



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

JUNE 2022



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Stanislaus

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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 Stanislaus (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.

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

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	✓		
3	Manual Receipts	Yes	✓		
4	Mail Payments	Yes	2	2021-4-01; 02	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2021-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	✓		
Procurement and Contracts					
10	Procurement Initiation	Yes	✓		
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	✓		
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	Distribution Calculations	N/A	-		
Fund Balance					
26	Year-End Encumbrances	Yes	✓		
27	Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data					
28	Validity of JBSIS Data	Yes	✓		
Grant Award Compliance					
29	AB 1058 Program	Yes	✓		
Enhanced Collections					
30	Enhanced Collections	Yes	✓		
Other Areas					
31	[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 good compliance in the areas of reporting year-end encumbrances and in reporting new case filing counts and data to JBSIS. For example, our review of the Court's fund balance found that the Court properly supported the encumbrances it reported on its final FY 2020-21 calculation form with valid contracts for goods or services not received by June 30, 2021. In addition, our review found that its records materially supported the new case filing counts and data it submitted to JBSIS.

However, our audit did identify three 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 three findings are identified in Table 1 under the column "Reportable Findings" and include reference numbers indicating where the reader can view 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 the payments it receives in the mail. Specifically, the Court does not consistently restrictively endorse checks or other negotiable instruments received in the mail immediately upon receipt. Not immediately endorsing mail payments heightens the risk of theft or loss of these payments. The Court indicated it agreed with our findings and recommendations in this area and indicated taking corrective action to strengthen its controls over mail payments.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on November 19, 2021, and completed its fieldwork in May 2022. Audit Services shared the draft findings with the Court starting on February 7, 2022, and received the Court's final official responses on April 5, 2022. The Court agreed with the 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 Stanislaus (Court) operates seven court facilities in the cities of Modesto and Turlock. 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 Stanislaus Superior Court and Average of all Superior Courts

Statistic	Stanislaus 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 2020-21)							
Total Revenue	\$ 31,215,872	\$ 2,801,621	\$ 11,732,226	\$ 47,147,065	\$ 224,251,277	\$ 46,673,368	
Total Expenditures	\$ 30,906,352	\$ 2,685,427	\$ 11,793,650	\$ 47,226,007	\$ 224,907,619	\$ 46,774,840	
Staff Salaries & Benefits As a % of Total Expenditures	\$ 24,615,440 79.6%	\$ 1,783,894 66.4%	\$ 9,042,960 76.7%	\$ 36,756,739 77.8%	\$ 188,576,818 83.8%	\$ 38,140,615 81.5%	
Judicial Officers and Staff (2021 Court Statistics Report)							
Judges	22	2	8	30	142	30	
Commissioners/Referees	3	-	1	4	21	4	
Non-Judicial Staff (approx.)	250	16	86	310	1,419	302	
Total	275	18	95	344	1,582	336	
New Case Filings (Fiscal Year 2019-20)							
Appeal Filings	199	6	69	140	134	78	
Civil Filings							
Civil	7,293	265	1,932	8,189	52,641	9,898	
Family Law	4,747	234	1,415	4,899	24,294	5,046	
Juvenile Delinquency	410	25	121	502	1,245	337	
Juvenile Dependency	419	33	186	558	3,901	742	
Mental Health	2,249	14	206	1,383	8,293	1,536	
Probate	896	53	289	1,004	4,323	945	
Small Claims	1,035	37	203	818	5,802	1,070	
Criminal Filings							
Felonies	3,818	241	1,268	3,870	13,958	3,336	
Misdemeanors / Infractions	36,109	3,778	16,294	58,008	245,346	54,000	
Total	57,175	4,686	21,983	79,371	359,937	76,988	

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 May 4, 2022, 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. Stanislaus Superior Court is a cluster 3 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Stanislaus (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) 2020-21, 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 manual receipts, opening and processing mail payments, controlling access to change funds, 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 2020-21 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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4	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<p>During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) had recently completed a revenue audit of the Court's fine and fee distributions. The SCO reported no findings to the Court regarding its fine and fee calculations and distributions. Therefore, Audit Services determined it was not necessary to review any additional Court fine and fee calculations or distributions.</p>
5	<p>Determine whether the Court properly classified its year-end encumbrances 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 Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2020-21) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal year. As a result, no further review was deemed necessary.</p>
6	<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 2019-20), 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 selected 10 cases from six case types, for a total of 60 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.

