



Supreme Court

STATE OF ARIZONA
ADMINISTRATIVE OFFICE OF THE COURTS

Ruth V. McGregor
Chief Justice

David K. Byers
Administrative Director
of the Courts

August 29, 2006

Ms. Debra K. Davenport, Auditor General
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport,

Enclosed you will find our response to the recommendations found in your information technology performance audit report.

Sound IT Management and Security Confirmed

As our IT staff implements or oversees scores of projects at the state and local level, we were pleased the audit confirmed that a sound IT management process is in place. Auditors also reviewed and found proper security procedures in place and that financial management of IT projects is in order.

Unique court environment poses some challenges for IT projects

The Judicial department is a complex organization, comprised of courts at the state, county and city levels. The system includes hundreds of elected officials with independent budgets and, unlike many states, Arizona court's are funded from all three levels of government creating a very complex environment within which to plan and execute automation projects.

Information technology in the courts today is extensive and efficient

This report essentially confirms all of the hard work and coordinated efforts the judiciary has endeavored to enhance and improve information technology. Over the last 15 years, the judiciary has undertaken a multitude of activities to supply its courts with the hardware, software applications, underlying infrastructure and technical support services necessary to efficiently and effectively administer court business functions and to comply with the constitutional requirement to have an integrated court system (Az Constitution

Article 6 sec 1). As a result, the judicial branch has moved from a disjointed and completely non-digital, paper environment to an extensive and highly efficient network which connects virtually all the courts to one another to provide seamless transfer of crucial case information. In fact, in January of 2007, a pilot program will be authorized making the electronic record in Maricopa County, the official court record instead of the paper documents kept on file. This will allow the 30,000 paper documents received per day to be disposed of, once they are electronically captured.

The judicial department continually faces increased demand for additional automation as well as enhancements or replacements of existing automated systems. We agree we can further strengthen our project management process through consistent use and oversight of projects including those at the local level. However, while you make recommendations for greater oversight of local projects, the legislature has in the past sent mixed signals, such as recently passing legislation supporting more local control and less state oversight. It is not uncommon for some local court officials to see good project management as “bureaucratic” and contact legislators seeking more local control. Indeed, it is a much disciplined process if done correctly and does take additional work and overhead, but also increases the likelihood of success. We encourage the legislature and the legislative audit arm to come to agreement on which direction the legislative branch desires.

Funding Continues to Challenge IT Projects

While the judicial department has continually demonstrated sound fiscal management for IT projects, we also continue to face funding challenges. Between FY '02 and FY '06, the legislature diverted over \$6 million in funding which was being accrued for future IT projects. Specifically, the legislature reduced the Supreme Court's budget by \$2 million and required the use of JCEF funds to meet the Judicial Branch's operating expenses. The legislature subsequently restored the \$2 million in our fiscal year 2007 budget, thereby relieving the JCEF fund of this continuing obligation. However, we anticipate this level of funding to assist the judicial department in meeting its IT needs through 2010. At that time, the \$20 time payment fee will revert back to its prior amount (\$12), thereby reducing revenues available for IT funding by 40 percent.

To cover the cost of implementing a statewide case management system and other important IT projects, we need the legislature's support to renew the time payment fee at its current level. At the same time, we need to look at other alternatives to replenish funding which has been diverted and will be essential for preventing any interruptions or delays in ongoing and planned IT projects.

Successful FARE Project Collects over \$60 Million

After the auditors spent hundreds of hours reviewing the FARE program, we hoped your audit report would encompass an overall assessment of how the program is working. This was our attempt to assist during the State's financial crisis. Our goal was to increase collections by implementing and expanding the program to additional courts. The project turned out to be very complex and took considerable work and cooperation between a

number of parties. Additionally, the project was executed during a time when we laid off staff and our budget was cut. Despite such obstacles, the FARE project has turned out to be an enormous success! In the three short years since we undertook this effort, the participating courts have collected over \$60 million dollars. Not only have we seen significant gains in collections through the successes of this project, but the participating courts have achieved improved customer service, consistency and uniformity in case processing and other efficiencies.

Collaborative effort creates success

We were also pleased your audit team found the FARE contract to be “excellent.” This project was accomplished without an appropriation of state dollars to the courts and required a lot of creativity. It was only through the cooperation and team effort of both parties that we were able to implement this project. The current contract with the vendor contains both incentives for performing and penalties for no performance. We have not had compliance issues to date, and we believe including additional performance requirements into the contract, while perhaps useful if a problem develops, will do nothing to increase collections. Increasing collections continue to be driven by adding additional courts and by enhancing our ability to enforce existing court orders. We don’t want to divert our small FARE staff team from that goal. Nevertheless, when we re-bid the contract, we will consider your suggestions to increase the compliance criteria.

In addition, we agree additional emphasis on performance measures will be beneficial in the long run. During the audit, we supplied your team with the CourTools performance measure the National Center for State Courts recommends. We plan to implement substantially similar measures over the next few years.

We have a GOOD court system and are trying to make it GREAT. We agree any process can be improved. The audit report confirms the good work that is being done and the recommendations within will provide us with further ideas on making good operations great. We appreciate the audit work and cooperation of your staff throughout the audit.

