



**Audit of the
Superior Court of California,
County of Modoc**

OCTOBER 2019



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Modoc

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EXECUTIVE SUMMARY

Introduction

Government Code, sections 77206(g) and 77009(h) provide the Judicial Council of California (Judicial Council) with the authority to inspect and review superior court records and to perform audits, reviews, and investigations of superior court operations. The Judicial Council's Office of Audit Services (Audit Services) periodically conducts performance audits of the superior courts in order to verify their compliance with the Judicial Council's policies and with state law. These audits, as well as similar audits of the appellate courts, are primarily focused on assisting the courts identify which of their practices, if any, can be improved upon to better promote sound business practices and to demonstrate accountability for their spending of the public's funds.

State law authorizes the Judicial Council to establish each superior court's annual budget and to adopt rules for court administration, practice, and procedure. Most of the criteria used by Audit Services stems from the policies promulgated by the Judicial Council, such as those contained within the *Trial Court Financial Policies and Procedures Manual* (FIN Manual) and the *Judicial Branch Contracting Manual* (JBCM). These policies establish both mandatory requirements that all superior courts must follow, as well as suggestive guidance. California's courts drastically vary in terms of their caseloads, budget, and staffing levels, thus requiring the Judicial Council to adopt rules that at times provide the courts with flexibility given their varying resources and constraints. State law also requires the superior courts to operate under a decentralized system of management, and the Judicial Council's policies establish the boundaries within which courts exercise their discretion when managing their day-to-day operations.

Audit Services' annual audit plan for the Judicial Branch establishes the scope of each audit and provides a tentative schedule for the courts being audited during the fiscal year. The audit plan explains those scope areas deemed to be of higher risk based on Audit Services' professional judgment and recognizes that other state audit agencies may, at times, perform reviews that may overlap with Audit Services work. In those instances, Audit Services may curtail its planned procedures as noted in the scope and methodology section of this report.

Summary of Audit Results

Our audit found that the Superior Court of California, County of Modoc (Court) demonstrated compliance with many of the Judicial Council's requirements evaluated during the audit, and should be commended for its receptiveness to suggestions for further improvement. Table 1 below presents a summary of the audit's results, including references to any audit findings discussed in the body of the report, and a summary of the Court's agreement or disagreement with the noted findings. Other matters such as isolated or minor non-compliance—which in our professional judgement do not rise to the level of a reportable finding—were communicated separately to the Court's management in written form.

Table 1 Audit Results – At A Glance – California Superior Court, County of Modoc

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
Cash Handling					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	1	2018-2-01	Agrees
3	Handwritten Receipts	Yes	1	2018-3-01	Agrees
4	Mail Payments	Yes	2	2018-4-01; 02	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	N/A	-		
7	End-Of-Day Balancing and Closeout	Yes	2	2018-7-01; 02	Agrees
8	Bank Deposits	Yes	2	2018-8-01; 02	Partially agrees
9	Other Internal Controls	Yes	1	2018-9-01	Agrees
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2018-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	1	2018-12-01	Agrees
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	1	2018-16-01	Agrees
Payment Processing					
17	3-Point Match Process	Yes	1	2018-17-01	Agrees
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	1	2018-19-01	Agrees
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distributions					
25	CMS-Calculated Distributions	Yes	1	2018-25-01	Agrees
26	Manually-Calculated Distributions	N/A	-		
1% Fund Balance Cap					
27	Calculation of the 1% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data					
29	Validity of JBSIS Data	Yes	✓		
Other Areas					
30	[None]	N/A	-		

Source: Auditor generated table based on testing results and court management's perspective.

Note: Areas subjected to testing are generally based on requirements in the Trial Court Financial Policies and Procedures Manual, the Judicial Branch Contracting Manual, or California Rules of Court, but may also include other Judicial Council policies and directives. Areas not tested are based on audit determinations—such as area was not applicable, recently reviewed by others, or no transactions were selected to review—which are described more fully in the Audit Scope and Methodology section of the report. Applicable criteria are cited in each audit finding (as referenced above) in the body of our report. The Judicial Council's audit staff determine the scope of each audit based on their professional judgment and the needs of the Judicial Council, while also providing courts with an opportunity to highlight additional areas for potential review depending on available audit resources.

The Court demonstrated consistent adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated overall compliance in the areas of calculating its one-percent fund balance cap and in reporting its JBSIS case filings data. For example, our review found that the Court follows State law and calculates its one-percent fund balance cap using expenditure and year-end encumbrance amounts that are supported and consistent with applicable FIN Manual requirements. In addition, the Court's effective case management practices ensured that it accurately classified and reported its FY 2017-18 case filings data to the Judicial Council through JBSIS.

However, our audit did identify 15 reportable audit findings where we believe the Court should consider taking corrective action to improve its operations and more fully comply with the Judicial Council's policies. These 15 findings are identified in Table 1 under the column "Reportable Audit Findings" and include reference numbers to assist the reader in locating and viewing in further detail the specific findings and the Court's perspective. One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over cash handling. For example, the Court has not sufficiently segregated certain incompatible cash handling duties in order to help safeguard its payment collections. The Court must assign work to court employees so that no one person is able to initiate and conceal errors and/or irregularities in the normal course of his or her duties. However, the Court allows one court employee to void payment transactions without management's review and approval of the void, count and reconcile payments collected by cashiers to its CMS without the cashier present, and prepare the deposit without any secondary review and verification. In addition, the Court did not require staff to restrictively endorse checks or other negotiable instruments received in the mail immediately upon receipt, and did not maintain an inventory of its manual receipt books and an accounting of the manual receipts the cashiers used. Not immediately endorsing check payments and not accounting for its manual receipts places the Court at a heightened risk of theft or loss of the payments it collects. The Court agreed with our findings and recommendations in this area and indicates taking action to strengthen its controls over voids, manual receipts, and mail payments, including hiring additional staff to appropriately segregate its cash handling duties.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on May 21, 2019, and completed its fieldwork on July 15, 2019. Audit Services shared the draft audit findings with the Court starting on July 19, 2019, and received the Court's final official responses on September 9, 2019. Overall, the Court agreed with findings and its specific responses are included in the body of the report after each finding.

BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Modoc (Court) operates one court facility in the county seat of Alturas. The Court operates under the authority and direction of the Presiding Judge, who is responsible for ensuring the effective management and administration of the Court, consistent with any rules, policies, strategic plan, and the funding provided by the Judicial Council.

California's 58 superior courts each have differing workloads, staffing levels, and financial resources. They operate under a decentralized system of governance and are each responsible for their own local court operations and business decisions. The Presiding Judge has the authority to: develop a local budget and allocate the funding provided by the Judicial Council; approve procurements and contracts; and authorize the Court's expenditures. The information in Table 2 is intended to provide the reader with context and perspective on the Court's relative size and workload compared to averages of all 58 superior courts.

Table 2 – Statistical Data for Modoc Superior Court and Average of all Superior Courts

Statistic	Modoc Superior Court	Average of All Superior Courts					All 58 Courts
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts		
Financial Highlights (Fiscal Year 2017-18)							
Total Revenue	\$ 1,183,287	\$ 2,203,781	\$ 10,614,170	\$ 41,408,761	\$194,435,516	\$ 43,334,366	
Total Expenditures	\$ 1,250,351	\$ 2,238,710	\$ 10,747,319	\$ 41,941,660	\$198,103,021	\$ 44,073,255	
Staff Salaries & Benefits As a % of Total Expenditures	\$ 786,132 62.9%	\$ 1,498,581 66.9%	\$ 8,081,296 75.2%	\$ 32,278,737 77.0%	\$159,856,126 80.7%	\$ 34,936,503 79.3%	
Judicial Officers and Staff (2018 Court Statistics Report)							
Judges	2	2	8	27	128	29	
Commissioners/Referees	-	-	1	4	21	5	
Non-Judicial Staff (approx.)	9	16	87	291	1,281	296	
Total	11	18	96	322	1,430	330	
New Case Filings (Fiscal Year 2017-18)							
Appeal Filings	10	8	81	190	386	132	
Civil Filings							
Civil	139	318	2,291	9,805	67,700	13,485	
Family Law	217	284	1,777	6,347	26,237	6,132	
Juvenile Delinquency	13	36	230	1,052	2,050	632	
Juvenile Dependency	26	34	209	574	3,545	757	
Mental Health	2	14	153	731	2,947	670	
Probate	36	51	284	972	3,646	888	
Small Claims	37	72	413	1,963	13,845	2,730	
Criminal Filings							
Felonies	166	419	1,634	4,649	32,109	6,672	
Misdemeanors / Infractions	1,433	5,214	23,304	80,405	359,763	82,649	
Total	2,079	6,450	30,376	106,688	512,228	114,747	

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts are from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of August 15, 2019, and may not agree with other reports as this data is continuously updated.

