



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

NOVEMBER 2022



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Tuolumne

Table of Contents

EXECUTIVE SUMMARY i

BACKGROUND ON THE COURT’S OPERATIONS..... v

AUDIT SCOPE AND METHODOLOGY vi

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION 1

 CASH HANDLING 2

 PROCUREMENT AND CONTRACTS 3

 PAYMENT PROCESSING 13

 FINE AND FEE DISTRIBUTIONS 16

 FUND BALANCE 17

 JBSIS CASE FILING DATA 18

 GRANT AWARD COMPLIANCE 19

 ENHANCED COLLECTIONS 20

 OTHER AREAS 21

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 Tuolumne (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 Tuolumne

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	N/A	-		
2	Voided Transactions	N/A	-		
3	Manual Receipts	N/A	-		
4	Mail Payments	N/A	-		
5	Internet Payments	N/A	-		
6	Change Fund	N/A	-		
7	End-Of-Day Balancing and Closeout	N/A	-		
8	Bank Deposits	N/A	-		
9	Other Internal Controls	N/A	-		
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2022-10-01	Partially agrees
11	Authorization & Authority Levels	Yes	1	2022-11-01	Agrees
12	Competitive Procurements	Yes	1	2022-12-01	Agrees
13	Non-Competitive Procurements	Yes	1	2022-13-01	Agrees
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	1	2022-15-01	Agrees
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	1	2022-17-01	Agrees
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	Yes	✓		
Fund Balance					
26	Year-End Encumbrances	No	-	See Table 3, Item #5	
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/No	-	See Table 3, Item #7	
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 new case filing counts and data to JBSIS, and in meeting enhanced collections requirements. For example, our review found that the Court's records materially supported the new case filing counts and data it submitted to JBSIS. In addition, our review found that the Court properly supports its timekeeping and other expenses that it charges to enhanced collections activities.

However, our audit did identify six 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 six 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 the required three-point-match verification process when paying invoices and claims. Specifically, the Court could not demonstrate how it matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization for some transactions. Without written agreements or authorizations that specify the expected work, term, and pay, court accounts payable staff cannot fully perform the required three-point match. As a result, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges. The Court indicated it agreed with our finding and recommendation in this area and that it will work towards strengthening its three-point match system.

However, we note that we were unable to complete our audit work in two areas. Specifically, in the fund balance area, we were unable to obtain encumbering documents from the Court (such as contracts or purchase orders) that form the basis for the Court excluding \$90,300 from its fund balance subject to the cap. Without reviewing these documents and understanding when goods or services were to be provided, we were unable to evaluate the Court's adherence to the FIN manual's policies and procedures for encumbering funds.

Additionally, in the area of AB 1058 grants, we were unable to obtain an understanding of the Court's grant accounting and administration procedures to ensure they are in compliance with the AB 1058 Grant Manual. Specifically, we were unable to obtain a copy of the Court's written grant accounting and administration procedures, if any; to interview Court finance or accounting staff to gain an understanding of its grant accounting procedures; to interview Court grant administration staff to gain an understanding of the Court's grant administration and monitoring procedures; or to speak to employees who charge time to the AB 1058 program in order to understand and evaluate the controls used locally to ensure such time is recorded accurately and is allocable to the grant.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on March 23, 2021. Due to the Court's move to a new courthouse, Audit Services delayed commencement of fieldwork until early 2022, and

completed its fieldwork in August 2022. Audit Services shared the draft audit findings with the Court starting on September 6, 2022, and received the Court's final official responses on October 6, 2022. Overall, the Court agreed or partially 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 Tuolumne (Court) operates one court facility in the city of Sonora. 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 Tuolumne Superior Court and Average of all Superior Courts

