



# County of Santa Cruz

185

## AUDITOR-CONTROLLER'S OFFICE

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May 27, 1999

B/S AGENDA: June 8, 1999

BOARD OF SUPERVISORS

County of Santa Cruz

701 Ocean Street

Santa Cruz, CA 95060

Dear Board Members:

SUBJECT: **REPORT ON AUDIT OF COURTS FOR THE PERIOD JULY 1, 1994  
THROUGH JUNE 30, 1996**

Attached is our report on the audit of the Courts for the period July 1, 1994 through June 30, 1996. This audit was required by Government Code Section 7 1383. Since the passage of AB233 which became effective January 1, 1998, the County is no longer required to perform audits of the Courts. Because there have been significant changes in the distributions of fines and fees subsequent to the reporting period, our examination did include a review of the current distribution of fines and fees. Our examination included a review of the internal control structure, and we noted no matters involving the internal control structure and its operation that we consider to be a material weakness.

We have discussed our findings and recommendations with the Courts management and staff. The Court's response to our audit is attached. We wish to thank the Courts personnel for their assistance and cooperation during the audit process. There is no further action required by your Board at this time.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD ACCEPT AND FILE THIS REPORT.

Respectfully submitted,

*Suzanne Young*  
for GARY A. KNUTSON  
Auditor-Controller

Attachment

cc: CAO Courts

Auditor-Controller

courts.brd



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### Auditor's Report

December 16, 1998

#### BOARD OF SUPERVISORS

County of Santa Cruz

**701** Ocean Street

Santa Cruz, CA 95060

SUBJECT: AUDIT OF THE COURTS FOR JULY 1, 1994 THROUGH JUNE 30, 1996

Government Code (GC) §71383 requires that collections and disbursements of the Courts be reviewed at least biennially. With the passing of AB233, the Courts have come under the jurisdiction of the State. Also, many legislative changes occurred concerning the distributions of fines, forfeitures, penalties, etc. As a result, the State Controller's Office required Santa Cruz County to prepare a final audit of the Courts for fiscal years 1994-95 and 1995-96.

#### PURPOSE

Our purpose was to:

- Assess the soundness, adequacy and applicability of accounting, financial and operating controls.
- Ascertain the reliability and integrity of accounting and other data.
- Determine compliance with established policies, plans and procedures

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## SCOPE

We performed our audit according to generally accepted governmental auditing standards. It covered the period of July 1, 1994 through June 30, 1996. Our audit also covered internal controls and certain matters related to changes caused by the passing of AB233, through the date of our report.

Our scope included reviews of prior audit findings, internal controls governing cash collections, accounts receivable, revenue distributions, court security costs, and system security. We relied on the audit prepared by the State Controller's Office, dated November 30, 1998, for revenue distributions before January 1, 1998 (the effective date of AB233). Our testing of revenue distributions concentrated on those transactions processed after January 1, 1998. We also reviewed the status of Year 2000 compliance for the Criminal computer system. An outside vendor developed and continues to maintain this system.

## OVERALL OPINION

Based on available information and testing:

- Financial and operating controls were sound and adequate
- Accounting-related data was reliable and accurate
- Practices were in compliance with established policies, plans and procedures

with the exception of certain conditions described below under the FINDINGS & RECOMMENDATIONS section.

## FINDINGS & RECOMMENDATIONS

### 1.) Criminal Laboratory Fee - H & S 511372.5

Fees collected pursuant to this code are required to be remitted monthly to the State General Fund because the County is served by the Department of Justice Criminalistics Lab. The County may deduct appropriate and reasonable overhead charges, up to 5 percent.

The County correctly remitted fees to the State through December 1997. However, the County did not remit applicable fees to the State for January-May 1998. We calculate fees of \$1,684 were not remitted to the State General Fund. As a result of an internal change in reporting procedures, the fees were erroneously deposited to the County General Fund. We verified that the Auditor-Controller's Office remitted the \$1,684 to the State General Fund in August 1998. We also verified that the Auditor-Controller's Office

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is now remitting applicable fees monthly to the County and State General Funds, as required by H&S §1 1372.5.

Criminal Laboratory Fees collected by the Probation Department and County Collections have been deposited into a Criminalistics Laboratory Trust Fund. We have found no evidence that fees from this trust fund have been remitted to the State General Fund. The trust fund balance was \$28,919 at June 30, 1998.

#### Recommendations

We recommend the Auditor-Controller's Office analyze the funds contained in the County's Criminalistics Laboratory Trust Fund and remit the funds, less 5% overhead to the State General Fund, as required by H&S §1 1372.5. We also recommend the Auditor-Controller's Office provide Probation and County Collections with accounting procedures, regarding these fees, that are consistent with those of the Courts.