7	Determine whether the Court spent AB 1058 grant awards from the Judicial Council in compliance with the grant award requirements.	We selected one month from fiscal year 2020-21 for each of the Child Support Commissioner and Family Law Facilitator grant awards and obtained the invoices submitted to the Judicial Council to determine whether the Court had sufficient records to support the expenditures charged to the grant. For example, for personnel service costs charged to the grant award, we reviewed the payroll records and employee timesheets to verify the costs and time charged to the grant. We interviewed selected employees to determine how they track and report the time they charged to the grant. We also reviewed other operating costs and expenditures charged to the grant award to determine whether the costs were supported, allowable, and allocable to the grant.
8	Determine whether Enhanced Collections revenue is funding only collections activities.	We obtained the Court’s Collection Report Template for fiscal year 2020-21 and determined whether the Court’s collection program met the minimum requirements for a comprehensive collection program as defined in state law. We identified and analyzed the revenues, expenditures, and transfers ins/outs for Fund 120007 (Enhanced Collections) to verify that Enhanced Collections revenue was used only to fund collections activities. For example, for personnel service costs charged to collections activities, we reviewed employee timesheets to verify the costs and time charged to the enhanced collection program. We interviewed selected employees to determine how they track and report the time they charged to collections activities. We also reviewed other operating costs and expenditures charged to determine whether the costs were supported, allowable, and allocable to collections activities.

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 June 29, 2022, 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 Dawn Tomita, Audit Manager:

Joe Meyer, Senior Auditor (auditor in charge), CPA, CIA

Sandra Gan, Senior Auditor, CPA

Lorraine De Leon, Auditor

Usamah Salem, Auditor, CFE

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Should Strengthen Its Controls Over Certain Payment Collection Processes

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 many of the areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its daily opening process and internet payments.

Nevertheless, we identified three audit findings 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
2021-4-01	Mail Payments – Reporting of Unprocessed Checks
2021-4-02	Mail Payments – Endorsement
2021-6-01	Change Fund – Accountability

FINDING REFERENCE: 2021-4-01

MAIL PAYMENTS – REPORTING OF UNPROCESSED CHECKS

CRITERIA

APPROVED ALTERNATIVE PROCEDURE FOR SUPERIOR COURT OF CALIFORNIA,
COUNTY OF STANISLAUS

All cash payments will be receipted the day received but any check payments not receipted the day received in the mail will be locked up until they can be rung into the system the next day. If checks are locked into a safe overnight, an adding machine tape will be made by two people and initialed acknowledging the amount of checks placed in the safe. All checks are normally rung within 24 hours but if a check is not rung within 10 days it will be entered on a log and sent to the Fiscal Manager for review. If not rung within 15 days the log will be forwarded to the Chief Executive Office.

CONDITION

Contrary to its JCC-approved alternative procedure, four of the six payment collection locations reviewed do not consistently report to court management the mail payments they have not processed within 10 and 15 days. Specifically, we found that the Fiscal, Family Law, Criminal, and Traffic Divisions do not consistently report to the CEO the payments they received in the

mail and held unprocessed for more than 15 days. While the Criminal location sends its log of unprocessed mail payments to the Fiscal Manager on a weekly basis, it does not send the log to the CEO if payments have not been rung within 15 days, as required by its JCC-approved alternate procedure. Our review also found three payments at the Criminal Division and one payment at the Family Law Division that had remained unprocessed for more than 15 days at the time of our observation, but the logs had not been forwarded to the CEO. According to the Criminal supervisor, the Criminal Division missed reporting to the CEO the checks received in the mail/drop box that remained unprocessed for 15 days or more due to a work backlog. Also, according to the Family Law supervisor, she did not report the check that was not rung within 15 days due to human error because the clerks did not let her know about this payment, though they should have. In addition, the Fiscal and Traffic Divisions do not maintain logs documenting unprocessed mail payments exceeding 10 days—which the Court says is rare—and send them to the Fiscal Manager, or send the logs to the CEO for payments that exceed 15 days. Finally, the Court’s JCC-approved alternative procedure requires payment locations to have two people run and initial an adding machine tape totaling the amount of unprocessed checks at the end of the day, and for this tape to be placed in the safe with the checks. However, the Traffic Division does not do this. According to the assistant supervisor, she was unaware of the alternative procedure. As a result, the Court does not capture sufficient information to monitor and track individual unprocessed mail payments, and is therefore at increased risk for lost or stolen mail payments.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should ensure that all supervisors/managers responsible for staff who process mail payments take steps to identify and log any mail payment that has been held for more than 10 and 15 days without being processed. For those mail payments held unprocessed for more than 10 and 15 days, the Court should also monitor to ensure the supervisors or managers consistently provide written reports to the CEO and CFO consistent with its JCC-approved alternate procedure. Finally, the Court should ensure that the Traffic Division includes an adding machine tape totaling the amount of unprocessed checks at the end of the day in the safe with the checks.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

