

# TRIAL COURT FINANCIAL *Policies & Procedures* MANUAL

ADMINISTRATIVE OFFICE OF THE COURTS  
FINANCE DIVISION

SEVENTH EDITION  
SEPTEMBER 1, 2010

7





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ADMINISTRATIVE OFFICE  
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## **Judicial Council of California**

### **Administrative Office of the Courts**

To the Managers and Staff of California's Trial Courts:

The Lockyer-Isenberg Trial Court Funding Act of 1997 has been called *"one of the most significant historic changes in our legal system's structure."* The act, also known as AB 233, relieved California's county governments of responsibility for funding trial court operations, shifting that responsibility to the state.

This momentous change has far-reaching effects for the trial courts, which have relied on their respective counties for funding and operations and administrative support for over 40 years. Most importantly, the shift to state funding ushers in a new era of financial stability. The trial courts are assured they will receive the resources needed to provide public access to justice in their communities.

AB 233 requires the trial courts to assume new responsibilities for fiscal management and to be accountable for their use of public resources. It calls for the Judicial Council to *"adopt appropriate rules for budget submission, budget management, and reporting of revenues and expenditures by each court...the Judicial Council, shall maintain appropriate regulations for recordkeeping and accounting by the courts, in order to determine all moneys collected by the courts, including filing fees, fines, forfeitures, and penalties, and all revenues and expenditures relating to court operations."*

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In compliance with California Rules of Court, Rule 10.804, which requires the Administrative Office of the Courts (AOC) to adopt financial policies and procedures, this manual, has been developed to establish the financial and accounting policies of California's 58 trial courts. The manual is intended to assist the trial courts in complying with statutory requirements and administrative policies and procedures for trial court fiscal management. Between editions of the manual, Finance Memos will communicate new or enhanced financial policies and procedures to the trial courts. These Finance Memos will serve as interim guidelines, must be incorporated into your local manual, and distributed to court personnel as appropriate.

The manual sets out a system of fundamental internal controls that will enable the trial courts to monitor their use of public funds. To provide flexibility to trial court managers, the manual does not prescribe highly detailed procedures. Rather, it defines the guidelines and boundaries within which the courts will conduct their fiscal operations. The AOC recognizes that adhering to some of the procedures may not be efficient for smaller sized courts due to reliance on county systems and practices. In these instances, alternative procedures must be documented, incorporated into your local manual, and distributed to court personnel.

Unless otherwise noted, alternative procedures to those included in the Trial Court Financial Policies and Procedures Manual or your county's policy documents, must be approved by the AOC. Undocumented procedures or those not approved by the AOC will not be considered valid for audit purposes.

It is imperative that local trial court operations and fiscal managers review their current practices, policies, and procedures to be sure that they are within the guidelines established by this manual. The AOC is available to provide guidance and to assist the trial courts in their efforts to improve fiscal operations and increase accountability for public funds.

For ease of use, this manual is divided into sections. Each section includes policies and procedures on specific business operations topics. A table of

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contents is included in each section to aid users in locating information on specific subjects.

The topics covered in this manual include:

- Trial Court Organization
- Fiscal Management
- Fund Accounting
- Budgets
- Accounting Practices
- Procurement
- Contracts
- Accounts Payable
- Fixed Assets
- Collections
- Audits
- Record Retention
- Banking and Treasury
- Security
- Miscellaneous

This manual will be revised and updated periodically. You are encouraged to submit suggestions for improving trial court business operations to:

AOC Finance Director  
 Re: Trial Court Financial Policies and Procedures Manual  
 455 Golden Gate Avenue, 7th Floor  
 San Francisco, CA 94102-3688

For specific questions related to the manual, please send them in writing to the address above.



# Judicial Council of California Administrative Office of the Courts

## Trial Court Financial Policies and Procedures Manual - 7th Edition

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# Manual Organization and Structure

The *Trial Court Financial Policies and Procedures Manual* is an integrated set of financial policies and procedures designed to promote consistency and standardization in the business practices of California's trial courts. Each policy addresses a major topic that is discussed in a common structure and format, and includes the purpose of the procedure, a policy statement, table of contents, application statement, relevant key terms, and the specific guiding procedures intended to implement the policy topic.

