in the data room to repeatedly reach 80 degrees or more, a critical level for sensitive IT equipment and servers. The equipment was at risk. If it was damaged or destroyed, the courts could not operate. There would be no access to court cases, no financial information, no court calendars, dockets, or minute orders. All the expensive IT equipment would be lost. There was no other option but to correct the problem by purchasing a HVAC with court funds. In fact, one email dated 8/25/11 Russell Simonov states, "It seems as if the HVAC replacement is a critical need and has to be done regardless..." At that point the court proceeded with selecting a vendor.

- e. We accept this finding and will take action to put corrective procedures in place for a pre-approval process for court reporter transcripts and court interpreters.

Date of Corrective Action: September 2012
Responsible Person(s): Rob Vlieger, AP Supervisor

11.2 The Court Needs to Strengthen Its Business Meal Expense Procedures

Background

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

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

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

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

FIN 8.05, 6.4, requires all group meals be arranged in accordance with procurement and contracting guidelines. It also requires a business reason to keep the group together during the meal period. The court project manager or coordinator must explain on the business-related meal expense form why trial court business must be conducted during the meal period and could not be accomplished at any other time.

Further, FIN 8.05, 6.5, outlines authorized business meal timeframes. For example, lunch is permissible during the noon hour for court wide functions that start no later than 11:00 a.m., have a business duration of at least three hours, and continue at least one hour after lunch. An example would be the business function starts at 11:00 a.m., lunch is from 12:00 p.m. to 1:00 p.m., and the business function concludes at 3:00 p.m.

Allowable business meal expenses vary depending on when, where, and how many people are involved with the meal or function. For further information regarding the specific requirements for allowable business meal expenses, please refer to the following paragraphs in Policy No. FIN 8.05:

- 6.3, Business Meal Reimbursement via a Travel Expense Claim
- 6.4, Group Business Meals

- 6.5, Authorized Business Meal Timeframes
- 6.6, Authorized Business Meal Rates
- 6.7, Requests for Exceptions to Business Expense Guidelines
- 6.8, Unallowable Business Meal Expenses

Issues

To determine whether the Court followed the business meal expense rules required in the FIN Manual, we interviewed appropriate Court staff regarding its business-related meal expense reimbursement practices. We also reviewed selected business-related meal expense transactions from FY 2011-2012. Our review determined that the Court needs to improve its procedures to adequately justify its business-related meal expenditures. Specifically, we noted the following:

1. Although the Court completed business-related meal expense forms for all 10 of the business meal expenditures we reviewed, it did not ensure that the forms demonstrated PJ or CEO approval for six of the 10 business meal expenditures in advance of the business function. Also, the Court did not complete four of the six business-related meal expense forms with all pertinent information, such as the end time of the business meal and a statement explaining the business purpose of the meeting.

In addition, the Court did not explain on eight of the 10 business-related meal expense forms why court business could not be conducted at a time other than during a meal period.

2. All four business-related meal expenditures that were for non-judges' lunch meetings did not start by 11 a.m. In addition, the business function for two of these four business meals ended before the required three-hour minimum. Further, we could not determine whether the business function endured for at least the required three hours for the remaining two business meals because the Court did not indicate an end time on the business-related meal expense forms.

In addition, for all eight non-catered business-related meal expenditures we reviewed, the Court consistently paid more than the allowable amount for lunch. Specifically, although the maximum allowable limit for lunch is \$10 per person, the Court paid between \$12 and \$15 per person for lunch.

Recommendations

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

1. Require advance written approval by the PJ, or written designee, of the business-related meal expense form or alternate document. Also, ensure that the business-related meal expense form is completed with all pertinent information, including the end time of the business meal, a statement explaining the business purpose of the meeting, and the reason why court business could not be conducted at a time other than during a meal period.

2. Ensure that business-related meals follow the authorized business meal timeframes, as well as the allowable business meal rates per person, as outlined in the FIN Manual.

Superior Court Response By: Tish Gordon, Project Manager, Fiscal Services

Date:

January 14, 2013

Recommendation #1: We agree with the comments.

Corrective action began on August 28, 2012. Fiscal Services informed executives and staff members responsible for submitting the Business Meal Form of the FIN 8.05 Policy, including showing the beginning and ending time for a meeting, and filling out all information on the form. On November 14, 2012, Fiscal staff composed a Checklist for Court Business Meals to assist staff members in filling out the form and complying with the policy. We are now in compliance with this policy.

Date of Corrective Action: August 28, 2012

Responsible Person(s): Rob Vlieger, Accountant Supervising, Fiscal Services – Accounts Payable

Recommendation #2: We agree with the comments.

Corrective action began on August 28, 2012. Fiscal Services informed management and pertinent staff member of FIN Policy No. 8.05. We monitor that Business Meal Forms and invoices adhere to the allowable timeframes and meal rates. We are in compliance with this matter.

Date of Corrective Action: August 28, 2012

Responsible Person(s): Rob Vlieger, Accountant Supervising, Fiscal Services – Accounts Payable

12. Fixed Assets Management

Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Expenditures				
922608 WEAPON SCREENING EQUIPMEN	19,148.22	13,190.95	5,957.27	45.16%
922610 COMPUTER ACCESSORIES	6,217.61	3,683.27	2,534.34	68.81%
922611 COMPUTER	10,986.31	86,974.18	(75,987.87)	-87.37%
922612 PRINTERS	10,925.33	23,131.11	(12,205.78)	-52.77%
922699 MINOR EQUIPMENT - UNDER \$	586,482.20	56,870.80	529,611.40	931.25%
922600 - MINOR EQUIPMENT - UNDER	633,759.67	183,850.31	449,909.36	244.72%
945204 WEAPON SCREENING X-RAY MA	63,890.54	75,243.75	(11,353.21)	-15.09%
945205 MAJOR EQUIPMENT-VEHICLE	17,840.17	14,662.13	3,178.04	21.68%
945207 SECURITY SURVEILLANCE - M	-	7,927.74	(7,927.74)	-100.00%
946601 MAJOR EQUIPMENT - IT	54,849.44	7,704.95	47,144.49	611.87%
* 945200 - MAJOR EQUIPMENT	136,580.15	105,538.57	31,041.58	29.41%

Due to the small size of the Court, we did not review this area.

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 must, 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 must fully cooperate with the auditors to demonstrate accountability, efficient use of public resources, and compliance with all requirements. Substantiated audit findings shall be investigated and corrected in a timely fashion.

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether these issues have been corrected or resolved. Specifically, IAS initiated an audit of the Court in 2007 that included a review of various fiscal and operational processes. Issues from the 2007 audit that have not been corrected or resolved, and repeat issues may be identified in various sections of this report.