Agree. Initially when the alternate procedure was put into place, only the Civil and Small Claims division had checks that were not rang in the day received. The procedure was directed at Civil and Small Claims and did not apply to any other divisions. Our error was that we did not follow up on a regular basis with all of the divisions (including Fiscal) to see if business processes had changed requiring the units to use the alternate procedure. The units now email a weekly log to Fiscal and if they do not have a log for the week, they email us to let us know that there is no log for the week. It is the duty of the Fiscal staff to review the log and forward to the Fiscal Manager or CEO as necessary. We will make sure Traffic and all supervisors are aware that two people must count and sign the receipt tape for the checks. We will also make sure all departments including Fiscal are utilizing the tracking log.

Response provided on 04/05/2022 by: Reena Amin

Date of Corrective Action: Ensuring all divisions are using the logs, two people are counting the checks to be locked in the safe, and reporting to Fiscal Manager or CEO as necessary has been put into place as of April of 2022.

Responsible Person(s): Jared Twomey, Senior Accountant

FINDING REFERENCE: 2021-4-02*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 consistently restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail. At the Civil Division, one clerk opens the mail, then gives the checks to another clerk for processing. The checks are not restrictively endorsed immediately upon receipt, but instead after they have been processed. Similarly, checks are also not endorsed immediately upon opening at the Family Law, Small Claims, Traffic Divisions. This occurs because the Court's mail payment processing procedures do not require immediate endorsement, and Court staff were unaware of this requirement. Nevertheless, the FIN Manual requires courts to restrictively endorse checks immediately upon receipt. Endorsing checks "for deposit only" into the court bank account 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. The supervisor at the Small Claims Division stated that moving forward, her division would begin endorsing checks received in the mail immediately upon receipt.

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 and periodic staff training, to ensure that all staff consistently restrictively endorse all checks, money orders, and other negotiable instruments immediately upon receipt in the mail.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. We are in the process of reviewing the stamps that are currently being used at each location and if necessary, will order stamps that will cover criteria above.

Response provided on 04/05/2022 by: Reena Amin, Fiscal Manager

Date of Corrective Action: April 2022 (Ordering of new stamps)

Responsible Person(s): Jared Twomey, Senior Accountant

FINDING REFERENCE: 2021-6-01**CHANGE FUND – ACCOUNTABILITY****CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

6. The court executive officer or his or her designee must appoint a custodian for each Cash Change Fund that is \$500 or more at any separately managed trial court location. The custodian is responsible for the safekeeping, replacement, disbursement, and accounting for the assigned Cash Change Fund. A copy of this policy must be given to the custodian to ensure that he or she understands the requirements for the Cash Change Fund.
 - a) The designated Cash Change Fund custodian should have no other cash-handling responsibilities, as noted in subsection 6.3.1(5).
7. At the end of each business day, individuals responsible for making change from the Cash Change Fund must—in the presence of a court manager, supervisor, or his or her designee—count, verify, and reconcile the Change Fund monies to the day's beginning balance, and initial and date the verification/reconciliation.

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

3. A presiding judge or his or her designee who wants to establish an alternative procedure will submit a signed and dated Request for Alternative Procedure (RAP) 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

A written response to the submission of alternative procedures will be returned to the submitting court within 60 business days of receipt of the document. When a Request for Alternative Procedure has been received by Judicial Council of California Staff, an acknowledgment of receipt will be returned to the submitting court. The 60-business-day response time will begin once the court receives that acknowledgment of receipt. Absent a response from Judicial Council of California Staff within 60 business days, the alternative procedure will be in effect, subject to further review and consideration by Judicial Council of

California Staff. Undocumented procedures or those not approved by Judicial Council of California Staff will not be considered valid for audit purposes.