Note: The Judicial Council generally groups superior courts into four clusters and uses these clusters, for example, when analyzing workload and allocating funding to courts. According to past Judicial Council documents, the cluster 1 courts are those superior courts with between 1.1 and 4 judicial position equivalents (JPEs), cluster 2 courts are those with between 4.1 and 20 JPEs, cluster 3 courts are those with between 20.1 and 59.9 JPEs, and cluster 4 courts are those with 60 or more JPEs. Modoc Superior Court is a cluster 1 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Modoc (Court) in order to determine whether it complied with certain key provisions of statute and the policies and procedures adopted by the Judicial Council of California. Our audit was limited to evaluating compliance with those requirements that, in our professional judgment, were necessary to answer the audit's objectives. The period covered by this audit was generally limited to fiscal year (FY) 2018-19, but certain compliance areas noted below required that we review earlier periods or current practices. Table 3 lists the specific audit objectives and the methods we used to address them.

Table 3 – Audit Objectives and the Methods Used to Address Them

	Audit Objective	Method
1	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court's compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court complied with the mandatory requirements in the FIN manual for internal controls over cash (payment) handling. ▪ Assess the quality of the Court's internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions. 	We obtained information from the Court regarding the types and average volume of collections at each of its payment collection locations. For selected locations, we observed the Court's practice for safeguarding and accounting for cash and other forms of payments from the public. For example, we reviewed and observed the Court's practice for appropriately segregating incompatible duties, assigning cash drawers to cashiers at the beginning of the day, reviewing and approving void transactions, safeguarding and accounting for handwritten receipts, opening and processing mail payments, overseeing the end-of-day balancing and closeout process, and preparing and accounting for the daily bank deposits.
3	Determine whether the Court demonstrated appropriate control over its non-personal services spending activities. Specifically, our review included the following:	We reviewed the Court's assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving purchases, procuring the goods or services,

	<ul style="list-style-type: none"> ▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual. ▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules. 	<p>receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • Was properly authorized and approved by authorized court management. • Adhered to competitive bidding requirements, when applicable. • Had contracts, when applicable, that contained certain terms required to protect the Court’s interests. <p>We selected a sample of 40 FY 2018-19 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • The payments to in-court service providers adhered to applicable Judicial Council policies. <p>(Note: We did not review court interpreter claims as the Audit Committee suggested we suspend reviewing these types of claims to allow courts time to develop procedures to address previously reported systemic audit findings related to court interpreter service claims.)</p>
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<p>4</p>	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<p>We reviewed the Court’s process for updating and controlling access to its distribution tables.</p> <p>We also reviewed the Court’s calculations and distributions of fines, penalties, fees, and assessments for certain high volume or complex case types.</p>
<p>5</p>	<p>Determine whether the Court properly calculates its one percent fund balance cap for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court’s final <i>1% Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (FY 2017-18), and performed the following:</p> <ul style="list-style-type: none"> • Verified significant calculations and balance amounts. • Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system. <p>The Court has not received any excess prior year fund balances held on its behalf for the past four fiscal years. As a result, no further review was deemed necessary.</p>
<p>6</p>	<p>Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).</p>	<p>We obtained an understanding of the Court’s process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2017-18), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data. • We planned to select 10 cases from six case types, for a total of 60 cases, and

		review the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing. However, the Court had only one case for one of the six case types, so we selected and reviewed a total of 51 cases.
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Assessment of Data Reliability

The U.S. Government Accountability Office (GAO) requires us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. In performing this audit, we obtained and reviewed financial transaction data from the Phoenix financial system—the statewide accounting system used by the superior courts—for the limited purpose of selecting transactions to test the Court’s compliance with its procurement and related payment activities. Prior to making our selections, we independently queried the Phoenix financial system to isolate distinct types of non-personal service expenditure transactions relevant to our testing—such as by general ledger code—and reconciled the resulting extract with the Court’s total expenditures as noted on its trial balance report for the same period. Our analysis noted no material differences leading us to conclude that use of the Phoenix financial transaction data was sufficiently reliable for the limited purpose of selecting transactions for testing.

Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on October 21, 2019, and approved it for public release.

California Rules of Court, Rule 10.500 provides for the public access to non-deliberative or non-adjudicative court records. Final audit reports are among the judicial administrative 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 meeting the nondisclosure requirements of rule 10.500(f) have been omitted from this audit report.

Audit Staff

This audit was completed by the following staff under the general supervision of Robert Cabral, Manager:

- Dawn Tomita, Audit Supervisor
- Jerry Lewis, Senior Auditor (auditor in charge)
- Veronica Lee, Auditor, CFE
- Maria Dooley, Auditor, CPA, CFE

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Must Strengthen Its Controls Over Several of Its Payment Collection Processes to Better Safeguard Its Collections

Background

Trial courts must collect and process customer payments in a manner that protects the integrity of the court and its employees, and promotes public confidence. Thus, trial courts should institute a system of internal control procedures that assure the safe and secure collection, and accurate accounting of all payments. A court's handling of collections is inherently a high-risk activity given the potential incentives for court employees to act inappropriately when mandatory internal controls per the Trial Court Financial Policies and Procedures Manual (FIN Manual) are compromised or not in operation.

Overall, the Court demonstrated compliance in some of the cash handling areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in its daily opening process and its processing of internet payments. However, we identified nine audit findings in the cash handling area that we believe require the Court's attention and corrective action. These findings pertained to the following specific areas of cash handling:

Finding Reference	Subject Area
2018-2-01	Voided Transactions – Review and Approval
2018-3-01	Handwritten Receipts – Inventory and Accounting for Use
2018-4-01	Mail Payments - Endorsement
2018-4-02	Mail Payments – Mail Opening Process
2018-7-01	End-of-Day Balancing and Closeout – Blind Close
2018-7-02	End-of-Day Balancing and Closeout – Verification with Cashier Present
2018-8-01	Bank Deposits – Deposit Verification
2018-8-02	Bank Deposits – Prompt Deposit
2018-9-01	Other Internal Controls – Separation of Duties

FINDING REFERENCE: 2018-2-01

VOIDED TRANSACTIONS – REVIEW AND APPROVAL

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.8 VOID TRANSACTIONS:

1. A supervisor or his or her designee must review and approve all voided transactions. Where possible, the security access levels to the trial court's case management system should be adjusted so that a supervisor or his or her designee must review and approve a voided transaction before it takes effect in the system. The trial court will retain all void receipts five years, including the details of any re-receipting of the original voided transaction.

CONDITION

The Court does not consistently review and approve all voided payment transactions. Specifically, although a designated supervisor reviews and approves the voided payment collection transactions of cashiers, the payment collection transactions that are voided after the daily end-of-day closeout process are not reviewed and approved before taking effect in the CMS system. According to the Fiscal Manager, there are some situations when certain transactions must be voided after the daily closeout, such as when the Court may need to void transactions for victim restitution, credits, or if the Judge orders a stay on a fine. In these instances, the Fiscal Manager initiates and executes the void transaction without any supervisor review or approval, and backdates the void so that she can balance the deposit. However, the FIN Manual requires a supervisor to review and approve all void transactions before they take effect in the system. Allowing one person to handle cash payments and to also void transactions without any oversight or approval puts the Court's assets at risk of theft or improper use.

RECOMMENDATION

To ensure that all voided transactions are valid and appropriate, the Court should require a supervisor or designee to review and approve all voids, including those voids that are performed after completion of the end-of-day closeout process. If the supervisor or designee initiates the void transaction, then another designated supervisor or manager should review and approve the voided transaction before it takes effect in the system.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. Effectively immediately, the Fiscal Manager will have the CEO review and approve those voided transactions that the Fiscal Manager initiates.

Response provided on 7/31/19 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: July 31, 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-3-01

HANDWRITTEN RECEIPTS – INVENTORY AND ACCOUNTING FOR USE

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS:

4. Manual receipt book acquisition and control:
 - a. Trial courts should acquire manual receipt books centrally at each physical location and a designee should inventory the books when received.
 - iv. Unissued books should be inventoried periodically (at a minimum annually) with a record of the inventory maintained by the supervisor of the area responsible for the books.