Statistic	Tuolumne 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 2021-22)							
Total Revenue	\$ 6,232,515	\$ 3,172,319	\$ 13,328,338	\$ 52,376,156	\$ 246,999,727	\$ 51,684,415	
Total Expenditures	\$ 6,273,920	\$ 3,037,601	\$ 13,053,383	\$ 50,487,218	\$ 234,036,431	\$ 49,333,857	
Staff Salaries & Benefits As a % of Total Expenditures	\$ 4,058,637 64.7%	\$ 1,890,548 62.2%	\$ 9,846,026 75.4%	\$ 38,856,533 77.0%	\$ 194,866,135 83.3%	\$ 39,810,945 80.7%	
Judicial Officers and Staff (2022 Court Statistics Report)							
Judges	4	2	8	30	142	30	
Commissioners/Referees	1	-	1	4	21	4	
Non-Judicial Staff (approx.)	36	16	86	307	1,394	298	
Total	41	18	95	341	1,557	332	
New Case Filings (Fiscal Year 2020-21)							
Appeal Filings	64	6	69	140	134	78	
Civil Filings							
Civil	673	265	1,932	8,189	52,641	9,898	
Family Law	542	234	1,415	4,899	24,294	5,046	
Juvenile Delinquency	86	25	121	502	1,226	334	
Juvenile Dependency	147	33	186	558	3,907	743	
Mental Health	105	14	206	1,383	8,293	1,536	
Probate	105	53	289	1,004	4,330	946	
Small Claims	129	37	203	818	5,802	1,070	
Criminal Filings							
Felonies	664	241	1,268	3,870	13,051	3,211	
Misdemeanors / Infractions	4,769	3,778	16,294	57,646	237,934	52,897	
Total	7,284	4,686	21,983	79,009	351,612	75,759	

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 25, 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. Tuolumne Superior Court is a cluster 2 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Tuolumne (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. 	During the planning phase of the audit, the Court expressed concerns over us performing on-site fieldwork due to ongoing concerns and uncertainty related to COVID-19. Since our audit procedures rely extensively on in-person observations of key controls, we did not perform this work.
3	Determine whether the Court demonstrated appropriate control over its non-personal services spending	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,

<p>activities. Specifically, our review included the following:</p> <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>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>
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>The Court did not provide us with encumbering documents (such as contracts or purchase orders) that form the basis for the court excluding \$90,300 from the Court’s fund balance subject to the cap. Without reviewing these documents and understanding when goods or services were to be provided, we could not evaluate the Court’s adherence to the FIN manual’s policies and procedures for encumbering funds.</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

		<p>JBSIS definitions for reporting each case filing.</p>
<p>7</p>	<p>Determine whether the Court spent AB 1058 grant awards from the Judicial Council in compliance with the grant award requirements.</p>	<p>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 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.</p> <p>However, we were unable to obtain an understanding of the Court’s grant accounting and administration procedures to ensure they are in compliance with the AB 1058 Grant Manual. Specifically, we were unable to obtain a copy of the Court’s written grant accounting and administration procedures, if any; to interview Court finance or accounting staff to gain an understanding of its grant accounting procedures; to interview Court grant administration staff to gain an understanding of the Court’s grant administration and monitoring procedures; or to speak to employees who charge time to the AB 1058 program in order to understand and evaluate the controls used locally to ensure such time is recorded accurately and is allocable to the grant.</p>
<p>8</p>	<p>Determine whether Enhanced Collections revenue is funding only collections activities.</p>	<p>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</p>

		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.
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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 November 8, 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

Michelle O'Connor, Senior Auditor, CPA, CGFM, CFE

Sandra Gan, Senior Auditor, CPA

Lorraine De Leon, Auditor

Usamah Salem, Auditor, CFE

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

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.

During the planning phase of the audit, the Court expressed concerns over us performing on-site fieldwork due to ongoing concerns and uncertainty related to COVID-19. Since our audit procedures rely extensively on in-person observations of key controls, we did not perform this work.

PROCUREMENT AND CONTRACTS

The Court Should Ensure Its Procurement Practices Are Closer Aligned with the JBCM Requirements

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 in various of the procurement areas we evaluated during our audit, such as entering into leveraged purchase agreements. Nevertheless, we identified five audit findings that we believe require the Court's corrective action. The findings pertain to the following specific areas of procurement:

Finding Reference	Subject
2022-10-01	Procurement Initiation
2022-11-01	Authorization and Authority Levels
2022-12-01	Competitive Procurements
2022-13-01	Non-Competitive Procurements
2022-15-01	Contract Terms

FINDING REFERENCE: 2022-10-01 *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?

CONDITION

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For 10 procurement transactions reviewed, the Court did not document or require a purchase request and management approval of the request prior to commencing the procurement. For example, in 2018 the Court entered into a \$350,000 contract with a vendor to implement the collections portion of its CMS, but the Court did not have a purchase requisition form that had been reviewed and approved. Additionally, for other contracts or agreements reviewed in the amounts of \$184,000 annually for court security services and \$60,000 to assist the Court in implementing pre-trial policies, the Court stated it did not have a purchase requisition. Nonetheless, the use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the procurement process. When the Court does not consistently document its purchase requests and authorizations, it risks the appearance that it is making purchases that may not be appropriate or not allowed and not in its best interests.