There were no significant issues to report to management.

14. Records Retention

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2012	June 30, 2011		
Expenditures				
935203 STORAGE	40,574.28	38,889.94	1,684.34	4.33%

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

There were no significant issues to report to management.

15. Domestic Violence

Background

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

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

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

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

Background

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

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

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

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

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

- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed. This additional fine is effective upon the revocation of probation or of a conditional sentence (or parole), and shall not be waived or reduced by the court, absent compelling and extraordinary reasons stated on record.
- PC 1203.097 (a)(5) Domestic Violence Fee
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee if a person is granted probation for committing domestic violence crimes. The legislation that amended the Domestic Violence Fee from \$200 to \$400 sunset on January 1, 2010, but a bill enacted on August 13, 2010, amended the fee back to \$400. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) Court Operations Assessment
Effective July 28, 2009, courts must impose a \$30 (\$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction. Effective June 30, 2011, this code section was amended to reflect the change from a court security fee to a court operations assessment.
- Government Code (GC) 70373 Criminal Conviction Assessment
Effective January 1, 2009, courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony conviction, and a \$35 assessment for each infraction conviction.

Issues

Our review of the Court's criminal DV convictions for fiscal year 2011-2012 found cases where the Court did not always impose the statutorily required fines, fees, and assessments or imposed the incorrect amount. Specifically, our review of 30 DV case files with criminal convictions revealed the following:

- The PC 1203.097 Domestic Violence Probation fine was not ordered in three of the 25 cases where probation was ordered, and an amount below the \$400 minimum amount was ordered in a fourth case.
- In addition, we found 17 cases where the PC 1202.44 Probation Revocation fine did not match the PC 1202.4(b) State Restitution fine. Specifically, the Probation Revocation fine ordered in 16 of the 17 cases was \$100 while the State Restitution fine ordered was \$125. According to the Court, the \$25 difference was a result of the Court adding a \$25

administrative screening fee pursuant to PC 1463.07. Nevertheless, six of the 16 cases were disposed after January 1, 2012, when the minimum State Restitution fine increased from \$100 to \$120. Therefore, the minimum State Restitution fine plus the administrative screening fee should have totaled \$145, and the minimum Probation Revocation fine ordered for these six cases should have been \$120 instead of \$100. In addition, the State Restitution fine ordered for the 17th case was \$125 while the Probation Revocation fine ordered was \$200 instead of the same amount ordered for the State Restitution fine. Finally, the Probation Revocation fine was not ordered even though the Court ordered a State Restitution fine in another case.

- Also, the PC 1202.4(b) State Restitution fine, the PC 1465.8 Court Operations fee, and the GC 70373 Criminal Conviction fee were not ordered in one case. In addition, the PC 1465.8 Court Operations fee and the GC 70373 Criminal Conviction assessment were not ordered in another case. Finally, the GC 70373 Criminal Conviction assessment was not ordered in five additional cases.

Recommendation

To ensure that the statutorily required minimum criminal domestic violence fines and fees are assessed, the Court should consider the following:

1. Create and distribute a bench schedule of the required minimum DV fines and fees as a tool for judicial officers and staff to reference and use when imposing fines and fees during sentencing. The Court should periodically update this schedule to reflect any changes in statute. In addition, it should consider inserting these required minimum DV fine and fee amounts on the official order of probation forms.
2. Document in DV case minute orders, and also its case management system, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why the Court did not impose the required minimum fines and fees.

Superior Court Response By: Sheryl Edwards, Judicial Services Manager, Sr., and Cyndi Sgobba, Judicial Services Manager, Sr. **Date:** December 26, 2012

Recommendation #1: The court agrees. A bench schedule of the required minimum DV fines and fees as a tool for judicial officers and staff to reference and use when imposing fines and fees during sentencing has been created by fiscal and will be given to the Supervising Criminal Judges and Criminal Managers for distribution to the bench officers and staff. This schedule will be updated and distributed by fiscal whenever the required fines and fees change.

Date of Corrective Action: 2/1/2013

Responsible Person(s): Sheryl Edwards, Judicial Services Manager, Sr., and Angela Braun, Judicial Services Manager

Recommendation #2: The court agrees. Documentation should be entered on the case minute order, as it is the official record of the court proceedings. The court will remind and retrain clerks to document the above.

Date of Corrective Action: 2/1/2013

Responsible Person(s): Sheryl Edwards, Judicial Services Manager, Sr., and Angela Braun, Judicial Services Manager

16. Exhibits

Background

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

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

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

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

17. Bail

Background

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

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

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

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

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

There were no significant issues to report to management.

APPENDIX A

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

Issue Control Log

Note:

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

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

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

NOVEMBER 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration								
		Log	The required submitted matters report does not list cases with submitted matters by 30-60, 61-90, and over 90 days under submission.	I		The report will be modified to include aging information for 30-60, 61-90, and over 90 days.	Jim Brock, Manager, Information Technology Division	April 2013
2 Fiscal Management and Budgets			No issues noted.					
3 Fund Accounting			No issues noted.					
4 Accounting Principles and Practices			No issues noted.					
5 Cash Collections								
	5.1		The Court Could Strengthen Some of Its Cash Handling Procedures					
		1	All four Court locations do not maintain a log to account for the manual receipt books including; the receipt book(s) issued, to whom the receipt book(s) were given, the date issued, the person returning the book(s), the receipts used within each book, and the date the receipt book(s) are returned.		C	The Court agrees. The Court is currently maintaining a log of handwritten receipt books issued, including the receipt books issued, to whom the receipt books was given, the date given, the person returning the receipt books, the receipts used within each book, and the date on which the receipt books are returned. The Court is auditing handwritten receipts to insure that the receipts are entered in the case management system as soon as the system is restored and that a CMS receipt or CMS receipt number is on the manual receipt copy with a manager, supervisor, or fiscal staff initials on the handwritten receipt to demonstrate verification that the payment was promptly entered.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	November 2012
		1	At one location, the manual receipts were not always complete with key information, such as the date issued or the amount received spelled out.		C	See response above.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	November 2012
		1	At one location, the manual receipts did not indicate they were entered into the CMS, such as with a CMS receipt attached or the CMS receipt number noted on the manual receipt copies.		C	See response above.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	November 2012
		1	At one location, the manual receipts were not always entered into the CMS in a timely manner.		C	See response above.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	November 2012
		1	A review of five manual receipt books at one location revealed three missing manual receipts.		C	See response above.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	November 2012
		1	The Court does not conduct surprise cash counts.		C	The Court agrees. The Court will perform random surprise cash counts at least quarterly. Annual Calendar (for Fiscal Management eyes only) has been prepared with surprise cash counts every three weeks.	Tim Upton – Supervisor, Accounting and Collections	November 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		5.2	Procedures for Tracking and Monitoring Dishonored Payments in Civil Actions Need Improvement					
		2	Of the eight NSF cases reviewed, payment was not received and the filing was not voided in two cases.		C	<p>The court agrees. Corrective measures are already in place.</p> <p>In Santa Barbara, the 'Notice of Demand for Payment' is placed into a "tickler" folder which is checked daily by a Lead Clerk in Legal Process (with the Supervisor of Legal Process or other Lead Clerk in Legal Process acting as back-ups during times of absence).</p> <p>In Santa Maria the court had already put into effect that copies of the 'Notice of Demand for Payment' are provided to the supervisor and 2 lead clerks in legal process. These 3 individuals tickle the date on which payment should be received or the filing voided. Having three individuals tracking this information should provide adequate coverage.</p>	Julie Nicola, Judicial Services Supervisor, Sr., Santa Maria and Narzralli Baksh, Judicial Services Supervisor, Sr. Santa Barbara.	January 2013
		2	The administrative fee was not paid and the case was dismissed in a fifth case.	I		<p>The court agrees that a process for the collection of filing and administrative fees involving NSF checks should be investigated and established, and the court will proceed to do so.</p> <p>Fiscal will notify the Civil Department through an e-mail that a civil fee payment has been dishonored. The email will list the party who submitted the check and the type of fee payment. Collections will void the payment on the case and send a notice to the party who tendered the check as well as to the party or the party's attorney if the party is represented, on whose behalf the check was tendered, giving the party 20 days to pay. If any trial or other hearing is scheduled to be heard prior to the expiration of the 20 day period the notice will specify that the fee shall be paid on a date prior to the trial or hearing.</p>	Mark Hanson -- Judicial Services Manager/Civil, Santa Barbara, Ellen Scott -- Judicial Services Manager/Civil, Santa Maria, and Tim Upton - Supervisor, Accounting and Collections	January 2013
		2	For cases where payment was returned by the bank, the Court's Notice of Demand for Payment allows 25 days to pay the filing fee instead of 20 days as required by CCP 411.20.	I		<p>The court agrees that the notice should require full payment of the filing fee and administrative fee within 20 days of the mailing date of notice OR no later than one day prior to a scheduled trial, or hearing, whichever comes first. Changes to this effect are in the process of being made to the notice and put into production. The court will, however, follow the Code of Civil Procedure, Section 1013, which requires an additional 5-day grace period before the filing is voided but this will not be stated in the notice to the party.</p>	Mark Hanson -- Judicial Services Manager/Civil, Santa Barbara, and Ellen Scott -- Judicial Services Manager/Civil, Santa Maria	January 2013
		5.3	Closer Oversight Is Needed Over Partial Payments of Civil Filing Fees					
		3	The Court does not assess an administrative fee for partial payments pursuant to CCP 411.21(g).	I		<p>The Court agrees. The Court misunderstood CCP 411.21(g) thinking that the actual cost needed to be determined. The Court has adopted the \$25 administrative fee. The Notice of Payment Due form is being revised to include this fee. The case management system will be updated to accommodate this fee and the court will implement as soon as possible.</p>	Mark Hanson -- Judicial Services Manager/Civil, Santa Barbara, and Ellen Scott -- Judicial Services Manager/Civil, Santa Maria	November 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		3	Of the eight partial payment cases reviewed, the filing was not voided for two cases where payment was not received within the 20-day payment period, and for another case, the Notice of Demand for Payment was not sent and the filing was not voided when payment was not received within the 20-day payment period.	C	<p>The Court agrees. Corrective measures are already in place.</p> <p>In Santa Barbara, the Notice of Payment Due is placed into a "tickler" folder which is checked daily by a Lead Clerk in Legal Process (with the Supervisor of Legal Process or other Lead Clerk in Legal Process acting as back-ups during times of absence).</p> <p>In Santa Maria the Court had already put into effect that copies of the Notice of Payment Due are provided to the supervisor and 2 lead clerks in legal process. These 3 individuals tickle the date on which payment should be received or the filing voided. Having three individuals tracking this information should provide adequate coverage.</p> <p>The Court is currently investigating a way of electronically generating a report that will capture cases in which a Notice of Payment Due has been sent. This report would be automatically sent to the Supervisor and two Lead Clerks in both Santa Barbara and Santa Maria. If the Court is able to automatically generate such a report, it will be implemented immediately.</p>	Julie Nicola, Judicial Services Supervisor, Sr., Santa Maria, and Narzralli Baksh, Judicial Services Supervisor, Santa Barbara	November 2012
		3	For cases where the Court received partial payment of a civil first filing fee, the Court's Notice of Payment Due allows 25 days to pay the remainder of the filing fee instead of 20 days as required by CCP 411.21.	I	The Court agrees that the notice should require full payment of the filing fee within 20 days of the mailing date of notice. Changes to this effect are in the process of being made to the notice and put into production. The Court will, however, follow the Code of Civil Procedure, Section 1013, which requires an additional 5-day grace period before the filing is voided but this will not be stated in the notice to the party.	Mark Hanson – Judicial Services Manager/Civil, Santa Barbara, and Ellen Scott – Judicial Services Manager/Civil, Santa Maria	November 2012
		Log	A safe combination log is not maintained at all four Court locations.	C	The court now maintains a centralized safe combination log for all four Court locations.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013
		Log	At one location, some deposit and daily closeout records are stored in common work areas in unlocked file cabinets or in cardboard boxes.	I	The one location noted on the log does not have available secured storage. The Court will continue to work on securing the files behind locked cabinets.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	May 2013
		Log	At one location, clerks processing mail payments also perform the incompatible function of processing counter payments on the same day.	I	Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to June 2013.
		Log	At three locations, clerks opening mail also perform the incompatible function of processing those mail payments.	I	Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to June 2013.
		Log	At three locations, clerks opening drop box payments also perform the incompatible function of processing those drop box payments.	I	Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to June 2013.
		Log	At two locations, lead clerks reviewing and approving void transactions also perform the incompatible function of processing counter payments on the same day. (Repeat)	I	Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to June 2013.