- b. When acquired, the trial court will inspect the books to ensure all receipts are complete and in numerical sequence. The trial court fiscal office will log the books in a manual receipt book log that will contain information on each book that includes:
 - i. The book number,
 - ii. The numerical sequence of receipts (from and to receipt numbers) for each book
6. Issuance of manual receipt book by court facility supervisor or his or her designee to cashiers:
 - a. The supervisor or his or her designee must maintain control and oversight of the manual receipt books. When the cashiering system and/or case management system is not available to process automated receipts, the supervisor or designee will retrieve and issue books of prenumbered receipts to cashiers. Manual receipt books should only be used when the cashiering system and/or case management system is down.
 - b. The supervisor or his or her designee issuing the prenumbered manual receipt books must monitor and maintain an accounting of the receipt books, including:
 - i. The receipt books issued;
 - ii. To whom the receipt book was issued;
 - iii. The date issued;
 - iv. The name of the person returning the book;
 - v. The date the books were returned (should be the end of the same day); and
 - vi. The receipt numbers used within each book.

CONDITION

The Court does not maintain an inventory of its manual receipt books nor conduct periodic inventories of its manual receipt books. Although the Fiscal Manager initially asserted that it had only one manual receipt book, she discovered that the Court has seven manual receipt books—four partially used books and three unused books—when she retrieved the manual receipt books from the safe. According to the Fiscal Manager, she was unaware that the Court had multiple manual receipt books and that it needed to maintain an inventory of its books. However, the FIN manual suggests that courts inventory their manual receipt books when received and at least annually. Without an annual inventory of its manual receipt books, the Court is at risk of losing track of its manual receipts and of cashiers using these unaccounted-for manual receipts inappropriately.

In addition, although its Fiscal Unit issues manual receipt books to cashiers when the CMS is unavailable to generate receipts, the Court does not monitor or maintain an accounting of the manual receipts the cashiers used. According to the Fiscal Manager, she was unaware that the Court needed to monitor and account for the manual receipt numbers used within each book. However, the FIN Manual requires the designated supervisors at each location—which for the Court would be its Fiscal Unit—to not only control and oversee the receipt books, but to also monitor and maintain an accounting of the receipt books. This includes tracking to whom the books were issued, when they were issued, the person returning the books, the date returned (which should be the same day as issued), and the receipt numbers used within each book. When courts do not monitor and fully account for their staff's use of manual receipts, they are at

increased risk that staff may use manual receipts inappropriately, potentially without clear accountability of who used the manual receipts or when they were used.

RECOMMENDATION

The Court should require its Fiscal Unit to maintain control and oversight of its manual receipt books, including keeping an inventory of all manual receipt books and a detailed log to monitor and maintain an accounting of the receipts books and receipts numbers used. Specifically, when its Fiscal Unit retrieves manual receipt books from the safe and issues them to cashiers, they should use a log to track to whom the receipt book was issued, when the receipt book was issued, who returned the receipt book, the date returned (should be the same day issued), and what receipt numbers were used.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The Court has developed a Manual Receipt Book Inventory log that has been immediately implemented.

Response provided on 7/31/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: July 31, 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-4-01

MAIL PAYMENTS – ENDORSEMENT

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.4 CHECK, MONEY ORDER, AND CASHIER'S CHECK HANDLING PROCEDURES:

9. The trial court must restrictively endorse all checks, warrants, money orders, and other negotiable instruments immediately upon receipt and acceptance. Endorsements must contain the following information:
 - a. The name of the bank and branch number in which the deposit will be made.
 - b. The statement "For Deposit Only" followed by the name of the trial court.
 - c. The account name and number.

CONDITION

The Court does not restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail. Specifically, the CEO opens the mail but does not restrictively endorse the checks immediately upon receipt before forwarding the checks to staff for processing. Further, court staff only endorse checks that are deposited with the county, and if staff did not endorse the check after processing the payment, the Fiscal Manager endorses the checks when preparing the deposit. In addition, the Court does not endorse the checks that it scans and electronically deposits with the bank because it believes it is not necessary to endorse these checks as the risk of these checks being stolen is very low. Nevertheless, the FIN Manual requires courts to restrictively endorse checks immediately upon receipt. Endorsing checks "for deposit only" into the court bank account or the county treasury immediately upon receipt

protects a court's interests by limiting the potential for further negotiation of the checks. When courts do not restrictively endorse checks immediately upon receipt as required, they risk that unendorsed checks may be lost or stolen and cashed or deposited in a non-court bank account, such as stolen before the Court can scan the checks for deposit in its own bank account.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should take steps, such as updating local cash handling procedures, to ensure that all staff consistently restrictively endorse all checks, money orders, and other negotiable instruments immediately upon receipt in the mail. Additionally, if necessary, the Court should obtain additional endorsement stamps so that staff may restrictively endorse all checks and money orders immediately upon receipt, both through the mail and over the counter.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. Additional deposit stamps have already been ordered and the CEO has adopted the procedure of endorsing all checks received in the mail and drop box with the appropriate endorsement stamp. Counter clerks have been instructed to endorse stamp all checks received over the counter immediately and adequate endorsement stamps are in place for use by the front counter clerks.

Response provided on 7/31/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: July 31, 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-4-02

MAIL PAYMENTS – MAIL OPENING PROCESS

CRITERIA

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL:

2. To provide for the strongest protection of trial court assets and to protect the integrity and reputation of the trial court, a team approach should be used to maintain accountability for payments received through the mail. When processing mail payments, the court should adhere to the following procedures:
 - a. One person can open the mail and create the payment receipts log if he or she is recorded on video and the video is retained for at least six months.
 - b. Mail should only be processed when both team members are present. Alternatively, if two people cannot be present during mail opening, then one person—without opening the envelopes—should start the payment receipts log by sequentially numbering the envelopes and documenting the envelope number and the sender's name in the payment receipts log. When the second person opens the mail, he or she should complete the payment receipts log for each envelope identified by the first person. A field should be added to the payment receipts log to indicate when an envelope does not contain a payment; not all fields listed in Paragraph 3(b) below will be completed.

- d. To maintain separation of duties, team members opening and logging mail payments should not also enter the mail payments in the court's cashiering system and/or automated case management system, if possible.
3. To provide for the strongest oversight and monitoring of payments received through the mail, courts should maintain a payments receipt log. Without a payment receipts log, courts have no record to reference or research should a mail payment become lost or stolen.

FIN MANUAL, FIN 1.01, 6.4 TRIAL COURT OPERATING STANDARDS:

4. A presiding judge or his/her designee who wants to establish an alternative procedure will submit a signed and dated Request for Alternative Procedure Form (copy provided in 7.0, Associated Documents) to:

Judicial Council of California
Director of Branch Accounting and Procurement
Attn.: Trial Court Alternative Financial Policies and Procedures
2850 Gateway Oaks Drive, Suite 300
Sacramento, CA 95833-4348
E-mail: TCFin@jud.ca.gov

Once approved, alternative procedures must be documented by the trial court, incorporated into the local trial court manual, and distributed to court personnel. Any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual or the county's policy document must first be approved by Judicial Council of California Staff.

CONDITION

The Court does not follow the two-person "team approach" suggested in the FIN Manual when opening the mail, nor does it follow the alternative procedures suggested in the FIN Manual to mitigate the potential risk of one person taking mail payments when opening the mail. Specifically, the Court's CEO opens the mail while alone in her office and without oversight. According to the CEO, the Court does not use a two-person team approach because it does not have enough available staff. In addition, the CEO opens the mail in her office instead of in an open area visible to others so that she can log the payments onto the Court's electronic mail payments log. However, when courts do not use two-person teams to open the mail nor implement alternative procedures, such as those suggested in the FIN Manual, to mitigate the risk created by insufficient oversight, they are at heightened risk for lost or stolen mail payments. Payments received by mail is an area of high-risk – since the payer is neither present during the transaction nor is guaranteed to receive a receipt – and the FIN Manual's guidance is intended to mitigate the risk of lost or stolen payments.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should consider requiring its staff to either follow a two-person team approach where both individuals are present when opening and logging mail payments, or implement alternative procedures, such as those suggested in the FIN Manual, to mitigate the

risk of lost or stolen mail payments. If the Court cannot implement a two-person team approach or the alternative procedures suggested in the FIN Manual, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure for opening and accounting for the payments it receives in the mail.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The Court will implement a two-person team approach to the opening of mail and recordation of drop box payments as recommended in the FIN Manual once the position of an Account Clerk is filled, which will be in September 2019.