## Structure of Financial Policies

Policy Title	
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	This policy applies to all trial court officers and employees.
<b>5.0</b>	<b>Definitions</b>
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To facilitate manual configuration and revisions, each procedure has a cover sheet that states the procedure name and number, the effective date of the procedure, and the most recent procedure revision date. The procedure number and title are repeated on the header of each page of the manual.

This Manual is organized to allow the trial courts flexibility to conduct normal operations within the parameters of applicable federal, state, and Judicial Council requirements. Particular emphasis has been placed on certain aspects of financial practices where warranted by the subject matter.

## **Method of Citation**

Using common terminology when referring to specific parts of the Manual will avoid confusion and help others find citations quickly and easily. For example, a reference to one of the organizational requirements for handling cash would be written FIN 10.02, 6.3.2 (1) (a) (i) and would be read Policy Number FIN 10.02, Sub-section 6.3.2, Paragraph 1, Item a, Sub-item i.



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **TRIAL COURT ORGANIZATION**

**POLICY NUMBER: AOC FIN 1.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

June 15, 2010

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# Trial Court Organization

## **1.0 Table of Contents**

(Original 8/01)

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2.0 Purpose

3.0 Policy Statement

4.0 Application

5.0 Definitions

6.0 Text

6.1 The Judicial Council

6.2 The Administrative Office of the Courts

6.3 The Trial Court

6.4 Trial Court Operating Standards

7.0 Associated Documents

## **2.0 Purpose**

(Revised 9/10)

The purpose of this policy is to describe the organizational structure, duties and responsibilities, and authority of the major governmental organizations that make up or have an administrative or policy-making role for the State of California trial court system.

## **3.0 Policy Statement**

(Revised 9/10)

The Judicial Council of California is the governing body of the California court system, including the trial courts. Consistent with its constitutional authority, the requirements of the Lockyer-Isenberg Trial Court Funding Act of 1997 (AB 233) and other legislation, the Judicial Council has established financial rules that allow and require the trial courts to operate responsibly.

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#### **4.0 Application** (Original 8/01)

This procedure applies to all trial court officials and employees.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key term used in this policy.

**Lockyer-Isenberg Trial Court Funding Act of 1997 (AB 233)**



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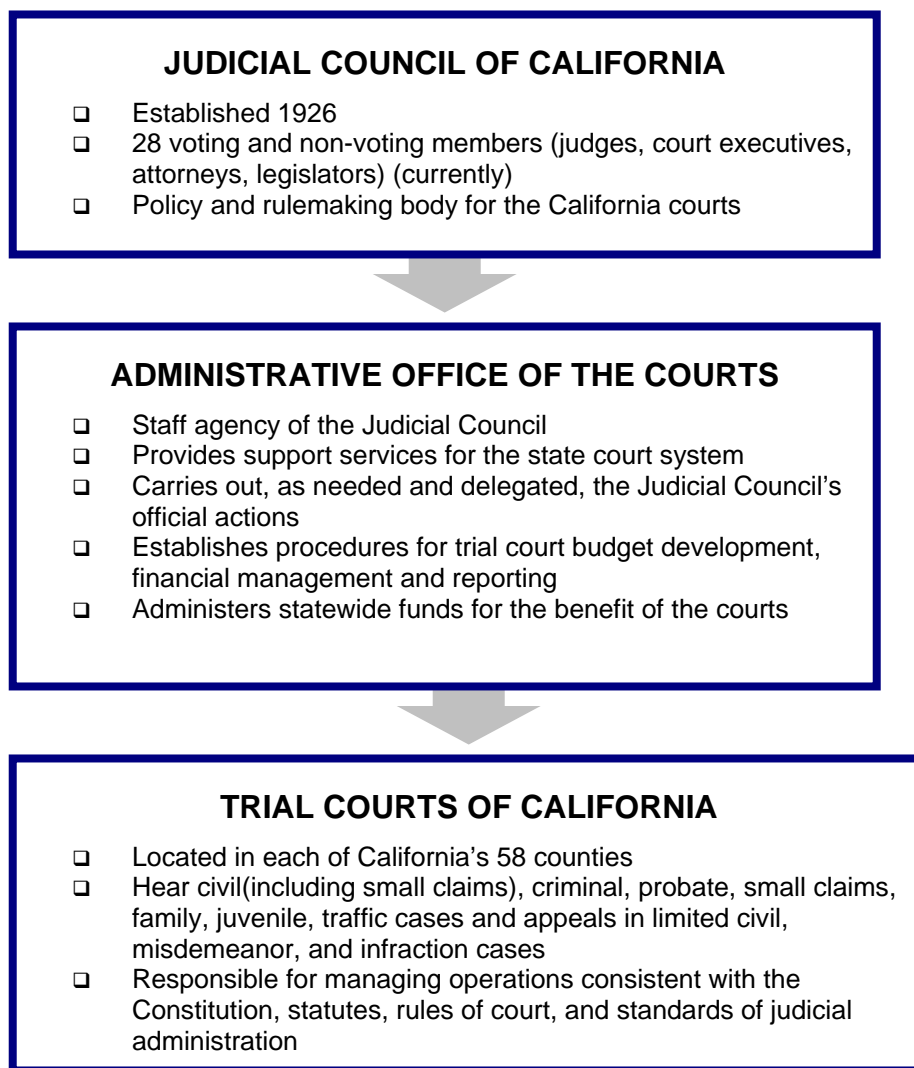
## 6.0 Text