David K. Byers, Administrative Director
Administrative Office of the Courts

Enclosure

**Administrative Office of the Courts
Information Technology Audit
Response to Auditor General Recommendations**

Finding 1

General Comments

Although we agree with the finding overall, we feel it is important to provide some background about the environment within which we work, which often creates a unique challenge for the development and progress of information technology projects. The Arizona state court system is comprised of courts from all levels of government, each of which are primarily tied to their local jurisdiction and funding source and secondarily to the Supreme Court and AOC as the oversight bodies. As such, the elected officials which oversee the lower courts are primarily concerned with the needs of their local jurisdictions and are somewhat reluctant to let go of their individualized systems and processes for the greater good of the entire judicial branch.

In addition, we feel this report sends a somewhat conflicting message with recommendations for more oversight at the state level, when the Legislature consistently promotes local control. Working with the local courts on such high profile and high dollar information technology projects requires our staff to constantly balance the importance and need for statewide involvement and oversight with local issues.

Recommendations

1. AOC should improve its project management framework for internally developed information technology systems by:
 - a. Continuing with its plans to develop and implement a formal risk management process that requires the identification of potential project risks and actions to mitigate these risks.

The finding is agreed to and the audit recommendation will be implemented.

- b. Establishing and implementing policies and procedures within its framework that require each project management team to develop a communication plan that specifies the various stakeholders to the project and most effective form of communicating with these stakeholders.

The finding is agreed to and the audit recommendation will be implemented.

- c. Establishing and implementing policies and procedures for conducting independent reviews of technology projects in order to monitor and assess project performance and status.

The finding is agreed to and the audit recommendation will be implemented.

2. AOC should develop and implement policies and procedures regarding the use of the project management framework, including requiring all information technology projects to use the framework and the circumstances under which projects will not be required to implement the full framework.

The finding is agreed to and the audit recommendation will be implemented.

3. AOC should improve its oversight of statewide information technology systems that individual courts are developing by:
 - a. Entering into formal agreements with the courts that define the project scope, intended accomplishments, project processes and deadlines, and the commitment of project resources.

The finding is agreed to and the audit recommendation will be implemented.

- b. Implementing a formal risk assessment and management project that requires the identification of potential project risks and actions to manage these risks should they occur.

The finding is agreed to and the audit recommendation will be implemented.

Finding 2

General Comments

We agree to review and reconsider the FARE contract when it is due for renewal. However, we would like to point out the contract developed for the FARE project has worked out well for both the AOC and the vendor selected to provide the services. This contract was developed with a cooperative spirit and we believe there is a delicate balance between incorporating detailed penalties at a time when we are developing such an innovative program. The vendor selected for this project assumed considerable financial risk in accepting the terms and conditions of the program. Incorporating formalized penalties into the contract early on would have been detrimental to the goals and objectives for getting this program off the ground. Moreover, as it is to the vendor's benefit to meet or exceed performance expectations, we have not encountered any significant performance issues which would have led us to seek penalties against the vendor.

We also agree with your points regarding performance measures. At the time we implemented the program, we were primarily concerned with ensuring the entire process worked as planned and ultimately improving overall collections. In other words, the success of the project was measured by showing an increase in collections and satisfaction on the part of courts participating in the project. As we embarked on the project, we quickly found it became more complicated than either the AOC or the vendor anticipated. Therefore, we did not want to also impose onerous reporting requirements or other mechanisms on the volunteer courts working with us to ensure the program's success. However, now that the project is established, we agree it is appropriate to look at establishing performance measures as we gain more participation in the program.

Recommendations

1. AOC should address gaps that exist in the FARE program vendor contract by:
 - a. Reviewing the contract and determining if any additional contract requirements need penalties, documenting these determinations, and adding penalties as necessary.

The finding is agreed to and the audit recommendation will be implemented. We will review and consider any necessary additional contract requirements when the contract is due for renewal.

- b. Revising the contract to include a requirement for an annual general assurance audit, including identifying specific areas it would like addressed. Additionally, AOC should request a copy of the audit annually and review it to ensure that the vendor's internal controls adequately safeguard AOC's information and other assets.

The finding is agreed to and the audit recommendation will be implemented. Staff has already obtained the two most recent general assurance audits and the vendor has agreed to supply subsequent audits each year.

2. AOC should improve its oversight of the FARE program vendor and contract by establishing and implementing processes for monitoring the vendor's compliance with the contract, including specifying:
 - a. How frequently contract requirements will be monitor for compliance.

The finding is agreed to and the audit recommendation will be implemented.

- b. Procedures that AOC staff should perform to verify vendor reports of compliance with the contract requirements.

The finding is agreed to and the audit recommendation will be implemented.

3. AOC should develop and implement performance measures for FARE, and establish and implement policies and procedures to collect and validate the data needed to support the performance measures that it develops.

The finding is agreed to and the audit recommendation will be implemented. As we proceed through this process, we will need to discuss the parameters for each of the potential performance measures, which may or may not include the measures suggested by the National Center for State Courts.