Response provided on 7/31/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: September 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-7-01

END-OF-DAY BALANCING AND CLOSEOUT – BLIND CLOSE

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.10 DAILY BALANCING AND CLOSEOUT:

1. The balancing and closeout process includes the following steps:
 - a. The cashier completes and signs the recap of daily collections report; attaches a calculator tape for checks; and submits the report, collections, and beginning cash to the supervisor or his or her designee for verification;
 - b. The supervisor or his or her designee verifies in the presence of the cashier that the beginning cash is fully accounted for and the submitted collections balance with the recap of daily collections report;
 - c. The supervisor or his or her designee then verifies that the submitted collections balance with the associated payments and collections reported on the cashier's case management system daily collections closeout report;

CONDITION

The Court does not require cashiers to count and record their end-of-day collections on a recap report without knowing the amounts the CMS indicates the cashiers collected, also known as a "blind closeout." Specifically, cashiers count and compare their daily collection totals against CMS reports that indicate how much they collected before they submit their daily collections to a designated supervisor for verification. According to the Court, cashiers follow this practice because its CMS does not allow for a blind closeout process. As a result, the Court allows cashiers to know in advance when an overage occurs and potentially risks the cashier taking any overage amount without risk of detection of the missing monies when the designated supervisor verifies the end-of-day collections to the CMS reports because all amounts would still balance.

RECOMMENDATION

To better safeguard its funds and ensure clear accountability for shortages and overages, the Court should update its local cash handling policies and procedures with a method to allow for a blind closeout. Specifically, the Court should require its cashiers to complete their recap of the collections in their individual cash drawer/bag at the end of each workday without knowledge of the CMS collections, a “blind closeout.” Afterwards, cashiers should submit their completed recap report and collections to a designated supervisor for verification of their collections to the recap report, and then complete the verification process by verifying the recap report to the CMS collections closeout report. If its CMS does not allow it to implement a blind closeout process, the Court should request approval from the Judicial Council for an alternative procedure that mitigates the potential risk created by not being able to follow a blind closeout process.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The current case management system, Sustain Justice Edition, does not allow modifications to the system for a “blind closeout.” However, the court is upgrading to a new case management system, eCourt, which does provide for a “blind closeout” process. The court will update the local cash handling procedures by requiring cashiers to complete a daily cash balance report at the end of their day which will be verified by either the CEO or the Fiscal Manager.

Response provided on 7/31/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: August 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-7-02

END-OF-DAY BALANCING AND CLOSEOUT – VERIFICATION WITH CASHIER PRESENT

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.10 DAILY BALANCING AND CLOSEOUT:

2. At the end of each workday, each cashier must balance the payments collected in his or her individual cash drawer/bag with the payments and collections recorded in the cashiering system and/or automated case management system. Cashiers may not leave the premises or transact new business until the daily balancing and closeout processes are complete.
3. The balancing and closeout process includes the following steps:
 - a. The cashier completes and signs the recap of daily collections report; attaches a calculator tape for checks; and submits the report, collections, and beginning cash to the supervisor or his or her designee for verification;
 - b. The supervisor or his or her designee verifies in the presence of the cashier that the beginning cash is fully accounted for and the submitted collections balance with the recap of daily collections report;
 - c. The supervisor or his or her designee then verifies that the submitted collections balance with the associated payments and collections reported on the cashier’s case management system daily collections closeout report;

- d. If the collections balance with the amounts in the case management system, the cashier and supervisor or his or her designee must both sign and date the case management system daily collections closeout report.

CONDITION

The Court does not require the designated supervisor to count and verify the cashier's end-of-day collections to the CMS daily closeout reports while the cashier is present, nor require both to sign and date the CMS closeout report to document their verification. Specifically, our observation of the Court's closeout process noted that the designated supervisor did not count and verify the cashier's end-of-day collections while the cashier remained present. According to the Court, the designated supervisor—the Court's Fiscal Manager—does not have enough time to recount the collections at the end of each day. Instead, she counts and verifies the daily collections by herself the next day when preparing the deposit. Nonetheless, the FIN Manual requires a designated supervisor to count and verify each cashier's end-of-day collections to their collections recap forms and to the CMS daily closeout reports while the cashiers are present and before they leave for the day. In addition, both the cashier and the designated supervisor must sign the CMS closeout report to indicate their verification of the collections to the CMS report. As a result, the Court potentially allows a subsequent cash fund shortage to be without clear accountability of who may have caused the shortage or when it may have occurred as it would likely be very difficult to resolve any discrepancy that might arise between the cashier's end-of-day recap and the next day's count and verification of the collections by the Fiscal Manager during the deposit preparation process. Adhering to the daily closeout requirements outlined in the FIN Manual helps protect the integrity of both the Court and all its cash handling employees.

RECOMMENDATION

To better safeguard its funds and ensure clear accountability for cashier shortages and overages, the Court should consistently require cashiers to remain present during the counting and verification of their collections, and for the cashiers and designated supervisors to sign and date the closeout reports to indicate their verification that the collections balanced with the case management system.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The court is in the process of hiring additional staff to serve as Account Clerk to ensure that the recommendation of the FIN Manual can be followed. The duties for the Account Clerk position include the counting and verification of cashiers' daily collections and processing of closeout reports.

Response provided on 7/31/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: September 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-8-01

BANK DEPOSIT – DEPOSIT VERIFICATION

CRITERIA

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

3. Deposits consisting of coin and paper currency in excess of \$100 will be prepared as follows:
 - b. The coin and paper currency portion of any bank deposit must be counted by one person, and verified and initialed by a second person (preferably a supervisor or lead) prior to tendering the deposit to an armored car service, a court employee for deposit to a bank night deposit drop safe, or a bank teller within the lobby of the bank.
7. An employee other than the person who prepares the bank deposit (preferably a supervisor or higher level of management) must sign and date a voucher verifying that the cash receipts have been deposited in total.

CONDITION

The Court does not require one person to prepare and a second person to verify and initial its bank deposits. Instead, a single person, the Fiscal Manager, prepares the deposit with no secondary verification process. According to the Fiscal Manager, the Court follows this practice due to its limited number of staff. However, the FIN Manual requires courts to have a second person, preferably a supervisor or lead, verify and initial deposits. Without a secondary verification of the Court's deposit, any potential deposit shortage would be without clear accountability of when the shortage may have occurred or who may have been responsible for the discrepancy—the Court or the bank.

RECOMMENDATION

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should ensure that a lead or supervisor verifies and initials its daily bank deposits after they are prepared by another court employee. If the Court cannot perform this deposit verification process, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure for verifying the daily deposits.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The court is in the process of hiring an Account Clerk whose duties include preparation of the bank deposits. Once hired, this would allow the Fiscal Manager to serve as the second required person for verification of bank deposits.

Response provided on 7/31/19 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: September 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-8-02***BANK DEPOSIT – PROMPT DEPOSIT*****CRITERIA**

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

4. Courts are required to deposit receipts in a timely and economical manner. Courts will adhere to the following guidelines in determining when to deposit receipts into an appropriate court approved bank account.
 - a. All court locations that have safes, vaults, or other comparable storage that is adequate to safeguard cash may accumulate collections until they amount to \$1,000 in coin/paper currency or \$10,000 in any combination of coin/paper currency, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first.
 - c. Accumulated coin/paper currency, checks, money orders, and warrants of any amount will not remain undeposited for more than 10 working days. A court may deposit more often than once a day at its discretion and when it is economical or practical to do so because of the amount of its receipts.

CONDITION

The Court does not promptly deposit its civil and trust collections in the bank. The Court deposits its civil and trust cash collections once per month and its checks once or twice per month even though the accumulated cash, checks, money orders, and other negotiable instruments held without deposit may exceed \$10,000. Specifically, twice per month, the Court uses a check scanning machine to electronically deposit its civil and trust checks into the bank. For its cash collections, the Court exchanges the cash for a money order at a local bank then deposits the money order into the bank using the check scanner because the nearest Bank of America branch is located over 140 miles away. According to the Fiscal Manager, the Court is aware that it should make a deposit every 10 working days, and would like to make more frequent deposits but does not have enough time or staff to make more frequent deposits. In addition, the Fiscal Manager indicates that the Court does not have enough budget funds to deposit the cash collections more frequently as the local bank allows it to exchange cash for a money order without a \$12 fee only twice a month (which the Court uses for the civil and trust cash deposits). Nonetheless, the FIN Manual requires courts to deposit collections when they exceed \$1,000 in cash or \$10,000 in any combination of cash and checks, and at least every 10 working days. By not making prompt deposits when required, the Court leaves itself at increased risk for the loss or theft of significant amounts of cash and other collections.