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	At one location, the clerk approving bail refunds also performs the incompatible function of processing bail refunds.	I		Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to July 2013.
		Log	At one location, clerks approving trust account refunds also perform the incompatible function of processing trust account refunds, including a CTSI clerk.	I		Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to July 2013.
		Log	At one location, the fiscal clerk who verifies cashier daily closeout and balancing also prepared the deposit.	I		Fiscal will train Figueroa supervisors to complete cashier daily closeout and balancing prior to the end of the day. The Figueroa person who completes the deposit will not verify daily cash.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	April 2013
		Log	At two locations, the change fund is not verified quarterly by someone other than the person administering the change fund.		C	The change fund is now verified by someone other than the person administering the change fund.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013
		Log	At one location, the two clerks that open at 7:45 a.m. do not sign a verification log evidencing verification of their beginning cash.		C	The two clerks who open at 7:45am are now signing a verification log evidencing their beginning cash	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013
		Log	At two locations, the beginning cash funds are not counted and verified at the end of the day.		C	The funds in the beginning cash bags are now being verified at the end of the day by the clerk responsible for balancing the clerks tills.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	February 2013
		Log	Two locations do not record mail payments on a mail payments log. (Repeat)	I		Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to July 2013.
		Log	Although two locations record cash payments on a mail payments log, they do not record check mail payments on the log. (Repeat)	I		Currently there is no resolution to this issue as there is not enough staff to follow the recommended FIN policies. The Court will continue to assess and define ways to allow for the recommended segregation of duties. The Court will work on an alternate procedure for AOC review.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	When funding allows full staffing. The Court will provide an alternative procedure prior to July 2013.
6 Information Systems								
	6.1		The Court Needs to Improve Its Calculations and Distributions of Court Collections					
		9	For the one DUI case reviewed, the GC 76000.5 Additional EMS penalty, the portion of the GC 70372(a) State Court Construction penalty distributed to the State Immediate and Critical Needs Account, and the additional \$1 for every \$10 or portion of \$10 related to the GC 76104.7 additional DNA penalty effective June 27, 2012, were not assessed. As a result, the distributions of the base fine, the State and County penalties, the remaining DNA penalties, the GC 761000 penalties, and the 20% State surcharge were affected.	I		The Court will correct the Sustain CMS to ensure that the GC 76000.5 Additional EMS penalty, the portion of the GC 70372(a) State Court Construction penalty distributed to the State Immediate and Critical Needs Account, and the additional \$1 for every \$10 or portion of \$10 related to the GC 76104.7 additional DNA penalty effective June 27, 2012, are assessed in DUI cases.	Marguerite Sanchez – Financial Analyst (Revenue and Collections) and Tim Upton – Supervisor, Accounting and Collections	February 2013
		9	For the one reckless driving case reviewed, the GC 76104.1 EMS penalty and the GC 76000.5 additional EMS penalty were not assessed. As a result, the distributions of the base fine, the State and County penalties, the DNA penalties, the GC 76000 penalties, and the 20% State surcharge were affected.	I		The Court will analyze the Sustain CMS to ensure that the GC 76104.1 EMS penalty and the GC 76000.5 additional EMS penalty are assessed in reckless driving cases.	Marguerite Sanchez – Financial Analyst (Revenue and Collections) and Tim Upton – Supervisor, Accounting and Collections	February 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		9	The GC 68090.8 2% automation fee was not assessed to the GC 76000.10 EMAT penalty in six of nine applicable cases reviewed. Also, the GC 68090.8 2% automation fee was not assessed to the PC 1463.25 Alcohol Education penalty for the one DUI case reviewed.	I	The Court will ensure that the Sustain CMS distribution tables have been corrected to ensure that the 2% State Automation fee is assessed to the GC76000.10 EMAT penalty in all applicable cases and to the PC 1463.25 Alcohol Education penalty in DUI cases.	Marguerite Sanchez – Financial Analyst (Revenue and Collections) and Tim Upton – Supervisor, Accounting and Collections	February 2013
		9	VC 40508.6(a) administrative fee for priors was assessed in seven of nine applicable cases reviewed even though no priors existed in these cases.	I	The Court is aware of this DMV administrative fee. However, the Court also understands that if enacted, recently proposed legislation would clearly authorize courts to charge this DMV administrative fee on the first conviction as well, making this issue and recommendation moot. Since the system modifications needed to implement the recommendation are complex and would take the Court months to program, test, and implement, and in that time the proposed legislation may be enacted into law making these system modifications a wasted effort, the Court will hold-off implementing the recommendation and continue its current practice in the expectation that the statute will be changed. Nonetheless, if the proposed legislation is not enacted as trailer-bill legislation this Summer 2013, the Court will initiate the appropriate system modifications to implement the audit recommendation.	Marguerite Sanchez – Financial Analyst (Revenue and Collections) and Tim Upton – Supervisor, Accounting and Collections	February 2013
		9	The PC 1463.11 30% red light allocation was not applied to the GC 70372(a) State Court Construction penalty in one of two red light cases reviewed.	I	The Court will correct the Sustain CMS distribution table to ensure that PC 1463.11 30 percent allocation to the Red Light Fund is applied to the GC 70372(a) State Court Construction penalty in red light cases.	Marguerite Sanchez – Financial Analyst (Revenue and Collections) and Tim Upton – Supervisor, Accounting and Collections	February 2013
		9	For the two traffic school cases reviewed, the GC 68090.8 2% automation fee was assessed even though the fee is not applicable in most traffic school cases, except for child seat cases, because most of the fines and penalties become a Traffic Violator School Fee. (Repeat)	I	The Court will configure the Sustain CMS to not assess GC 68090.8 2 percent State Automation fee on traffic school cases, except for child seat traffic school cases.	Marguerite Sanchez – Financial Analyst (Revenue and Collections) and Tim Upton – Supervisor, Accounting and Collections	February 2013
		9	Fines, fees, and penalty assessments were distributed incorrectly for the one child seat traffic school case reviewed. Specifically, the distribution was done as a VC 42007 traffic school case. According to VC 27360(e) the fines for child restraint violations are exempt from conversion to the VC 42007 Traffic School Violator fee. The SCO Manual of Accounting and Audit Guidelines for Trial Courts, Appendix C – Revision 22 provides similar guidance. Consequently, VC 27360 fines should not be allocated as VC 42007 TVS fees.	I	The Court will correct the distribution of child seat traffic school to comply with VC 27360.	Marguerite Sanchez – Financial Analyst (Revenue and Collections) and Tim Upton – Supervisor, Accounting and Collections	February 2013
		Log	The Court did not complete and return the Business Continuity ICQ. Therefore, we could not determine whether it has sufficiently developed and implemented a business continuity plan.	I	IAS Statement 1/29/13: "To our knowledge, there is no rule of court that mandates courts to have a business continuity plan." The Court, being understaffed at this time, will not be able to respond to non-mandated issues.	N/A	N/A
		Log	The Court's IT policy and procedures do not address Network and CMS privileged user accounts.	I	An IT policy will be drafted addressing Network and CMS privileged accounts. The policy will include semi-annual review of privileged users by Court management	Jim Brock, Manager, Information Technology Division	March 2013
		Log	Court management does not review Network and CMS privileged user rights on a regular basis.	I	See response above.	Jim Brock, Manager, Information Technology Division	March 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Time restrictions are not placed on CMS user accounts, such as system-automatic termination of user session after 30 minutes of inactivity.	I	As noted by other Courts, disabling a user account after 30 minutes of inactivity would create a significant business disruption. The Court will determine if other options are available to ensure network security. The current version of the CMS (in use by 16 other Trial Courts) does not have the ability to automatically terminate a session after 30 minutes of inactivity. The Court is investigating the impacts of automatic computer locking after 30 minutes which would require the user to enter their Network password to unlock the computer. Our current policy locks those workstations with DMV access after 10 minutes of inactivity. As the Court is in the process of implementing a major upgrade to the CMS, we asked the vendor if time restrictions are an available security feature in the new version. CMS time restrictions are not currently included in the new version, but the vendor has taken note of the issue and plans for development of an inactivity time out.	Jim Brock, Manager, Information Technology Division	March 2013
		Log	CMS user accounts are not disabled after a number of invalid sign-on attempts, such as system automatically disabling user account after three invalid sign-on attempts.	I	The current version of the CMS (in use by 16 other Trial Courts – AOC Interim CMS) does not have the ability to automatically disable a user account after three invalid sign-on attempts. As the Court is in the process of implementing a major upgrade to the CMS, we asked the vendor if this function is available in the new version. The vendor advised that it is in the new version as a user-configurable security control. The Court controls the actual number of invalid sign-on attempts that result in a disabled account.	Jim Brock, Manager, Information Technology Division	Phase-in from Fall 2013 to Fall 2014
7 Banking and Treasury							
	7.1		The Court's Escheatment Processes Need Improvement				