RECOMMENDATION

To ensure it can demonstrate that its purchases are appropriately justified, funded, and approved, the Court should take steps to ensure its staff follow the Court's procurement procedures which will ensure the Court consistently obtains and documents in its procurement files the purchase requisitions that document the approved purchase requests prior to its staff starting the purchasing activity.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree – The Court does not consistently use purchase requisitions. The Court will retrain staff as to the proper protocol when requesting purchases.

Disagree – Items #13, #14, #15, #23 – All of these either went through a complete RFP process and/or have signed contracts in place between the Contractor and the Court, therefore the Court did not feel a requisition was warranted. In the future, the Court will attach copies of the

contracts along with a log of payments made to date for verification that payment is within the contract payment boundaries to suffice the lack of a “requisition”.

Response provided on 10/05/2022 by: Shelley Walker, Fiscal Manager & Acting ACEO

Date of Corrective Action: FY 2022/2023

Responsible Person(s): Fiscal Staff

AUDIT SERVICES’ COMMENTS ON COURT’S VIEW

To provide clarity and perspective, we are commenting on the Court’s response. The purpose behind having a purchase requisition is to ensure management approves proceeding with the solicitation before significant resources are spent, such as the time and effort committed to developing the RFP and evaluating bidder proposals. The requisition process ensures the Court’s management agrees with the need for the goods or services being proposed for purchase. The JBCM (as noted in our finding) recommends the Court’s staff first obtain internal approvals to conduct the procurement in accordance with its Local Contracting Manual. As noted in another finding, the Court lacks a Local Contracting Manual that would further clarify management and staff’s roles and responsibilities at the start of the procurement process. We stand by our recommendation that the court document in sufficient detail its approval, support, and justification for conducting its procurements, and that it document its purchase requisition process in its Local Contracting Manual.

FINDING REFERENCE: 2022-11-01

AUTHORIZATION AND AUTHORITY LEVELS

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.

FIN MANUAL, FIN 1.02, 6.2 RESPONSIBILITIES:

2. The presiding judge and court executive officer will establish internal controls over financial reporting to assure that:
 - f. The trial court has established a system of authorization to provide effective management control over its assets, liabilities, revenues and expenditures. Specific levels and scopes of authority must be established for executives, managers, supervisors, and staff, with dollar limits where appropriate, in areas such as procurement, contract approval, payment authorization, etc. Any dollar limit established must fit within the overall approval framework established by rule of court and this manual.
 - g. An authorization matrix listing the scope and levels of authority for various trial court employees has been created and maintained by the court. The authorization matrix must be updated as responsibilities change, and no less frequently than annually. The authorization matrix must be reestablished each time a new presiding judge is elected. The matrix must be provided to court, county, and accounting service providers for reference as necessary. This matrix must also be provided to internal and external auditors upon request.

CONDITION

The Court has not adopted a Local Contracting Manual as required by the Judicial Branch Contracting Manual (JBCM) and state law. Additionally, the Court does not have a written delegation of duties signed by the Presiding Judge that authorizes the CEO to approve procurements, contracts, expenditures, and the allocation of funds. Per Public Contract Code 19206, courts are required to adopt a local contracting manual consistent with the requirements of PCC 19206 and to identify individuals with responsibility and authority for procurement and contracting activities. Therefore, the Court has not officially documented various internal control procedures related to purchase approval authority, the use of purchase cards, or other required tasks, such as providing notice to certain state agencies when entering into certain large contracts. As a result, the Court is at increased risk of not procuring and reporting the goods and services it procures in a manner consistent with the law, Rules of Court, or the JBCM, as well as being at increased risk of making purchases that may not be needed and may not be in the Court's best interest.

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. The Court should also take steps to ensure it has a written delegation of duties authorizing the CEO to engage in specified procurement-related activities.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree – The Court does not have a written delegation of duties signed by the Presiding Judge that authorizes the CEO to approve procurements, contracts, expenditures, and the allocation of funds. The Court will work with the Presiding Judge to form this written delegation of duties in fiscal year 2022/2023. The Court's current local contract manual is outdated. The Court will update this contract manual within the next few months, and thereafter annually update this manual.