RECOMMENDATION

To minimize the potential risk of the loss or theft of large amounts of cash, the Court should promptly deposit cash collections into the bank when they reach \$1,000, or when any combination of cash and checks reach \$10,000. Further, it should instruct staff to not allow any amount of coin/paper currency, checks, money orders, or warrants to go undeposited for more than 10 working days.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court partly agrees and partly disagrees. The court will comply with the requirement to deposit checks, money orders, and warrants every 10 days. Since there is no longer a local Bank of America branch and because cash typically does not exceed \$1,000, the court will continue its current practice of making one cash deposit per month to the Trust Account and one cash deposit for civil fees.

Response provided on 7/31/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: August 2019

Responsible Person(s): Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-9-01*OTHER INTERNAL CONTROLS – SEPARATION OF DUTIES***CRITERIA**

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

6. Appropriate Segregation of Duties
 - a. An organization plan should be established that provides for an appropriate segregation of duties; this will help safeguard trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction.
 - b. Work must be assigned to court employees in such fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties.

CONDITION

The Court Fiscal Manager performs cash handling duties that are not sufficiently segregated. Specifically, as noted in the other cash handling findings, in addition to preparing the deposit alone and without a second person verifying the deposit, the Fiscal Manager also verifies and reconciles the daily collections to the CMS without any cashier present, and can initiate and execute void transactions after close-out without any supervisory review and approval of the voided transactions. Allowing one person to perform all these incompatible duties without proper oversight provides this person with the opportunity, for example, to handle collections, void a payment collection transaction, take the money associated with the voided transaction from the daily collections, and prepare a short deposit without anyone knowing or suspecting that any money was missing or taken. According to the Fiscal Manager, she does not have enough time to recount and verify the collections with the cashiers present at the end of each day, so she counts and verifies the daily collections alone the next day when she prepares the deposit. In addition, the Fiscal Manager indicates that she initiates voids after the balancing and closeout process, and without any supervisory review and approval, as it is sometimes necessary for her to balance the collections reflected in the CMS to the collections in the deposit. The Fiscal Manager believes the Court does not have enough staff to sufficiently segregate these duties. Nonetheless, the FIN Manual requires courts to segregate duties so that no one person is able to initiate and conceal errors and/or irregularities in the normal course of their duties. Allowing one person to perform

all the cash handling duties performed by the Fiscal Manager puts the Court's assets at risk of theft or improper use.

RECOMMENDATION

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should do the following:

1. Have other appropriate staff perform some of the Fiscal Manager's duties, such as reconciling the daily collections to the CMS and/or preparing the deposit,
2. Ensure voided transactions initiated and executed by the Fiscal Manager are reviewed and approved by another designated manager, and
3. Ensure that a second person, preferably a supervisor or other higher level of management, verifies and initials the deposits.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. As soon as the court completes the hiring process for an Account Clerk, many of these duties will be relegated to that position thereby alleviating the duties of the Fiscal Manager.

Response provided on 7/31/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: September 2019

Responsible Person: Ronda Gysin, Court Executive Officer

PROCUREMENT AND CONTRACTS

The Court Complies with Most Applicable Requirements for Procuring Goods and Services, But Can Strengthen Some of Its Controls Over Procurement Processing

Background

Trial courts are expected to procure goods and services in a manner that promotes competition and ensures best value. To achieve this expectation, the Judicial Branch Contracting Manual (JBCM) and the Trial Court Financial Policies and Procedures Manual provide uniform guidelines for trial courts to use in procuring necessary goods and services and in documenting their procurement practices. Trial courts must demonstrate that their procurement 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 goods or services, verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the court manager authorized to approve purchase requests. The court manager is responsible for verifying the necessity and appropriateness of the requested items, that the correct account codes are specified and assuring that funds are available before approving and forwarding the requisition form to the staff responsible for procuring goods and services. Depending on the type, cost, and frequency of the goods or services to be procured, court staff responsible for procuring goods and services may need to perform varying degrees of procurement research to generate an appropriate level of competition and obtain the best value. Court procurement staff may need to also prepare and enter the agreed-upon terms and conditions into purchase orders, service agreements, or contracts to document the terms and conditions of the procurement transaction, and maintain a procurement file that fully documents the procurement transaction.

The Court demonstrated compliance with most of the procurement areas we evaluated during our audit, including demonstrating sound management practices in the areas of authorization and authority levels, in its use of non-competitive procurements, and in entering into leveraged purchase agreements. Nevertheless, we identified three audit findings that we believe require the Court's corrective action. The findings pertained to the following specific areas of procurement:

Finding Reference	Subject
2018-10-01	Procurement Initiation
2018-12-01	Competitive Procurements
2018-16-01	Other Internal Controls – Local Contracting Manual

FINDING REFERENCE: 2018-10-01

PROCUREMENT INITIATION

CRITERIA

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 2, 2.1 FORMULATING THE PROCUREMENT APPROACH, C:

The Buyer's first step in the planning and scheduling of a procurement effort is the initial review of a purchase request. Reviewing the request in terms of the following information will assist the Buyer in determining any impact to the procurement planning and scheduling activities.

1. Internal review and approvals: Consider the following:

- Have the proper approval signatures been obtained to conduct the procurement in conformance with the Judicial Branch Entity's Local Contracting Manual?
- Is the request in compliance with applicable equipment standards?
- Is there documentation in sufficient detail to support and justify conducting the procurement?

FIN MANUAL, FIN 6.01, 6.1 STANDARD PROCUREMENT PROCESS:

1. The procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee who has been given the responsibility for approving the requisition. This is a separate and distinct process from approving the purchase order or executing the contract. Requisition approval authority may be delegated by organizational structure (e.g., manager of a unit) or by the type of goods or services requested (e.g., equipment or services under \$10,000). The individual who approves the requisition is responsible for assessing the need for the requested good or services and assuring that funds are available in the court's budget and that appropriate account codes are provided for the proposed purchase. See Section 6.3, Purchase Requisition Preparation and Approval for suggested requisition approval.

FIN MANUAL, FIN 6.01, 6.3 PURCHASE REQUISITION PREPARATION AND APPROVAL:

1. A written or electronic purchase requisition is used to initiate all procurement actions. The requestor identifies the correct account code(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the trial court employee responsible for approving the requisition. After performing an assessment of the need verifying that the correct account code(s) are specified, and assuring that funding is available, the *requisition* is forwarded to the trial court's buyer.

FIN MANUAL, FIN 6.01, 6.10 ADMINISTRATION AND DOCUMENTATION:

2. A properly documented procurement file for purchase orders and/or contracts provides an audit trail from the initiation of the requirement to the delivery of goods. The file provides a complete basis for informed decisions at each step of the acquisition process. A well-documented file also supports the actions taken, provides information for later review and facts in the event of litigation or an investigation. Depending on the nature and value of the procurement, procurement files must contain:
 - a. Approved purchase requisition.

CONDITION

The Court does not consistently complete purchase requisition forms to formally document its purchase requests and associated authorizations before commencing the procurement process.

Specifically, for 16 of the 24 procurement transactions reviewed, the Court did not create a purchase requisition on which the requestor identifies the needed goods or services, and the authorized approver verifies the necessity of the items and that budgeted funds are available for the purchase. Instead, the Court practices a less formal purchase request and approval process. According to the Fiscal Manager, the Court does not complete a purchase requisition for purchases that are less than \$20,000 unless the vendor wants a purchase order (PO), which is generated by a purchase requisition. Generally, when the Court needs to make a purchase, the Fiscal Manager and the CEO will search the Internet for the item, compare prices, and then make the purchase if the Fiscal Manager's assessment of the Court's remaining budget indicates there are enough funds for the purchase. However, she does not document the price comparison. The Fiscal Manager also stated that her and the CEO have a verbal consultation about the purchases they plan to make, and occasionally, will discuss the large purchases with the judges to get their verbal approval. The Fiscal Manager indicated that she was unaware that the Court needed to complete a purchase requisition form for all procurements. However, without the consistent use of written purchase requisitions, courts cannot demonstrate following a consistent process for considering and approving purchase requests before staff commence the procurement process. As a result, the Court is at risk of court staff spending time to make a purchase before the need for the good or service has been clearly established.