		10	The Court could not provide documented evidence, such as letters, envelopes with post office stamp "return to sender", telephone notes, etc., of its efforts to contact the lawful owner of unclaimed trust funds prior to escheatment.	I	The Court will contact or attempt to contact, the lawful owner of the money (e.g., the person or entity to whom the court issued a check) prior to the start of the escheatment process and will document those efforts and will retain all documents that substantiate the attempt to notify lawful owners such as the letter, envelopes with "return to sender", etc.	Mark Hanson -- Judicial Services Manager/Civil, Santa Barbara, Ellen Scott – Judicial Services Manager/Civil, Santa Maria, and Marguerite Sanchez – Financial Analyst (Revenue and Collections)	August 2013
		10	One of three escheated interpleader trust accounts was not listed on the required notice published in the county newspaper. Further, the Court did not provide sufficient detail in the required notice regarding small claims cases for potential claimants to identify their monies.	I	Santa Barbara Superior Court waited from 2006 to 2010 to complete an escheatment on civil cases pending an adopted FIN policy and procedure. When we finally were notified of a policy and procedure, we escheated 5 years of civil trusts. We published the name of the trust fund, the total amount to be escheated by fund, as well as the name of the parties for the interpleader and condemnation trust accounts. The only information we did not publish for the small claims accounts we escheated was the party names, case number and the trust amount associated with the individual case. In the future we will publish all case information so potential claimants can identify and claim their monies prior to escheatment.	Mark Hanson -- Judicial Services Manager/Civil, Santa Barbara, Ellen Scott – Judicial Services Manager/Civil, Santa Maria, and Marguerite Sanchez – Financial Analyst (Revenue and Collections)	August 2013
		Log	At the time of our review, the person preparing the revolving account check also signed the check. The Court took immediate action to correct the issue.	C	The Court employee who prepares the revolving check does not sign the check. The Court added an additional signer on the revolving account so there would be enough people to separate the duties.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Although the Court performs a high-level reconciliation between its CMS and Phoenix-FI using general ledger accounts, it does not reconcile to the individual trust accounts.		C	The Court prepares a high level reconciliation of the CMS and Phoenix each month. Individual trust accounts are now reconciled each month.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013
8 Court Security								
		Log	The Court could not confirm whether all court locations employ a burglar alarm system.	I		During a recent CEAC meeting Malcolm Franklin suggested eliminating these alarms as they only generate false alarms and cost a lot in fines paid to municipalities for responding to false alarms. OERS recommends not having them. As a result, the Court does not plan to implement burglar alarms.	N/A	N/A
		Log	At the time of our review, the Court could not provide an emergency manual detailing what to do in an emergency situation, such as fire, bomb threat, earthquake, etc.	I		There are dated manuals at each of the facilities. All of them should be updated. The Court has established a new Security committee and will establish a schedule and priority to updating these manuals.	Darrel Parker, Assistant Chief Executive Officer	September 2014
		Log	Three of the four court locations do not conduct an annual building evacuation drill. Further, the fourth court location did not know whether an evacuation drill had been conducted within the last 12 months. (Repeat)	I		False alarms associated with fire and smoke detection mechanisms compel unscheduled evacuation drills throughout the year. There are evacuation areas identified and posted in varying facilities. A more routine drill would be appropriate. The court has established a new Security Committee which has added this topic to the working agenda for the calendar year.	Darrel Parker, Assistant Chief Executive Officer	September 2014
		Log	Two of the four court locations do not have video cameras installed to record cash collection activities.	I		The Court installed a state of the art CCTV system under the auspices of the OERS. Not all locations were included in the scope of that project. The Court's Security committee has identified facilities which may benefit from CCTV systems for cash handling and other security purposes. As resources are available additional court locations may be included.	Darrel Parker, Assistant Chief Executive Officer	Date when funding will be available to allow implementation cannot be determined at this time.
9 Procurement								
	9.1		The Court Can Further Improve Its Procurement Practices					
		7	Our review of 19 procurements revealed the following: <ul style="list-style-type: none"> • Eight procurements did not include a request for purchase; • Three of five procurements that were sole source procurements did not contain documentation supporting the sole source type of procurement; • The total amount of one of ten procurements under a master agreement was over the maximum amount allowed per the master agreement. In addition, the Court did not provide the master agreement for another procurement; therefore we could not determine whether the total amount of the procurement was over the maximum amount allowed per the master agreement; and • For one of three procurements that were competitively bid, the Court could not demonstrate obtaining three or more competitor quotes. 	I	C	The Court will require written pre-authorization for each purchase on the internal Request for Purchase form. The Court will keep appropriate procurement documentation in each procurement file and will not exceed the maximum dollar amount allowable under any Master Agreement.	Ammon M. Hoeningman, Procurement Specialist Sr.	March 2013 January 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		7	One of the 15 purchase card transactions selected for review was for food, supplies, and gifts for a Court staff holiday luncheon. Although Court management approved the purchase card users' requests for purchase forms before procuring the food, supplies, and gifts, the CEO did not sign the forms pre-approving the holiday luncheon itself. In addition, the Court could not demonstrate a list of attendees, the time of day the luncheon was held, and the duration of the party. Further, the use of public Court funds to purchase the various items gifted, including a case of beer, is considered a gift of public funds since the gifts were purchased with Court funds, regardless of whether the funds came from the Trial Court Trust Fund or the Non-Trial Court Trust Fund, and is unallowable per Article 16, Section 6, of the California Constitution.	I		The Court has implemented and enforced Business Related Meal Expense Request forms which are in compliance with The Trial Court Policies and Procedures Manual: Financial Business Meal Expense Policy No. FIN 8.05 and Financial Petty Cash Policy No. FIN 6.1 (2) in compliance with this recommendation. In addition, the Court will revise and issue a new Court Credit Card Policy. Each court employee that uses a court issued credit card must read the Court Credit Card Policy and certify that they will follow the court policy. The Court Credit Card Policy will include the usage of the internal Request for Purchase form for each purchase and Article 16, Section 6, of the California Constitution.	Ammon M. Hoenigman, Procurement Specialist Sr.	March 2013
		7	Our review of the remaining 14 purchase card transactions selected for review revealed the following: <ul style="list-style-type: none"> • A purchase request was not completed for six purchase card transactions. • The Court could not provide a purchase card check out form for four purchase card transactions; therefore, we could not determine whether an authorized user used the purchase card. • One purchase card transaction was over the \$1,500 per transaction limit. • Six purchase card transactions were not supported by an itemized receipt indicating what items were purchased. • For five purchase card transactions related to individual court employee travel expenses, the purchase card used was not used exclusively for travel expenses, but instead was also used for non-travel expenditures. 	I		Accounts Payable staff is fully aware of the current purchase card policy. However; they must have the ability to enforce the requirements. Therefore, the Court will implement a policy to address the occurrence when a purchasing card user does not follow Court policies. Also, the Court will include the requirement of itemized receipts, and lodging zero balance in the new Court Credit Card Policy form. In addition, each departmental credit card will be checked out to the responsible user on the Court Credit Card Check-Out form. Further, the Court will amend the Credit Card Policy to allow for the exception of exceeding the per transaction limit, in the rare instances in which it proves necessary. If the amount exceeds the per transaction limit, the user must obtain prior written approval from the Court Executive Officer. The Court will designate specific American Express cards which are only to be used for travel.	Ammon M. Hoenigman, Procurement Specialist Sr.	March 2013 March 2013
10 Contracts								
	10.1		The Court Needs to Negotiate Agreements for Allowable County-Provided Services					
		5	The charges for mental health court evaluations provided by the county are not included in the county MOU.	I		The Court agrees. The Court will enter into an MOU with the County for the mental health evaluation services the County provides to the Court beginning fiscal year 2013-2014.	Gary Blair, Chief Executive Officer	July 2013
		5	The Court did not provide the requested agreement with the county for juror parking spaces.	I		The Court disagrees that it should discontinue paying for juror parking spaces. The Court uses locally collected non-Trial Court funding revenues to make the payments associated with these parking spaces, so the Court believes California Rules of Court, Rule 10.810, does not apply to the payments for these additional juror parking spaces. In addition, although not reduced to a written formal MOU, a former Presiding Judge and the County in May 2007 negotiated an agreement and agreed to these Court payments in exchange for these additional juror parking spaces.	N/A	N/A
		5	The Court paid for juror parking spaces which is an unallowable expense per CRC 10.810.	I		See response above.	N/A	N/A
		5	Since the Court did not provide the requested agreement for juror parking spaces, we could not determine whether accounts payable staff matched and agreed the invoice to the terms in an MOU prior to payment, whether services charged by the county are covered under an MOU, and whether costs charged by the county agree to costs identified in an MOU.	I		See response above.	N/A	N/A