Response provided on 10/05/2022 by: Shelley Walker, Fiscal Manager & Acting ACEO

Date of Corrective Action: Court will work with Presiding Judge to create the CEO delegation of duties as soon as possible.

Responsible Person(s): Shelley Walker, Fiscal Manager & Acting ACEO and Hector Gonzales CEO

FINDING REFERENCE: 2022-12-01

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, 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.

CONDITION

For two of the procurement transactions reviewed for which the JBCM competitive solicitation requirements applied, the Court could not demonstrate that it competitively bid the procurements when it first entered into contracts or agreements with various service providers. Specifically, in fiscal year 2020-21 the Court spent \$60,000 on services to assist with implementing pre-trial policies and \$14,975 to renew the technical support subscription for its network servers.

Although the Court stated that these purchases were part of a competitive solicitation, it could not demonstrate following a competitive solicitation process for these procurements or justifying a sole-source procurement. When the Court does not follow and use the proper JBCM competitive solicitation procedures, it cannot ensure it receives the best value for goods and services, and also risks the appearance that it is not awarding its procurements fairly.

RECOMMENDATION

To increase transparency to the public and to demonstrate it performed its due diligence to consistently procure goods and services through a fair and competitive procurement process, the Court should ensure it uses the solicitation appropriate for the amount and type of procurement. It should also retain appropriate procurement documents in a procurement file to substantiate its compliance with all applicable JBCM requirements.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree – The Court has not been consistent in following proper protocol for the competitive solicitation process nor has the Court been consistent to document sole source justification purchases. We will work on this issue and properly train those court staff that are soliciting competitive purchases on documentation and how to justify and document sole source purchases.

Response provided on 10/05/2022 by: Shelley Walker, Fiscal Manager & Acting ACEO

Date of Corrective Action: FY 2022/2023

Responsible Person(s): Shelley Walker, Fiscal Manager & Acting ACEO

FINDING REFERENCE: 2022-13-01

NON-COMPETITIVE PROCUREMENTS

CRITERIA**JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 5, 5.9 SOLE SOURCE:**

A sole source request must be provided to the sole source approver.

The sole source request should include the following information:

- Description of the non-IT goods, non-IT services, or IT goods and services to be procured;
- Explanation of why the non-IT goods, non-IT services, or IT goods and services cannot be procured competitively;
- The effort made to solicit competitive Bids, if any;
- Documentation that the pricing offered is fair and reasonable; and
- Special factors affecting the cost or other aspect of the procurement, if any.

CONDITION

For six of the procurements reviewed, the Court did not document its justification for not following a competitive procurement process. In one sample we tested, the Court paid a vendor \$225,000 in fiscal year 2020-21 for computers, printers, and other miscellaneous items to be used in its new courthouse. According to the Court, this was a non-competitive procurement, but it did not document why it did not use a competitive bidding process in selecting this vendor. In another procurement we reviewed, the Court paid a vendor \$36,000 in fiscal year 2021-22 for shelving and installation. The Court paid the same vendor another \$34,000 during the fiscal year for office supplies. According to the Court, due to the nature of its courthouses, this is the only vendor that will make deliveries to multiple locations and on multiple floors without an elevator, and the vendor is willing to store miscellaneous office products for the Court at no additional charge, but the Court did not document this justification in its procurement files. For another sample we tested, the Court procured mailing services for jury summons for fiscal year 2020-21 at a cost of \$29,500. According to the Court, it has used this vendor since approximately 2001, proposals were submitted at that time, and the Court has continued to use its services since then. However, according to the JBCM, a sole source request must be provided to the sole source approver and should document the description of the goods or services, an explanation of why the goods and services cannot be competitively bid, any efforts to solicit competitive bids, documentation that pricing offered is fair and reasonable, and any other special factors affecting the cost or other aspects of the procurement. When courts do not reasonably justify a reason for not following 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 ensure it can explain why certain goods or services were not procured competitively, the Court must comply with the JBCM's requirements for identifying and using sole-source providers. If the Court believes there is no viable competition for certain goods or services given its remote location, it should consider developing a "Special Category Request" per Chapter 5, section 5.10 of the JBCM.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree – One note on this issue, this was the height of COVID-19, the Court was in the midst of trying to relocate to our new Courthouse, and resources were limited during this period. The Court used some of these vendors, as they were the only vendors that would even complete or supply the needs of the Court due to COVID-19 restrictions. With that said, the Court could have done a better job documenting the sole source provider reasons to satisfy the contract manual protocol. We will work on this issue and properly train those court staff that are soliciting competitive purchases on documentation and how to justify and document sole source purchases.