RECOMMENDATION

To ensure its purchases are appropriately justified, funded, and approved, the Court should take more formal steps to ensure it consistently obtains and documents in its procurement files the approved purchase requisitions prior to the start of the purchasing activity.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the recommendation and has implemented the formal process of requiring purchase requisition forms, having the requisitions approved, then submitting the requisitions for allowed/authorized purchases. This is a very time-consuming and cumbersome process for a small court; however the Court is making changes to processes to ensure compliance with FIN Manual. Also, one of the advantages of a small, rural court is that at least two people are aware of Court purchases and resources at all times. As a result, this Court has not been at risk of over committing its financial resources nor has it allowed unauthorized purchases.

Response provided on 09/09/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: August 1, 2019

Responsible Persons: Ronda Gysin, Court Executive Officer and Brandy Malcolm, Fiscal Manager

FINDING REFERENCE: 2018-12-01

COMPETITIVE PROCUREMENTS

CRITERIA

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 2, 2.3 CREATING THE PROCUREMENT FILE:

The Buyer should create a procurement file for each transaction. This section provides guidance on what should be included in the procurement file. Please note that the following list is not exhaustive. A JBE may adopt policies respecting the creation and contents of procurement files in its Local Contracting Manual.

Document decisions: Buyers should develop a strategy of how the procurement activity will be accomplished, and document the rationale for developing that strategy. In simple terms, Buyers should maintain a diary of the events and decisions that lead up to and complete the purchase transaction, providing a timeline and history of the actions and decisions made throughout the procurement process.

Provide the basis of the decisions: Buyers should also describe how competition will be sought, promoted, and sustained throughout the course of the purchasing activity. If open competition is not the method of choice, document the basis of the decision.

Public record: Buyers should create and maintain their procurement files keeping in mind that most procurement records are subject to disclosure under CRC 10.500.

JUDICIAL BRANCH CONTRACTING MANUAL (JBCM), CHAPTER 4, COMPETITIVE SOLICITATION OVERVIEW:

4.1 THE BASICS OF COMPETITION

Competition is one of the basic tenets of procurement under the California Judicial Branch Contract Law. The type of competition will vary depending on the type of goods or services to be procured, as well as the value of the procurement.

A. General Requirements

Judicial Branch Entities (JBEs) must conduct competitive procurements in a manner that promotes open, fair, and equal competition among Prospective Bidders. Generally speaking, a procurement must be competitive unless it falls into one of the categories covered in chapter 5 of this Manual.

Buyers conducting competitive procurements must provide qualified Prospective Bidders with a fair opportunity to participate in the competitive solicitation process, stimulating competition in a manner conducive to sound fiscal practices without favoritism, fraud, or corruption.

4.7 SUMMARY DOCUMENT

The evaluation and selection process for every procurement effort should be documented and referenced in a procurement summary. The purpose of the procurement summary is to create a single document that provides the history of a particular procurement transaction and explains the significant facts, events, and decisions leading up to the contract execution. The procurement summary should be included in the procurement file.

Procurement summaries should be written clearly and concisely to support the soundness of the purchasing decision.

Procurement summary information includes but is not limited to:

- Document the prices offered by the Bidders;
- Documenting that the selection process occurred in accordance with the Solicitation Document;
- Determining that the selected Bidder is responsible and the Bid is responsive; and

- Attaching the scoring sheets, if applicable.

5.1 PURCHASES UNDER CERTAIN DOLLAR AMOUNTS

For very small purchases, non-competitively bid procurements are permitted because the cost of conducting a competitive procurement may exceed the savings expected from the competitive process.

JBES may purchase non-IT goods, non-IT services, or IT goods and services that cost less than \$10,000 (*or \$5,000 prior to August 1, 2018*) without conducting a competitive procurement so long as the Buyer determines that the pricing is fair and reasonable.

CONDITION

The Court does not follow the JBCM requirements for competitive procurements. Specifically, for all five of the procurement transactions reviewed that met the requirements for a competitive procurement process, the Court did not competitively procure the goods and services or explain why it did not use a competitive bidding process to procure the goods and services. For example, for one of the five procurements reviewed, the Court purchased nearly \$23,000 of various IT goods based on a quote it obtained from one vendor, but did not seek quotes from any other IT goods vendors. According to the Fiscal Manager, the Court purchased the IT goods from this particular vendor because it uses only this vendor's computers. The Fiscal Manager also stated that the vendor representative provided the Court with a government rate; however, she was unable to provide a reference to a competitively bid LPA or vendor website to support that the vendor prices were a government rate and competitively derived. The remaining four procurements were for legal and consulting services for which the Court did not have any solicitations to show it attempted to seek competition to obtain best value for these services. For two of these four procurements, the Court entered two separate agreements with one attorney—one agreement for \$ 72,188 to provide AB1058 services and the other agreement for \$29,165 to provide Self-Help services. The other two procurements, for nearly \$6,000 and \$7,000 each and that exceeded the \$5,000 competitive procurement threshold applicable at that time, are with two other attorneys to provide legal services as court-appointed counsel. According to the Fiscal Manager, with regards to court-appointed counsel, Modoc County has about four attorneys and the Court will use the services of any of these attorneys that will accept the Court appointment because the Court is required to provide counsel to persons who request it. As for the AB1058 and Self-Help service agreements, the Fiscal Manager could not explain how the Court procured them and whether any other attorneys were given an opportunity to compete and bid for these two procurements. When courts do not follow the JBCM competitive bidding requirements when procuring goods or services, they risk both not obtaining the best value procurements and creating the appearance of not fairly awarding their procurement contracts.

RECOMMENDATION

To increase transparency to the public and to reduce the risk of not being able to show it performed its due diligence to procure goods and services fairly, the Court should ensure it uses the solicitation appropriate for the type of procurement, documents its procurement summary, and retains appropriate procurement documents in a procurement file to substantiate its compliance with all applicable JBCM requirements, including those for competitive and allowable non-competitive procurements.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that it has not implemented the JBCM procurement requirements for all purchases and previously held contracts. The Court was under the impression that the procurement requirements applied to only those instances where new products or services were being sought and not to ongoing, continuing services. Due to the limited resources in Modoc County and surrounding areas, the Court can not incur the additional and often unnecessary expenses of advertising and staff time to solicit services and products when simply renewing contracts. However, since the Court is required to abide by the JBCM, the Court will comply from this point forward.

Response provided on 09/09/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: September 9, 2019

Responsible Person: Ronda Gysin, Court Executive Officer

FINDING REFERENCE: 2018-16-01

OTHER INTERNAL CONTROLS – LOCAL CONTRACTING MANUAL

CRITERIA

PUBLIC CONTRACT CODE 19206:

The Judicial Council shall adopt and publish no later than January 1, 2012, a Judicial Branch Contracting Manual incorporating procurement and contracting policies and procedures that must be followed by all judicial branch entities subject to this part. The policies and procedures shall include a requirement that each judicial branch entity shall adopt a local contracting manual for procurement and contracting for goods or services by that judicial branch entity. The policies and procedures in the manuals shall be consistent with this code and substantially similar to the provisions contained in the State Administrative Manual and the State Contracting Manual.

JUDICIAL BRANCH CONTRACTING MANUAL, INTRODUCTION, 4. LOCAL CONTRACTING MANUAL:

PCC 19206 requires the Judicial Council to include in this Manual a requirement that each JBE shall adopt a Local Contracting Manual for procurement and contracting for goods and services by that JBE. The content of each Local Contracting Manual must be “consistent with” the PCC and “substantially similar” to the provisions contained in the SAM and the SCM.

- Each JBE must adopt a manual consistent with the requirements of PCC 19206.
- Each JBE must identify individual(s) with responsibility and authority for procurement and contracting activities as required by this Manual.
- Each JBE may include in its Local Contracting Manual policies and procedures governing its procurement and contracting activities, and those policies and procedures must not be inconsistent with this Manual or with applicable law.

CONDITION

The Court has not adopted a Local Contracting Manual (LCM), as required by the Judicial Branch Contracting Manual (JBCM) and state law. According to the Fiscal Manager, she

believed the Court did not need an LCM. Therefore, the Court has not officially documented various internal control procedures related to delegations of authority or other required tasks, such as identifying individual(s) with responsibility and authority for procurement and contracting activities. As a result, the Court is at increased risk of not procuring and reporting the goods and services it procures as required by the JBCM and state law.

RECOMMENDATION

To ensure its procurement practices are documented and in compliance with the JBCM requirements, the Court should take steps to develop and adopt a Local Contracting Manual that is consistent with the JBCM and applicable state laws for its procurement and contracting activities.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the recommendation and will develop and adopt a Local Contracting Manual.