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The county services MOU did not contain the right-to-audit clause, the anticipated service outcomes clause, a provision that costs charged to the Court may not exceed costs of providing services to county departments or special districts, and a provision that costs charged to the Court may not contain unallowable costs per California Rule of Court 10.810.	I		As these requirements are set forth in statute and/or Rules of Court, the Court did not think it was necessary to repeat them in MOU's. This language will be included in the next MOU.	Gary Blair, Chief Executive Officer	December 2013
11 Accounts Payable								
	11.1		The Court Needs to Strengthen Its Invoice Review and Approval Procedures					
		8	At the time of our review, the Court had not established a payment authorization matrix. The Court stated that it uses its purchase requisition and approval matrix as its payment authorization matrix. Nevertheless, authorized court staff, as indicated on its purchase requisition and approval matrix, did not review and approve 30 invoices and claims prior to payment. (Repeat)		C	The Court has taken corrective action by implementing a new Payment Authorization Matrix that sets forth the Scope of Authority for employees and makes it clear that while specific employees may approve purchase requisitions and also approve payments, employees cannot approve payments for purchases they authorized. In addition, the Court has taken corrective action by emphasizing with accounts payable staff that they are not to process invoices unless they have appropriate approval signatures by authorized staff.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	September 2012
		8	The Court made a \$235,000 advance payment for the purchase of custom made furnishing. Although the FIN Manual provides for minor exceptions, of which this purchase is not one of those exceptions, advance payments are unallowable per the FIN Manual, section 8.01, paragraph 6.5.e.	I		The Court disagrees. The specific example referred to a deposit required by Tri-County Furniture to start production of custom designed cubicles and desks for the new court building in Santa Maria. We agree that advance payments are to be avoided except in unusual circumstances, but this purchase was necessary and had to be ordered without delay to meet the construction deadlines. It is unlikely and unreasonable that any vendor would build a custom product costing \$470,313.61 without some advance payment. The Judicial Branch Contracting Manual, Chapter 9, section 9.1.B.Note, states "... a JBE may also make an advance payment under a contract in the following situations: (i) in exchange for a contractual benefit from such advance payment (e.g., price discount from a Vendor); or (ii) where it is industry standard to pay in advance for goods/services." Tri-Counties Furniture required partial payment in advance and the Court complied with the Judicial Branch Contracting Manual. This was for custom furniture specially manufactured for the Court and was not suitable for sale to others.	N/A	N/A
						<i>IAS Response: The beginning of the Court-referenced Judicial Branch Contracting Manual (JBCM) chapter and section states, "...if the JBE has conducted a reasonable risk assessment, and if the JBE's Approving Authority (or designee) has authorized the advanced payment, a JBE may also make an advance payment..." Although the CEO approved the advanced payment, the Court did not provide evidence that it conducted a reasonable risk assessment. Nevertheless, this portion of the JBCM was added on April 24, 2012, three months after the contract with Tri-Counties Furniture for custom-made furniture for the Santa Maria courthouse was executed.</i>		