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

Although the Court currently maintains a \$3,549 change fund in its Fiscal Division, which the Court uses to make change for cashiers at Family Law, Criminal, and Civil Divisions, it does not require someone to count and verify the change fund at the end of each day while in the presence of a manager or supervisor. Instead, this change fund is counted at the end of the month by a two-person team. The Court's Fiscal Services Manager stated that it does not seem feasible to count this change fund daily because by the time Court staff collect the cash bags for closing and fulfill the necessary change requests from the collection location cashiers, Court staff would not have time to perform this count before close of business. Additionally, the Court does not require the \$2,450 change fund at its Traffic Division payment location to be counted on a daily basis. Instead, this change fund is counted once a month by someone from the Fiscal Division. The assistant supervisor indicated that she was unaware of the FIN Manual requirement for a daily count. Finally, the Court does not require the \$600 change fund at its Civil Division to be counted on a daily basis. According to the supervisor, if the change fund is not used to make change, then they do not count the change fund. The thinking is that since no one has touched the actual cash, there is no need to verify the change fund since it should remain the same. This location does not keep a log showing the dates the change fund was verified, but instead it maintains a calculator tape initialed by both individuals who last verified the change fund, which is kept with the actual change fund. As a result, the Court's current practice of not counting and verifying its change funds on a daily basis in the presence of two people, as required by the FIN Manual, potentially allows a change fund shortage to occur without clear accountability of when the shortage may have occurred or who may have caused the shortage.

Additionally, the Fiscal Division, which has a \$3,459 change fund; the Traffic Division, which has a \$2,450 change fund; and the Civil and Small Claims Divisions, which each have a \$600 change fund; do not assign custody of their change funds to a specific individual who has no other cash handling responsibilities. Specifically, the CEO or his or her designee has not officially appointed a change fund custodian to oversee these change funds, as required by the FIN Manual. Instead, these locations' cash change funds are generally maintained by the supervisors, as well as the lead clerks who perform various cash handling duties throughout the day. At the Fiscal Division, all Fiscal staff members collectively maintain the cash change fund there. According to the Court, this occurs because it was unaware of this requirement, and the Small Claims Division has limited staff. However, the FIN Manual requires the CEO to appoint a custodian for each change fund that is \$500 or more who is not a cashier, and to provide the custodian with a copy of the FIN Manual policy to ensure the custodian understands the requirements applicable to the change funds. As a result, the locations are at risk of staff inappropriately using the change funds as no one individual at the location is responsible for the change fund and is thus without clear accountability. If the Court believes it is unfeasible to meet

this requirement at any of its locations that maintain a change fund, it should develop and submit an alternative procedure to JCC for review.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should establish local cash handling policies and procedures that align with the FIN Manual requirement. Specifically, the Court should ensure that individuals responsible for making change from the change funds count, verify, and reconcile the change fund monies to the day's beginning balance at the end of each business day. In addition to verifying the change fund at the end of each business day, the Court should ensure that the daily verification is performed while in the presence of a court manager, supervisor, or designee.

To ensure that the cash in each change fund remains reasonably secure and fully accounted for, the Court should appoint a single custodian for each of its cash change funds. If the Court determines that it cannot feasibly appoint a single custodian for each of its change funds, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure to increase the number of custodians assigned to each of its cash change funds.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. We will have cash fund custodians assigned to each location. We will develop an alternate procedure for the daily cash count and submit to JCC for approval.

Response provided on 04/05/2022 by: Reena Amin, Fiscal Manager

Date of Corrective Action: Alternate procedure regarding daily cash counts will be developed and submitted to JCC for approval, April 2022. Assign cash custodians at each division April 2022.

Responsible Person(s): Reena Amin

PROCUREMENT AND CONTRACTS

The Court Complied with Applicable Requirements for Procuring Goods and Services

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.

Our review found that the Court complied with applicable requirements for procuring goods and services. Specifically, the Court demonstrated compliance in various areas we evaluated during our audit, including demonstrating sound management practices in the areas of procurement initiation, leveraged purchase agreements, and contract terms.