Response provided on 09/09/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: December 2019

Responsible Person: Ronda Gysin, Court Executive Officer

PAYMENT PROCESSING

The Court Generally Complied with Most Payment Processing Requirements, But Needs to Strengthen Some of Its Control Procedures to Ensure Its Payments Are Appropriate

Background

Trial courts must institute procedures and internal controls to ensure they pay for appropriate goods and services in an economical and responsible manner, ensuring that they receive acceptable goods and services prior to payment. Thus, the FIN Manual provides courts with various policies on payment processing and provides uniform guidelines for processing vendor invoices and in-court service provider claims. 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 respective agreements. Staff must match all invoices to the proper supporting procurement and receipt documentation, and must ensure approval for payment is authorized by court management acting within the scope of their authority.

The Court demonstrated compliance in most of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of its payment approval and authority levels, jury expenses, and allowable costs. Nevertheless, we identified two audit findings in the payment processing area that we believe requires the Court's corrective action. These findings pertain to the following specific areas of payment processing:

Finding Reference	Subject
2018-17-01	Three-Point Match
2018-19-01	Special Rules, In-Court Services Providers

FINDING REFERENCE: 2018-17-01

THREE-POINT MATCH

CRITERIA

FIN MANUAL, FIN 8.01, 6.3.2 DOCUMENT MATCHING:

1. At the scheduled time and depending on the court's invoice payment cycle, an accounts payable employee will match the vendor invoices to all appropriate supporting documentation. The court will adopt the "three-point match" procedure to process vendor invoices.
2. A three-point match procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods or services. For example:
 - a. All details of the invoice, including a description of the goods and services ordered, quantities involved, unit prices billed, and other applicable charges, must be matched to the details and terms and conditions of the court's purchase agreements or contracts.

- b. All invoice details, including a description of the goods or services ordered and quantities invoiced must be matched to the details of packing slips, shipping orders, receiving reports, or other forms of acknowledgement of delivery of products or completion of work by an authorized court employee.

CONDITION

For many of the payment transactions reviewed, the Court could not demonstrate that it consistently completed the entire three-point-match and verification process before processing invoices and claims for payment. Specifically, the Court could not demonstrate how the Fiscal Manager matched and agreed 18 of the 40 paid invoices or claims reviewed to the terms in an applicable contract or equivalent purchase order or court authorization. This happened because the Court does not always have existing agreements or purchase orders (POs) with many of its vendors or court authorizations for its in-court service providers, precluding it from comparing and ensuring the vendors and claimants billed the correct amounts on their invoices or claims. For example, 3 of the 18 payment transactions were to the same vendor and totaled more than \$55,000 for court reporter services and transcripts. However, the Court did not have an agreement on file that indicates how much it agreed to pay per day for services or the number of folios per page the provider was to use on transcripts. In another instance, the Fiscal Manager agreed a July 2018 vendor invoice to the terms in an expired agreement. According to the Fiscal Manager, she thought the agreement was still active because the language in the agreement allowed the Court to continue receiving services on a month-to-month basis. However, the agreement terms state that after expiration of its initial term on March 31, 2015, the agreement is subject to automatic renewal(s) each calendar month for a period of up to one year beyond the initial term, or March 31, 2016. As a result, when the Court does not have current agreements, POs, or court authorizations on file for its accounts payable staff, which at this Court is its Fiscal Manager, to match and verify the amounts billed on invoices and claims, it risks processing payments for goods or services it never intended to procure or paying inappropriate amounts.

Furthermore, for 11 of the 40 payment transactions reviewed, the Court also could not demonstrate that it verified the receipt and acceptance of the goods or services as a part of the three-point-match and verification process before processing the invoices and claims for payment. Specifically, the Court could not demonstrate how the Fiscal Manager matched and agreed the invoices or claims to proof that the Court received and accepted the goods or services before processing the payment. According to the Fiscal Manager, she physically checks to see that the Court received all the goods and services ordered. However, she was unaware that she needed to retain the shipping or receiving slips and acknowledge receipt and acceptance of services to document that the Court received and accepted the goods and services. When the Court does not document the receipt and acceptance of goods and services for its accounts payable staff, which at this Court is its Fiscal Manager, to match and agree to the invoices and claims they process for payment, it risks issuing payments for goods or services it never received or accepted.

RECOMMENDATION

To ensure that it can demonstrate it pays the proper amounts for the goods and services it receives, the Court should take steps to strengthen its process for verifying vendor invoices before paying them. For instance, the Court should ensure that it has a contract, purchase order,

or other valid agreement (court authorization) in place for the goods and services it procures as well as the applicable receiving reports that its accounts payable staff can use to perform the required three-point match and verify the vendor invoices prior to payment approval and processing.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the Recommendation. After multiple years of being understaffed, the Court now has the resources necessary to fill an Account Clerk position in order to apply the three-point match procedure.

Response provided on 09/09/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: August 1, 2019

Responsible Person: Rebekah Ingraham, Account Clerk

FINDING REFERENCE: 2018-19-01

SPECIAL RULES, IN-COURT SERVICES PROVIDERS

CRITERIA

FIN MANUAL, FIN 8.02, 6.3 COMPLETE CLAIM DOCUMENTATION:

- (1) The documentation required to pay a claim consists of a court-approved claim form that includes at least the following information:
 - a. The name and address of the person or business submitting the claim,
 - b. The tax identification number of the person or business submitting the claim. (If the tax identification number is on file with the court, it need not appear on every claim form.),
 - c. The signature of the person making the claim or the person authorized to sign for the business making the claim,
 - d. The case number and name, and
 - e. The amount of compensation claimed.

FIN MANUAL, FIN 8.02, 6.8 RECONCILIATION OF CLAIMS:

After the accounts payable department has received and recorded a claim, it must be reconciled to the court authorization for the services provided and the service provider's invoice. The claim should be reviewed against the court authorization to verify the appointment, rates, and any hour or dollar limits that may apply. The invoice should be reviewed against the court authorization for the rates and hours charged, and other costs incurred. The correctness of unit price extensions and totals should also be reviewed. Previous claims for the same matter should also be reviewed to assure that limits are not exceeded.

CONDITION

For nine of the in-court service provider claims reviewed, the Court processed and paid the claims even though the claimants did not include on their claims all the information required by the FIN Manual. Specifically, the Court processed four court reporter claims, four dependency

counsel claims, and one psychological evaluation claim without requiring the claimants to include on their claim forms their signatures and/or the case numbers and names for which they provided services. According to the Fiscal Manager, the Court does not require in-court service providers to sign their claims for payment. Also, when a claim does not include a case number or name, although not consistent, the Fiscal Manager obtains this information from the CMS and adds it to the claim. However, the FIN Manual requires claims to include certain information, including the case numbers and names, and the claimant's signature.

In addition, for eight of the nine claims, the Court did not have a written court authorization for the services and payment rates or amounts the claimants claimed and that the Court paid. However, the Fiscal Manager did not know why the Court does not have court authorizations in writing for these claims. When courts do not require claimants to provide case numbers, case names, and claimant signatures on claims certifying the authenticity and accuracy of their claims, and when they do not ensure written court authorizations are on file for the services provided, they risk claimants submitting duplicate, invalid, or inappropriate claims, and later asserting that the claim was not theirs or unintended.

RECOMMENDATION

To ensure court accounts payable staff responsible for processing in-court service provider claims have the information they need to reconcile and verify the accuracy of these claims prior to payment approval and processing, the Court should require all in-court service providers to use a claim form that includes at least the following information:

- The name and address of the person or business submitting the claim,
- The tax identification number of the person or business submitting the claim. (If the tax identification number is on file with the court, it need not appear on every claim form.),
- The signature of the person making the claim or authorized to sign for the business making the claim,
- The case number and name, and
- The amount of compensation claimed.

In addition, the Court should ensure it prepares and provides copies of written court authorizations to its accounts payable staff responsible for processing in-court service provider claims so that they are able to reconcile the claims to the associated court authorization and verify the appointment, pay rates, and any hour or dollar limits that may apply.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court will adopt the recommendation.