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						<p>Further Court Response: The Court did perform a Risk Assessment before entering into the contract with Tri-Counties Furniture which required an advance payment. The factors evaluated included:</p> <ul style="list-style-type: none"> • Years in business: The vendor has been in business for 30 years in the local community. • Past experience: The court has purchased desks, chairs, and modular furniture from vendor for over 20 years, including several large installations of modular system workstations. • Quality of product: Above satisfactory. • Service: Excellent rapport with vendor. We know they will stand behind their product and correct any mistakes or problems. • Vendor is listed on the Master Contracts list with US Communities. • Compatibility: Vendor's product is compatible with our existing modular workstations. This ensures consistent appearance and the ability to reconfigure workstations as needed, using existing and newer panels and surfaces. • If we had used a different vendor, the product would not be compatible with the existing modular furniture. We would not have the assurance that a different vendor would be able to meet the production and delivery schedule or be inclined to correct mistakes and problems timely. <p>Furthermore, all office furniture vendors require an advance deposit on a project of this size.</p>		
						<p>After an evaluation of the above factors, the risk of entering into a contract with Tri-Counties Furniture that required an advance payment was deemed to be minimal. Since industry standards are that advance payments are required by vendors for installations of modular furniture, our court will request the AOC's Procurement and Contracts unit to include this category as an exception in the Judicial Branch Contracting Manual, Chapter 9. Further, we suggest that the AOC develop a process for courts to obtain a waiver to get AOC approval in a timely manner for when similar circumstance arise.</p>		
		8	The Court did not consistently follow the FIN Manual procedures for processing the 39 paid invoices and claims we selected to review. For example:		C	The AP Supervisor, AP Clerk and the Accounting Supervisor have been reminded that all invoices and juror payments must be date stamped.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	September 2012
			b. The Court did not match and agree four invoices to proof of receipt of goods or services prior to payment processing. (Repeat) In addition, since there was no evidence of payment authorization signatures or initials for the two juror payment reports reviewed, we could not determine whether anyone verified or confirmed that the listed services were rendered prior to accounts payable staff processing the reports for payment. (Repeat)		C	We agree that these four invoices did not have anyone sign for receipt of service. That lapse in processing has been corrected and AP staff knows that all future invoices must be supported by a proof of receipt. Further, we agree that the juror payment reports did not bear the initials or signature of the Jury Supervisor. This has been corrected for the future. The Jury Supervisor has been informed that the juror payment reports must be verified and signed before submission for payment.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	September 2012
			c. Expenses for three invoices were not classified in the appropriate general ledger account.		C	We accept that these three invoices were coded to incorrect GL accounts. We have taken corrective action to re-class invoices for these vendors and to emphasize careful coding with our fiscal staff.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	September 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			d. For one invoice, the payment for HVAC equipment replacement is not an allowable court operation cost per California Rules of Court, Rule 10.810.	I	<p>We accept that the HVAC is not allowable under Rule 10.810 and that is the reason that the payment was not from TCTF funds but from NTCTF funds. The data room (with the HVAC and IT equipment) is located in the Historic Courthouse and has not nor will it be transferred to the State. If the County won't pay, how should the Court protect its IT equipment?</p> <p>The Court's IT Director, Jim Brock, contacted AOC Facilities and asked for funding for a new HVAC. He communicated with Mary Beth Brewer and Russell Simonov and stressed the urgency of the request. The existing AC system in our courthouse was failing, causing the temperature in the data room to repeatedly reach 80 degrees or more, a critical level for sensitive IT equipment and servers. The equipment was at risk. If it was damaged or destroyed, the courts could not operate. There would be no access to court cases, no financial information, no court calendars, dockets, or minute orders. All the expensive IT equipment would be lost. There was no other option but to correct the problem by purchasing a HVAC with court funds. In fact, one email dated 8/25/11 Russell Simonov states, "It seems as if the HVAC replacement is a critical need and has to be done regardless..." At that point the court proceeded with selecting a vendor.</p>	N/A	N/A
			e. The Court could not provide prior court authorizations documenting the services and rates authorized, as well as any dollar or hour limit, for all four claims reviewed. In fact, for one court interpreter claim, the Court could not provide any written pre-approval authorizing payment of the court interpreter rate that exceeded the Judicial Council-approved rate or pre-approval of the interpreter's travel time. (Repeat)	I	We accept this finding and will take action to put corrective procedures in place for a pre-approval process for court reporter transcripts and court interpreters.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	September 2012
		11.2	The Court Needs to Strengthen Its Business Meal Expense				
			4 Although the Court did complete business-related meal expense forms for all 10 business meal expenditures reviewed, six of the 10 business meal expenditures were not approved prior to procurement.	C	The Court agrees. Corrective action began on August 28, 2012. Fiscal Services informed executives and staff members responsible for submitting the Business Meal Form of the FIN 8.05 Policy, including showing the beginning and ending time for a meeting, and filling out all information on the form. On November 14, 2012, Fiscal staff composed a Checklist for Court Business Meals to assist staff members in filling out the form and complying with the policy. We are now in compliance with this policy.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	August 2012
			4 Four of the 10 business-related meal expense forms were not completed with all pertinent information such as the end time of the business meal and a statement explaining the business purpose of the meeting.	C	See response above.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	August 2012
			4 Eight of the 10 business-related meal expense forms did not indicate why court business could not be conducted at a time other than during a meal period.	C	See response above.	Rob Vlieger, Accountant Supervising, Fiscal	August 2012
			4 All four business-related meal lunch expenditures that were for non-judges' meetings did not start by 11 a.m. In addition, the business function for two of the four business meals did not last for the required three hour minimum. Further, we could not determine whether the business function lasted for at least the required three hours for the remaining two business meals because the business meal forms did not indicate an end time.	C	See response above.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	August 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		4	For all eight non-catered business-related meal expenditures we reviewed, the Court consistently paid more than the allowable amount for lunch. Specifically, although the maximum allowable limit for lunch is \$10 per person, the Court paid between \$12 and \$15 per person for lunch.	C		The Court agrees. Corrective action began on August 28, 2012. Fiscal Services informed management and pertinent staff member of FIN Policy No. 8.05. Fiscal Services monitors that Business Meal Forms and invoices adhere to the allowable timeframes and meal rates.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	August 2012
