

Report on the

**Administrative Office of Courts
State of Alabama
Montgomery, Alabama**

October 1, 2014 through September 30, 2017

Filed: November 16, 2018



**Department of
Examiners of Public Accounts**

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Rachel Laurie Riddle, Chief Examiner



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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the examination of the Administrative Office of Courts for the period October 1, 2014 through September 30, 2017.

Sworn to and subscribed before me this
the 31 day of October, 2018.

Kelly D. Matthews
Notary Public

Respectfully submitted,

Daniel Dupree
Examiner of Public Accounts

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Department of
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SUMMARY

**Administrative Office of Courts
October 1, 2014 through September 30, 2017**

The Administrative Office of Courts (the "Office") operates under the authority of the *Code of Alabama 1975*, Title 12. By law, the Office exercises administrative oversight over the State of Alabama judicial system. The Office provides administrative services to forty-one circuit courts and sixty-eight district courts in Alabama.

This report presents the results of an examination of the Office and a review of compliance by the Office with applicable laws and regulations of the State of Alabama. This examination was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129. Our examination was performed for the purpose of determining whether the public officers, agents, and employees of the Office properly and lawfully accounted for all money and other public assets or resources received, disbursed, or in the custody of the Office. Our examination included determining compliance by the Office with state laws and regulations that pertain to financial transactions; personnel; safeguarding of state-owned assets, property, and resources; information dissemination, processing, and retention; and official actions, rulemaking procedures, and meetings. As a part of our examination, we also reviewed internal control policies and procedures relating to the areas listed above. Our examination did not encompass managerial and operational matters, such as whether the Office accomplished its mission or its regulatory, enforcement, investigative, or other oversight activities in an efficient, fair, timely, or legal manner.

Findings are numbered and reported by the examination period in which the finding originally occurred.

The following instances of noncompliance with State laws and regulations and other matters were found during the examination as shown on the Schedule of State Legal Compliance and Other Findings and are summarized below.

CURRENT FINDINGS

- 2017-01 Relates to lack of segregation of accounting duties for one of the Administrative Office's bank accounts.
- 2017-02 Relates to missing property.
- 2017-03 Relates to overpayment of travel expenses.

As reflected on Exhibit 3, a former employee was overpaid out-of-state travel expenses. A letter was sent to the former employee requesting repayment in the amount of \$297.85. The former employee submitted a letter to the Chief Examiner stating her position as to why she did not consider the amount in question was due. The former employee failed to show cause why the amount due should not be paid; therefore, relief was denied as evidenced by the Order of the Chief Examiner. The charges remain due and unpaid and, as a result, this report will be certified to the Attorney General for collection.

The Administrative Director was invited to an exit conference held on October 17, 2018. Individuals in attendance were Randy Helms, Director; Leslie Jacques, Assistant Finance Director, along with Robin Hutcheson, Audit Manager; and Daniel Dupree, Examiner, from the Department of Examiners of Public Accounts.



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COMMENTS

**Administrative Office of Courts
October 1, 2014 through September 30, 2017**

The Administrative Office of Courts (the "Office") operates under the authority of the *Code of Alabama 1975*, Title 12. By law, the Office exercises administrative oversight over the State of Alabama judicial system. The Office provides administrative services to forty-one circuit courts and sixty-eight district courts in Alabama. These services include budgeting, fiscal control, judicial improvement programs, continuing education programs, and operation of an electronic management information system.

The Administrative Director of Courts serves as the head of the Office. All officers, officials, consultants, and employees of the Office are appointed and employed by the Chief Justice of the Alabama Supreme Court.

The Office operates from the following funds in the State Treasury:

- **Fund 0102 – Unified Judicial System** – Consists of General Fund allotments that are used for general operations of the trial courts.
- **Fund 0383 – AOC Federal and Local Funds** – Consists of Federal and Local Government funds that are used for general operations of the trial courts.
- **Fund 0603 – Court Referral Officer Trust Fund** – Consists of assessment and monitoring fees for alcohol and drug-related offenses. Funds are used for the operations of the Court Referral Officer Program. The program was established by the *Code of Alabama 1975*, Sections 12-23-1 through 12-23-19, to evaluate defendants' use of alcohol and/or drugs and to provide assistance to courts in promoting the education and rehabilitation of defendants convicted of alcohol and/or drug-related offenses.
- **Fund 0722 – Court Automation Fund** – Consists of criminal history processing fees and fees for access to the State Judicial Information System, as authorized by the *Code of Alabama 1975*, Section 12-19-180. Funds are used to defray the operating costs of the information system.
- **Fund 0969 – Advanced Technology and Data Exchange Fund** – Consists of docket court fees that are expended for general operations of the trial courts, as authorized by the *Code of Alabama 1975*, Section 12-19-290.