Response provided on 09/09/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: September 30, 2019

Responsible Persons: Brandy Malcolm, Fiscal Manager and Rebekah Ingraham, Account Clerk

FINE AND FEE DISTRIBUTIONS

The Court Configured Its CMS to Correctly Calculate Most Fine and Fee Distributions, But Needs to Do More to Ensure the Accuracy of Some Assessments and Distributions

Background

Trial courts must accurately calculate and distribute the monies they collect so that State and local funds receive the amounts State law designates for each. State statutes and local ordinances govern the distribution of the fines, penalties, fees, and other assessments that courts collect. In addition, courts rely on the State Controller's Office *Trial Court Revenue Distribution Guidelines* and the Judicial Council *Uniform Bail and Penalty Schedules* to calculate and distribute these court collections to the appropriate State and local funds. Courts may use either an automated system, manual process, or a combination of both to perform the often-complex calculations and distributions required by law.

Our review of its fine and fee distributions found that the Court configured its automated case management system (CMS) to accurately calculate and distribute all but a few of the fines, penalties, assessments, and fees collected to the appropriate funds and entities. Nevertheless, we identified one audit finding in the following specific area of fine and fee distributions that we believe requires the Court's corrective action:

Finding Reference	Subject
2018-25-01	CMS-Calculated Distributions

FINDING REFERENCE: 2018-25-01 *CMS-CALCULATED DISTRIBUTIONS*

CRITERIA

FIN MANUAL, FIN 10.01, 6.1 TRIAL COURT UCF AND CRIMINAL AND TRAFFIC COLLECTION ACTIVITIES:

1. In addition to providing justice to the citizens of California, the trial court is also responsible for the collection and processing of fees, fines, forfeitures, restitution, penalties and assessments associated with traffic, civil, or criminal cases.
2. Payments collected by the trial court are in turn distributed to a number of recipients as defined by codes established by the state legislature.
10. It is the responsibility of the trial court to assure the accurate distribution of the funds that it collects.

FIN MANUAL, FIN 10.01, 6.10 CRIMINAL AND TRAFFIC CASE MANAGEMENT SYSTEM REVENUE DISTRIBUTION:

1. Each payment received by the trial court is ultimately distributed according to a schedule established by the Legislature.
2. The court must assure that:

- a. The state schedule for revenue distribution is accurately entered in the court's case management system.
- b. The state schedule is consistently followed by every court location either through centralized input that serves all locations or by separately entering and verifying data entry for each location.

CONDITION

Our review of its fine, penalty, and assessment calculations and distributions for selected case types found that the Court did not always calculate and distribute collections consistent with applicable state laws. Specifically, the Court uses a case management system (CMS) called Sustain to automatically calculate its distributions. However, the Court did not configure its CMS to correctly calculate and distribute many of the fines, fees and penalty assessments for 12 of the 13 case types with various code violations reviewed. Our review covered variations of distinct case types and code violations under the Vehicle Code (VC), Penal Code (PC), Health and Safety Code (HS), and Fish and Game Code (FG). Although not a complete listing of all the variances noted and communicated to the Court, the calculation and distribution errors found include the following:

- For six of the 13 cases and code violations reviewed, the Court did not transfer 2% of a fine and some penalties to the Government Code (GC) 68090.8 State Automation Account. Specifically, the Court did not transfer 2% of the PC 1463.25 Alcohol Education Penalty and the FG 12021 Secret Witness Penalty to the GC 68090.8 State Automation Account. According to the Court, its CMS tables are most likely not configured correctly and indicates it is working with its CMS consultant to determine the cause of this error and resolve it accordingly. Nonetheless, GC 68090.8 requires that 2% of all fines, penalties, and forfeitures collected in criminal cases be transmitted to the State to help pay for state trial court automated systems. Because of these distribution errors, the Court is distributing less than it should to the State Automation Account.
- The Court also does not distribute correct amounts of the GC 70372 State Court Facilities Construction Fund (SCFCF) penalty it collects. Specifically, the Court allocates \$1.50 of the \$5 per \$10 SCFCF penalty to the Immediate and Critical Needs Account (ICNA) instead of the \$3.50 it should allocate based on the amount the county allocated to the GC 76100 Local Court Construction Fund (LCCF) in 1998. According to the Court Fiscal Manager, she does not know what basis the Court is using to allocate the \$5 per \$10 SCFCF penalty. However, GC 70372(f) requires that the SCFCF penalty be deposited into the ICNA in proportion to the same amount imposed as of January 1, 1998, for the LCCF penalty, which was \$3.50. As a result, the Court is distributing less than it should to the ICNA and more than it should to the SCFCF.

According to the Court, it is working with its CMS consultant to determine the cause of these errors and to modify its CMS tables accordingly to ensure correct distributions of all fines and assessments. Until the Court's CMS tables are reconfigured and corrected, the Court will continue to distribute less than required to some funds and entities and more than required to other funds and entities for the items they fund. As a result, the Court is at risk of continuing to

not accurately distribute the fines, penalties, and assessments it collects for an undetermined period of time.

RECOMMENDATION

To ensure the Court accurately distributes the funds it collects, the Court should do the following:

- As soon as possible, partner with its CMS vendor to modify or reconfigure the CMS tables to correctly distribute all fines, penalties, and assessments,
- Perform follow-up reviews to ensure the corrections are working properly, and
- Develop a process to periodically monitor its collection distributions to ensure they remain accurate.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court contacted its CMS vendor and addressed issues raised during the audit and those issues have already been corrected. As far as the additional issues raised in these findings, the CMS vendor has been contacted and is modifying the CMS tables to ensure correct distribution. The Court is in the process of developing a review process to allow the Fiscal Manager to do periodic CMS distribution reviews.

Response provided on 09/09/2019 by: Ronda Gysin, Court Executive Officer

Date of Corrective Action: October 2019

Responsible Persons: Ronda Gysin, Court Executive Officer; Brandy Malcolm, Fiscal Manager; and CMS vendor

ONE PERCENT FUND BALANCE CAP

The Court Appropriately Supported Its One Percent Fund Balance Cap Calculations

Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed one percent of its prior fiscal year operating budget. To assist in ensuring compliance with this requirement, the Judicial Council requires courts to prepare and submit a final *1% Fund Balance Cap Calculation Form* (calculation form) approximately six months after the end of the fiscal year, which calculates the amount of fund balance that a court may carry over into the next fiscal year. Courts self-report the inputs on the calculation form, such as year-end expenditures, expenditure accruals, and encumbrances.

In addition, should a court need to retain funds that exceed its one percent fund balance cap, the Judicial Council adopted a process whereby courts that meet certain specified guidelines may request approval from the Judicial Council to hold excess funds “on behalf of the court.” The request specifies how the funds will be used and requires the court to explain why such spending could not occur through its annual operating budget. If the Judicial Council approves the court’s request, the Judicial Council may impose additional terms and conditions that courts must accept, including separately tracking the expenditures associated with these funds held on behalf of the court. As a part of the Judicial Council-approved process for approving funds held on behalf of a court, Audit Service is charged with reviewing funds held on behalf of the courts as a part of its normal court audit cycle to confirm that the courts used the funds for their approved stated purpose.

Our review found that the Court complied with the requirements for its 1% fund balance cap calculations. Specifically, we reviewed the inputs on its final FY 2017-18 1% fund balance cap calculation form and found that the Court used expenditure amounts that agreed to its accounting records. In addition, the Court supported the encumbrances it reported on its final FY 2017-18 calculation form with valid contracts for goods and services not received by June 30, 2018.

Finally, we did not review its use of any excess funds because the Court has not requested the Judicial Council to hold any such funds on its behalf in the past four fiscal years (FYs 2015-16 through 2018-19).

JBSIS CASE FILING DATA

The Court Reported Materially Accurate New Case Filings Counts and Data to JBSIS

Background

The Judicial Branch Statistical Information System (JBSIS) is a reporting system that defines and electronically collects summary information from court case management systems for each major case processing area of the court. JBSIS directly supports the technology goals of the Judicial Council's strategic plan, providing information for judicial branch policy and budgetary decisions, management reports for court administrators, and the Judicial Council's legislative mandate to report on the business of the courts. Authorization for JBSIS is found in California Rules of Court, rule 10.400: "Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, JBSIS is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch, the Legislature, and other state agencies that require information from the courts to fulfill their mandates. Each trial court must collect and report to the Judicial Council information according to its capability and level of automation as prescribed by the JBSIS Manual adopted by the Judicial Council..." The Court Executives Advisory Committee is responsible for oversight of this program.

Our review found that the Court's records materially support the total new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2017-18.

OTHER AREAS

Background

We did not identify any other significant areas during the initial audit planning process that, based on our professional judgement, warranted any additional audit work. Therefore, we did not review compliance with any other areas.