Response provided on 10/05/2022 by: Shelley Walker, Fiscal Manager & Acting ACEO

Date of Corrective Action: FY 2022/2023

Responsible Person(s): Shelley Walker, Fiscal Manager & Acting ACEO

FINDING REFERENCE: 2022-15-01*CONTRACT TERMS***CRITERIA**

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 8, 8.3 (A) CONTENT OF CONTRACTS:

JBEs must include legally required terms in their contracts and should include other terms that the JBE determines are necessary to protect the JBE and mitigate the risks associated with the contract.

Sample language for terms and certifications required to be included in JBE contracts is available from the Judicial Council, together with templates for complete contracts.

Use of these sample provisions and templates is optional. Each JBE may modify the provisions or templates or use its own forms. JBEs may also use a Vendor-provided form contract provided the final contract includes appropriate terms and meets applicable legal requirements.

- Contract elements

Each contract must identify the contracting parties. Contracts typically consist of three major elements:

- Statement of Work (SOW), including the schedule of performance;
- Pricing and payment; and
- Other terms and conditions.

Each of these elements must be clearly defined so that the JBE's needs are met, and the contractor and the JBE understand their performance obligations.

- Each major element is described below, including typical subject matters that are frequently grouped together in contract sections regarding the specific element. However, contract provisions are not required to be in any specific location in the contract. For example, a topic listed below as part of a typical

1. Statement of Work (SOW)

The SOW describes the goods to be purchased and/or the services to be performed. The JBE must include a detailed description of the goods to be delivered or the services to be

performed, together with any deliverables required and conditions of performance, if applicable. The contract must specify (as applicable): (i) when goods are to be delivered, (ii) when services are to be performed (start date and end date), (iii) when deliverables must be provided to the JBE, and (iv) when other contract milestones must be completed.

2. Pricing and Payment

The price the JBE will pay for goods and services under a contract must be clearly stated. The contract should clearly specify the basis for compensation and the terms of payment, such as: lump sum (one-time payment), firm fixed price, unit price, labor rate, or other specific basis.

3. Terms and Conditions

The contract must include specified rights and obligations of either party that are not included in the SOW or the pricing and payment section, including additional provisions that apply to performance under the contract, as applicable.

CONDITION

For nine of the 25 procurement transactions reviewed, the Court did not execute written contracts or agreements stipulating the agreed-upon services and pricing. For example, the Court paid the county more than \$89,000 in fiscal year 2021-22 for various services without a written agreement or MOU in place. According to the Court, it has had an informal agreement in place with the county since 1998. For another procurement we reviewed, the Court paid a clinical psychologist more than \$35,000 during the fiscal year for psychiatric evaluations without any written contract or agreement. According to the Court, due to its rural location, it uses the services of doctors willing to accept appointments. For another transaction reviewed, the Court paid a vendor more than \$29,500 for printing services. According to the Court, it has used this vendor's services since approximately 2001, but it does not have a written contract on file. However, without written contracts, POs, agreements, or authorizations that specify the expected scope of work, term, and pay, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

RECOMMENDATION

To protect its best interests, the Court should institute a practice of executing written contracts and agreements prior to receiving goods and/or services. Further, it should ensure these contracts and agreements include clear and complete terms that are in its best interest. Specifically, prior to executing contracts or agreements, it should establish and include in its contracts and agreements clear descriptions of the goods or services expected from the vendor and the associated pricing so that both the vendor and Court know what is expected and what it will pay. This will help to ensure it continues to receive best value goods and services.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree – The Court will work with the County to implement MOU documents for provided County services for this fiscal year and future years. The same will be true for our clinical psychologist contracts, as most do not have formal contracts. As a rural Court, we are at times at the mercy of whatever provider might be willing to service the Court cases/clients our area.