- **Fund 1200 – Children First Trust Fund** – Consists of a portion of tobacco settlement funds used for operations relating to the juvenile justice system, as authorized by the *Code of Alabama 1975*, Sections 41-15B-1 through 41-15B-8.
- **Fund 1264 – AOC Special Revenue Fund** – Consists of funds transferred to the Office from the Alabama Department of Transportation, as required by the annual appropriation Acts. Funds are used for the general operations of the trial courts.
- **Fund 1298 – State Judicial Administration Fund** – Consists of docket court fees that are expended for general operations of the trial courts, as authorized by the *Code of Alabama 1975*, Section 12-19-310.

In addition to the funds in the State Treasury, the Office maintains one bank account for the payment of juror fees, two bank accounts (depository and disbursement) for the Child Support Program, and one bank account for state tax refund intercepts to recover delinquent court costs. The balances of the accounts at September 30, 2017, were as follows:

- Juror fees account - \$247,308.52
- Child support account (depository) - \$1,078,593.43
- Tax intercept account - \$2,490.82

The Office owned non-consumable personal property consisting of automobiles, office furniture, computers and equipment. A comparison was done of non-consumable personal property in the custody of the Office with property records maintained by the Property Inventory Division of the State Auditor's Office. Discrepancies were noted. The details are available in the Schedule of State Legal Compliance and Other Findings section of this report.

*Schedule of State Legal
Compliance and Other Findings*

Schedule of State Legal Compliance and Other Findings
For the Examination Period Ended September 30, 2017

Ref. No.	Finding/Noncompliance
2017-01	<p><u>Finding:</u> The accounting functions for the Income Tax Recovery Bank Account are not adequately separated. One employee deposits, disburses, updates the payee list in the Administrative Office of Courts system and reconciles the monthly bank statements. There is no oversight or review of the transactions by a supervisor. This condition increases the risk that loss or misuse of funds could occur without detection.</p> <p><u>Recommendation:</u> Accounting functions for the Income Tax Recovery Bank Account should be separated. No person should have complete control over any financial transactions from initialization to completion. Employees who receive amounts paid to the Office or who reconcile bank statements should not be able to edit or make entries to the accounting records. Employees who receive amounts paid to the Office should not reconcile bank statements. Employees who reconcile bank statements should not have authority to edit or make entries into the accounting records.</p>
2017-02	<p><u>Finding:</u> According to the Administrative Office of Courts' property inventory listing, twenty-nine property items with a total acquisition cost of \$46,585.04 are missing. The items consist of metal detectors, computers, and furniture.</p> <p>The <i>Code of Alabama 1975</i>, Section 36-16-8(1) states: "...When any inventory fails to show any property shown on the previous inventory, then a complete explanation accounting for the property or the disposition thereof shall be attached to the inventory and submitted to the Property Inventory Control Division..."</p> <p>The State Auditor's Property Inventory Manual, in Section V-G, states: "If property is lost, stolen, destroyed, or involves an administrative action; e.g.; transfer to another agency, bookkeeping error, retirement gift, removal of fixture from account, etc., and therefore not declared surplus, the action is considered "Non-Routine". A Form SD-1 must be completed by the Agency Property Manager and forwarded to the Property Division for processing and approval. For "Non-Routine" actions, agencies must provide the Property Division with a complete explanation of circumstances and events."</p> <p><u>Recommendation:</u> The Property Manager should determine the status of the missing items. If the items cannot be located, the items should be disposed of in the manner required by the State Auditor.</p>

Schedule of State Legal Compliance and Other Findings
For the Examination Period Ended September 30, 2017

Ref. No.	Finding/Noncompliance
2017-03	<p><u>Finding:</u> Two hundred forty-six travel claims were selected for review. Two of the travel claims for two travelers had the following errors:</p> <ul style="list-style-type: none">• One traveler was overpaid \$297.85 for out-of-state travel expenses.• One traveler was overpaid \$136.98 for per diem and mileage expenses while traveling in-state. When notified of the overpayment, the traveler reimbursed the agency. <p>The <i>Code of Alabama 1975</i>, Section 36-7-21 states: “Persons traveling in the service of the state or any of its departments, institutions, boards, bureaus, commissions, councils, committees, or other agencies, outside the State of Alabama or within the State of Alabama for purposes of attending or assisting in hosting a convention, conference, seminar, or other meeting of a national organization of which the state is a dues-paying member that is held within the state shall be allowed <i>all of their actual and necessary expenses</i> in addition to the actual expenses for transportation. In-state travel authorized under this section is subject to the same documentation requirements as out-of-state travel... With respect to the Judicial Department and the officers and employees thereof, travel shall be authorized in writing by the Chief Justice.”</p> <p><u>Recommendation:</u> The agency should ensure all claims for reimbursement of travel expenses are reviewed for accuracy prior to paying the claim.</p>