#### 2.) Fish and Game/Red Light Infraction Revenue Distributions

The Fish and Game Secret Witness Penalty assessment (F&G Code §12021, effective 1/1/95) and Red Light Infraction assessment (Penal Code §1463.11, effective 1/1/98) were not implemented on the Criminal System. We were not able to quantify a dollar impact for this condition. Even if the impact is small, this still represents a control problem, because these are legally required assessments and fines.

#### Recommendations

We recommend Courts management:

- a.) Identify the number of cases affected and dollar impact, and develop necessary corrective action plans, within sixty days.
- b.) The corrective action plan should also include:
  - 1.) designating an employee to process required accounting modifications to the Criminal System and ensuring they properly train the employee.
  - 2.) implementing a method to provide reasonable assurance legally required accounting changes, affecting the Criminal Division, are processed promptly. This would also include developing a method to identify required accounting changes, and monitoring and documenting that changes have been processed as required.

3.) Watsonville Branch Procedural Discrepancies

In October 1996, the Courts detected that the Watsonville Branch processed several procedural discrepancies in the Minor Violation System (MVS). Courts management required that the branch correct these discrepancies. During our 1997 Internal Control Assessment, the Courts determined these discrepancies had not been corrected.

Subsequently, Courts staff determined that serious problems existed including unauthorized write-offs of accounts receivable, incomplete or missing documentation for voided transactions, alteration of case records, unrecorded cash collections, and the sharing of system passwords. Courts management forwarded the case to the District Attorney's Office.

During our Internal Control Assessment, we also identified an insufficient separation of duties. Two cashiers could bill and collect fines, and one of the cashiers could also adjust receivables. These duties are considered incompatible with cashiering because they give an individual the ability to perpetrate and conceal a fraud. The Watsonville Branch asserted these conditions existed due to a small staff. We recommended periodic rotation of assignments or staffing. We also recommend that Courts staff review void and accounts receivable adjustment activity contained in daily reports. Courts staff should periodically sample void and adjustment transactions and verify their authenticity to the source documents.

STATUS OF PRIOR AUDIT FINDINGS

Municipal Court (June 24, 1992)

a.) Incorrect Distribution of Narcotics Conviction Fees - H & S §11502

The prior Municipal Court audit reported that the Courts made the initial distribution of Narcotics Conviction Fees, per H & S §11502. However, the Courts did not do the additional distribution of the fees, between the County and the State, according to Penal Code §1463.001. This code requires the fees be distributed 75 percent to the State General Fund and 25 percent to the County. The State Controller's Office issued its final audit report on November 30, 1998 for July 1, 1994 to June 30, 1997. This report identified a similar finding in which the County under remitted \$36,709.

The County began processing the claim to remit these monies to the State on March 24, 1999.

b.) Minor Violation System (MVS) Access

The prior audit reported the Courts did not promptly deactivate MVS access for terminated employees. The Courts responded that they had developed a system to deactivate MVS access for terminated employees.

During our current audit, we noted that the Courts are using a checklist during the employee termination/transfer process to trigger **and** document deactivation of MVS access. However, we identified three instances where the Courts did not deactivate MVS access, when necessary. One was an employee who terminated employment in July 1996. One employee transferred to another court position in July 1996, and the position did not require MVS access. Another employee transferred to another Department in March 1998. We could only verify that the checklist was used for the employee who transferred to another Court position.

Recommendations

Limiting unauthorized access to computer systems enhances system security. We recommend the Courts continue to perform and document periodic reviews of the user id tables for all Courts systems, at least semi- annually. Documentation of these reviews is necessary to support whether changes were necessary and that any changes were processed as intended.

c.) Labor Intensive Revenue Distribution Process

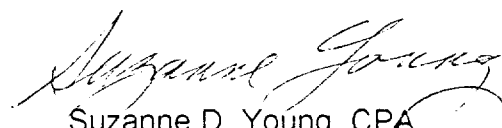
The prior audit report stated that the monthly revenue distribution process was a labor intensive and inefficient manual process, involving accounting personnel from the Courts and Auditor-Controller's Office. The report recommended an-automated distribution system. We now note the Courts have automated the distribution process with a spreadsheet. However, the process is still labor intensive and requires redundant input of data by the Auditor-Controller's Office, which could increase the margin for error. The Auditor-Controller's Accountant spent approximately 172 hours performing this process in 1998. This equates to approximately 8 percent of the Accountant's 2,080 available annual hours.

Recommendation

We recommend the Courts and the Auditor-Controller's Office discuss plans for additional automation of this process. The Courts requested and were provided with a copy of the Auditor-Controller's spreadsheet to research automating the process further.

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This report is intended for the information of management and the State Controller's Office  
However, this report is a matter of public record, and its distribution is not limited.



Suzanne D. Young, CPA  
Audit and Systems Manager





b.) Minor Violation System (MVS) Access

Access to MVS system limited to authorized personnel only. Method in place for periodic review of system security.

c.) Labor Intensive Revenue Distribution Process

The Court welcomes the opportunity to discuss plans for additional automation of revenue distribution with the Auditor.