Response provided on 10/05/2022 by: Shelley Walker, Fiscal Manager & Acting ACEO
Date of Corrective Action: FY 2022/2023
Responsible Person(s): : Shelley Walker, Fiscal Manager & Acting ACEO

PAYMENT PROCESSING

The Court Should Strengthen Its Verification of Invoices and Claims Prior to Payment

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 various payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of other items of expense, jury expenses, and allowable costs. Nevertheless, we identified one audit finding in the payment processing area that we believe requires the Court's corrective action. This finding pertains to the following specific area of payment processing:

Finding Reference	Subject
2022-17-01	Three-Point Match

FINDING REFERENCE: 2022-17-01

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.
3. Vendor invoices shall not be processed for payment without completing the three-point match procedure. If one element is missing (e.g., if there is no evidence of receipt of goods or services), the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

CONDITION

For 18 of the 40 payment transactions reviewed, the Court could not demonstrate completing the entire three-point-match verification process when paying invoices and claims. For example, the Court paid the county \$288,000 during fiscal year 2020-21 to provide various services to the Court, including accounting services, janitorial services, and certain legal services. However, the Court does not have an MOU with the county, so the Court's accounts payable staff is unable to verify that the amounts billed to the Court for these services were correct. Additionally, the Court paid a vendor \$29,500 during the fiscal year for printing services, but the Court does not have a contract with the vendor that its accounts payable staff can verify the rates charged against. Also, the Court paid \$16,400 to one vendor and \$3,642 to another vendor during the fiscal year for rehabilitation services for clients in the Court's Drug Dependency Program. However, the Court does not have a contract or other documentation with either vendor that sets payment terms and amounts. Finally, the Court received a quote for 65 computers at a total cost of \$67,000, and the quote specified the computer model. The Court received and paid for 65 computers that were a different model at a total cost of \$51,000. Court staff noted on the invoice that these were substitutions for the computer model in the original quote, but there is no updated quote, order form, email, or other documentation available to document that the Court agreed to the substitution, or that accounts payable staff could agree the invoiced amount to. Without written agreements or authorizations that specify the expected work, term, and pay, court accounts payable staff cannot fully perform the required three-point match. Additionally, when Court staff do not perform the required three-point match, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

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 approving vendor payments. Specifically, the Court should ensure that it has a written contract or agreement with clear pricing terms on file for each of its procurements, and provides these contracts or agreements to its accounts payable staff so that they are able to fully perform the required three-point match and verify the accuracy of vendor invoices prior to payment approval and processing.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree – The Court will work towards strengthening our 3-point match system in order for our Fiscal staff to verify the accuracy of billings. In addition, the Court will need to establish contracts with those vendors providing DDC rehabilitation services in order for the Court to have better oversight on billing charges. Again, due to COVID supply delays, the Court IT Manager was willing to accept a different model of computer in order for us to furnish all computers that

were necessary for our new Courthouse. The billing was noted as to why the change was made and cost was substantially less, so court Fiscal staff felt this was sufficient back up for the change. In the future, we will require email back up from the vendor to justify the change and agreement to such by Court staff.

Response provided on 10/05/2022 by: Shelley Walker, Court Fiscal Manager & Acting ACEO

Date of Corrective Action: FY 2022/2023

Responsible Person(s): Shelley Walker, Court Fiscal Manager & Acting ACEO

FINE AND FEE DISTRIBUTIONS

The Court Generally Calculated Accurate Fine and Fee Distributions for the Case Types Reviewed

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 generally configured its automated case management systems to accurately calculate and distribute the fines, penalties, assessments, and fees collected to the appropriate funds and entities.

FUND BALANCE

The Court Did Not Provide Support for 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 three 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.

The Court did not provide us with encumbering documents (such as contracts or purchase orders) that form the basis for the court excluding \$90,300 from the Court's fund balance subject to the cap. Without reviewing these documents and understanding when goods or services were to be provided, we could not evaluate the Court's adherence to the FIN manual's policies and procedures for encumbering funds.

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 Did Not Provide Support that It 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.

We were unable to obtain an understanding of the Court's grant accounting and administration procedures to ensure they are in compliance with the AB 1058 Grant Manual. Specifically, we were unable to obtain a copy of the Court's written grant accounting and administration procedures, if any; to interview Court finance or accounting staff to gain an understanding of its grant accounting procedures; to interview Court grant administration staff to gain an understanding of the Court's grant administration and monitoring procedures; or to speak to employees who charge time to the AB 1058 program in order to understand and evaluate the controls used locally to ensure such time is recorded accurately and is allocable to the grant.

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.