Schedule of Cash Receipts, Disbursements and Balances
For the Period October 1, 2014 through September 30, 2017

	2016-2017	2015-2016	2014-2015
Receipts			
General Fund Allotment	\$ 97,078,822.00	\$ 92,337,007.00	\$ 92,832,172.00
Judicial Article Fines	209.25	155.75	25.00
Salvage Equipment	2,413.07	1,205.66	8,924.66
Insurance Recoveries			7,533.00
Interfund Federal Programs	3,719,896.41	3,621,319.79	3,536,892.11
Federal Operating Grants	1,133,641.00	616,013.00	1,237,842.00
Local Government Operating Grants	9,286,845.85	7,455,585.61	8,037,241.00
Offender Assessments	1,400,820.00	1,472,295.00	1,536,605.00
Offender Monitoring	3,110,071.00	3,310,148.75	3,630,210.90
Non-Government Operating Contribution	304,683.00	338,905.00	439,561.75
Restitution and Postage	3,566,696.90	3,296,022.35	3,371,543.46
Filing and Subscription Fees	3,961,738.70	3,379,436.65	3,340,638.45
Docket Court Fees	14,742,805.33	13,957,934.82	15,303,881.68
Transfers In	39,814,960.00	39,660,775.00	39,715,421.00
Criminal History Processing Fee	410,796.62	427,110.44	478,790.15
Total	178,534,399.13	169,873,914.82	173,477,282.16
Disbursements			
Personnel Costs	105,268,308.40	104,906,214.22	106,050,929.49
Employee Benefits	46,169,956.80	46,182,250.64	43,805,989.46
Travel In-State	910,056.02	879,490.45	847,758.36
Travel Out-of-State	41,692.73	38,188.40	29,298.23
Repairs and Maintenance	255,296.09	243,474.44	272,511.18
Rentals and Leases	1,427,064.88	1,382,966.35	1,360,703.32
Utilities and Communications	3,989,077.04	3,271,228.03	3,106,938.70
Professional Services	7,313,456.17	7,025,587.91	6,806,649.00
Supplies, Materials, and Operating Expenses	4,183,277.53	3,792,461.99	3,276,805.02
Transportation Equipment Operations	7,153.29	27,825.91	29,228.88
Grants and Benefits	4,458,714.42	4,331,927.44	3,661,737.42
Capital Outlay		533,088.24	1,066,176.48
Transportation Equipment Purchases	14,802.51		
Other Equipment Purchases	1,015,024.50	915,324.93	329,233.88
Miscellaneous	3,971,475.00	3,940,231.65	3,970,797.14
General Fund Reversion	335.54		2.91
Total	179,025,690.92	177,470,260.60	174,614,759.47
Excess (Deficiency) of Receipts Over Disbursements	(491,291.79)	(7,596,345.78)	(1,137,477.31)
Cash Balances at Beginning of Year	15,043,385.07	22,639,730.85	23,777,208.16
Cash Balances at End of Year	14,552,093.28	15,043,385.07	22,639,730.85
Reserved for Unpaid Obligations	(3,185,190.50)	(3,656,192.61)	(3,338,098.84)
Unreserved Cash Balances at End of Year	\$ 11,366,902.78	\$ 11,387,192.46	\$ 19,301,632.01

Officials
October 1, 2014 through September 30, 2017

Officials		Term Expires
Hon. Randy Helms	Administrative Director 300 Dexter Avenue Montgomery, AL 36104 Phone: (334) 954-5000 http://www.alacourt.gov/	
Hon. Rich Hobson	Administrative Director	November 2016

Schedule of Charges
October 1, 2014 through September 30, 2017

Person/Official Charged	Date	Fund	Amount Charged
<u>Directly Charged to:</u>			
Myesha Snow	10/01/2014 - 09/30/2017	Fund 0102	\$ 297.85
Total Direct Charges			<u>\$ 297.85</u>

Amount Paid	Amount Relieved By Chief Examiner	Amount Unpaid	Description of Charge
\$	\$	\$ 297.85	Overpayment of out-of-state travel expenses
\$	\$	\$ 297.85	

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Order of the Chief Examiner

ORDER OF THE CHIEF EXAMINER

**RE: ADMINISTRATIVE OFFICE OF COURTS
OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2017**

This matter coming to be heard the 13th day of September, 2018, pursuant to the provisions of the *Code of Alabama 1975*, Section 41-5A-20, as added by Act 2018-129. The charged former employee appeared before me on this date, and I am of the opinion that the charged former employee did not provide sufficient additional evidence that the amounts due should not be paid. Therefore, relief is denied.

Entered this the 27th day of September, 2018.

A handwritten signature in black ink, appearing to read 'R. Riddle', written over a horizontal line.

**Rachel Laurie Riddle
Chief Examiner**