		Log	One of two catered business meal expenditures did not go through the appropriate procurement process. Specifically, although total meal costs required the Court to solicit bids, at least three bids were not obtained and documented and no sole-source justification was indicated.	C		Sole-source justification was considered before the vendor was selected. 72 attorneys and judges attended this appreciation lunch for attorneys who volunteer hundreds of hours at court. The University Club is the only venue that could accommodate that number, with privacy, and location close enough to Court so judges could attend on lunch hour and return to bench on time. Written sole-source justification was subsequently added to file.	Ammon M. Hoenigman, Procurement Specialist Sr.	February 2013
		Log	At the time of our review, the petty cash custodian had other cash handling responsibilities. Specifically, the petty cash custodian also vouched the daily closeout to CMS for both North and South County, prepared the deposit for the Anacapa division, and was the change fund custodian at the Anacapa Division.	C		The Court has reduced the Petty Cash to two locations one in the North and one in the South. The individuals who are now petty cash custodians do not handle money.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013
		Log	At the time of our review, the person performing the periodic count of the Anacapa petty cash fund was not organizationally independent from the petty cash custodian.	C		The person performing the periodic count of the Anacapa petty cash fund is now organizationally independent from the petty cash custodian.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013
		Log	The Court used petty cash funds to purchase coffee and coffee supplies for nonsequestered jurors.	C		The Court no longer uses petty cash funds to purchase coffee or coffee supplies.	Marguerite Sanchez – Financial Analyst (Revenue and Collections)	January 2013
		Log	One vendor claim did not contain the vendor address.	C		The Court agrees. The AP Supervisor was reminded that the Court will not accept any invoice without the vendor address. The AP Supervisor is now verifying that each invoice does have the vendor address.	Rob Vlieger, Accountant Supervising, Fiscal Service – Accounts Payable	September 2012
12	Fixed Assets Management		Not reviewed.					
13	Audits		No issues noted.					
14	Records Retention		No issues noted.					
15	Domestic Violence							
		15.1	The Court Could More Consistently Impose the Statutorily Required Domestic Violence Fines, Fees, and Assessments					
		6	Of the 25 DV cases reviewed where probation was ordered, the PC 1203.097 Domestic Violence Probation fine was not ordered in four cases and an amount below the \$400 minimum was ordered in a fifth case. In addition, the PC 1202.44 Probation Revocation Fine was not ordered in one case and the amount ordered in another 17 cases did not match the PC 1202.4(b) State Restitution Fine.	I		The Court agrees: A bench schedule of the required minimum DV fines and fees as a tool for judicial officers and staff to reference and use when imposing fines and fees during sentencing has been created by fiscal and will be given to the Supervising Criminal Judges and Criminal Managers for distribution to the bench officers and staff. This schedule will be updated and distributed by fiscal whenever the required fines and fees change.	Sheryl Edwards, Judicial Services Manager, Sr., and Angela Braun, Judicial Services Manager	February 2013
		6	Of the 30 DV cases reviewed, the PC 1202.4(b) State Restitution Fine, the PC 1465.8 Court Operations Fee, and the GC 70373 Criminal Conviction Fee was not ordered in one case. Also, the PC 1465.8 Court Operations Fee and the GC 70373 Criminal Conviction Fee was not ordered in another case. Further, the GC 70373 Criminal Conviction Fee was not ordered in five other cases.	I		The Court agrees: Documentation reflecting any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why the Court did not impose the required minimum fines and fees should be entered on the case minute order, as it is the official record of the court proceedings. The Court will remind and retrain clerks to document the above.	Sheryl Edwards, Judicial Services Manager, Sr., and Angela Braun, Judicial Services Manager	February 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
16 Exhibits								
		Log	The Court does not use cameras to record the activity near the main exhibit storage area.	I		The Court installed a state of the art CCTV system under the auspices of the OERS. Not all locations were included in the scope of that project. The Court's Security committee has identified facilities which may benefit from CCTV systems for cash handling and other security purposes. As resources are available additional court locations may be included.	Darrel Parker, Assistant Chief Executive Officer	Date when funding will be available to allow implementation cannot be determined at this time.
		Log	The Court does not conduct periodic inspections of the main exhibit storage area.	I		The position of Judicial Assistant III - Exhibit Clerk has been vacant and frozen since February 2009. The Judicial Services Supervisor for Court Services is assigned the responsibility of managing and storage of all felony and civil case exhibits in the main exhibit room. A process to conduct and document periodic, and random, inspections of the exhibit room will be established to ensure alarm and locking systems are functioning properly, and exhibits are stored in a manner to protect from water, fire, mold, etc.	Mark Hanson – Judicial Services Manager/Civil, Santa Barbara	Date when funding will be available to allow implementation cannot be determined at this time.
		Log	The Court does not conduct an annual inventory of exhibits at the main exhibit location. The exhibit inventory system does not allow for execution of inventories with efficiency and effectiveness, and the Court could not demonstrate it conducted any inventories. (Repeat)	I		The position of Judicial Assistant III - Exhibit Clerk has been vacant and frozen since February 2009. As such, the court has not been able to conduct an annual inventory of exhibits or actively manage and monitor when exhibits can be noticed and eligible for destruction. In April 2012 an inventory was conducted of the exhibit room vault of criminal case exhibits containing a weapon and all juvenile case exhibits. Since April 2012 the Judicial Services Supervisor for Court Services has been working on reducing the inventory of old exhibits but this process is ad hoc as time permits.	Mark Hanson – Judicial Services Manager/Civil, Santa Barbara	Ongoing
		Log	The Court has not established best practices for packaging narcotics exhibits. Specifically, our review of ten exhibit inventory items from the main exhibit room found five exhibits containing narcotics but with no recorded weight and with compromised packaging.	I		The court does not package or weigh any exhibit. Nor does it have the resources to perform such work. The court accepts evidence from other County agencies and stores it. In the future, the Court will require other agencies to securely package and note the weight of narcotics on the outside of the package with an agency representative's signature and date. This will be required for both the initial storing and any subsequent storing of the same evidence.	Gary Blair, Chief Executive Officer	May 2013
17 Bail			No issues noted.					