PAYMENT PROCESSING

The Court Complied with Applicable Payment Processing Requirements

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.

Our review found that the Court complied with applicable requirements in the payment processing areas we evaluated during our audit. Specifically, the Court demonstrated sound management practices in the areas of special rules for in-court service providers, other items of expense, and other internal controls.

FINE AND FEE DISTRIBUTIONS

The Court Received No Fine and Fee Calculation and Distribution Findings

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.

During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) had recently completed a revenue audit of the Court's fine and fee distributions. The SCO reported no findings to the Court regarding its fine and fee calculations and distributions. Therefore, Audit Services determined it was not necessary to review any additional Court fine and fee calculations or distributions.

FUND BALANCE

The Court Appropriately Supported Its Year-End Encumbrances

Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed a defined percentage of a court's prior fiscal year operating budget. Operating budget is defined as the court's total expenditures from all funds (excluding fiduciary funds) that are expended for operating the court. Certain types of funds received by the court and restricted for certain purposes—as specifically designated in statute, and including year-end encumbrances—are exempt from this requirement. The intent of the legislation was to prevent trial courts from accumulating significant fund balances instead of spending the funds on court operations. Audit Services reviews year-end encumbrances to ensure courts do not inflate their calculated fund balance caps by overstating total year-end encumbrance amounts for the current fiscal year, avoiding any required reductions in their budget allocation.

In addition, should a court need to retain funds that exceed its 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 reporting year-end encumbrances. Specifically, the Court supported the encumbrances it reported on its final FY 2020-21 calculation form with valid contracts for goods or services not received by June 30, 2021.

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.

JBSIS CASE FILING DATA

The Court Reported Materially Accurate New Case Filing 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 supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2019-20.

GRANT AWARD COMPLIANCE

The Court Followed Appropriate Grant Accounting and Administrative Procedures

Background

Grant fund awards may substantially benefit a trial court's ability to serve the public. At the same time, the acceptance of grant funds may also represent an area of risk to the court because the grant money received by the court is provided for specific purposes and under conditions that apply to its use. Noncompliance with the terms of significant grant awards may result in the Court losing access to this grant funding in future years, or may result in the Court repaying funds spent inappropriately.

Courts are responsible for separately accounting for its receipt and spending of grant funds in Phoenix by using the appropriate grant coding. Courts are also responsible for following applicable federal, state, or Judicial Council rules when administering grant funds. These rules may pertain to performance reporting, financial reporting, personnel time tracking, among other areas.

Our review of its grant administration practices found that the Court followed appropriate grant accounting and administrative procedures and demonstrated material compliance with the Child Support Services grant and the Family Law Facilitator grant (AB 1058 program components) terms and conditions.

ENHANCED COLLECTIONS

The Court Appropriately Recovered Costs for its Enhanced Collections Program

Background

Penal Code section 1463.010(a) requires the Judicial Council to adopt guidelines for a comprehensive program concerning the collection of monies owed for fees, fines, forfeitures, penalties, and assessments imposed by court order. In addition, as part of its guidelines, the Judicial Council may establish standard agreements for entities to provide collection services. Section (b) requires courts and counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county. The program may be in whole or in part staffed and operated in the court itself, in the county, or contracted with a third party. Also, in carrying out its collection program, each superior court and county is required to develop a cooperative plan to implement the Judicial Council guidelines. Section (c) requires the Judicial Council to develop performance measures and benchmarks to review the effectiveness of the cooperative superior court and county collection programs operating pursuant to this section. Further, it requires each superior court and county to jointly report to the Judicial Council information requested in a reporting template on an annual basis.

The standards by which a court or county may recover the costs of operating a comprehensive collection program are provided in Penal Code section 1463.007. Collection costs (with the exception of capital expenditures) may be recovered from the collection of delinquent court-ordered fines, fees, forfeitures, penalties, and assessments imposed on infraction, misdemeanor, and felony cases before revenues are distributed to any other government entity. A comprehensive collection program is a separate and distinct revenue collection activity that meets certain requirements and engages in certain collection activity components as defined in state law. Eligible costs that can be recovered include staff costs, costs paid to another entity under an agreement for their collection activities, and indirect costs.

Our review found that the Court had a qualified enhanced collections program. Furthermore, we found that the Court appropriately recovered only eligible collection costs.

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.