(Original 8/01)

The trial court is subject to the policies and rules established by the Judicial Council and the policies and procedures established by the Administrative Office of the Courts (AOC), under delegation from the Judicial Council, as shown in the figure below.

### **State of California Trial Court Organization**

(Revised 9/10)



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## 6.1 The Judicial Council

### 6.1.1 Organization of the Judicial Council

(Revised 9/10)

1. The Judicial Council of California was established in 1926 by article VI, section 6 of the state Constitution. The 28-member council has policy and rule-making authority over the California courts, the nation's largest court system. The California Constitution directs the Judicial Council to make recommendations annually to the Governor and the Legislature, and adopt rules of court administration, practice, and procedure.
2. The Judicial Council operates by adopting rules, policies, and procedures. The rule-making authority is constitutionally derived. The policy and procedure making authority stems primarily from statute. The council also establishes advisory committees and task forces to assist it in its decision making.
3. The Judicial Council is composed of the following members:
  - a. The Chief Justice, who chairs the Judicial Council.
  - b. Fourteen judges appointed by the Chief Justice.
  - c. Four attorneys appointed by the State Bar Board of Governors.
  - d. One member from each house of the Legislature.
  - e. Seven non-voting advisory members, including representatives of the California Judges Association and state court administrative agencies. The state Constitution provides for two court administrators and empowers the Judicial Council to appoint other advisory members.

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### **6.1.2 Duties and Responsibilities of the Judicial Council**

The Judicial Council's duties and responsibilities are defined by the State Constitution and statute. With respect to the operation and fiscal management of the trial courts, the Judicial Council has the responsibility and authority to:

- a. Adopt a budget and allocate funding for the trial courts.<sup>1</sup>
- b. Adopt policies and procedures governing practices and procedures for budgeting in the trial courts.<sup>2</sup>
- c. In consultation with the State Controller, must maintain appropriate regulations for recordkeeping and accounting by the courts.<sup>3</sup>
- d. Adopt rules ensuring that, upon written request, the trial courts provide, in a timely manner, information relating to the administration of the courts, including financial information.<sup>4</sup>
- e. Prepare budget requests for the courts and oversee the allocation and management of the court system's budget.<sup>5</sup>
- f. Allocate resources in a manner that enables the trial courts to carry out their functions, and promote the implementation of statewide policies, efficiencies and cost saving measures in court operations.<sup>6</sup>
- g. Adopt a schedule for allocating funds to individual trial courts.<sup>7</sup>
- h. Provide for uniform entry, storage, and retrieval of court data relating to civil cases and court administration.<sup>8</sup>

<sup>1</sup> Government Code (GC) 68502.5(c)

<sup>2</sup> GC 77202(c)(1)

<sup>3</sup> GC 77206(a)

<sup>4</sup> GC 77206(f)

<sup>5</sup> GC 68502.5

<sup>6</sup> GC 68502.5(c)

<sup>7</sup> GC 68502.5(a)(4)

<sup>8</sup> GC 68513

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- i. Promulgate rules for the establishment of efficient trial court management.<sup>9</sup>
- j. Regulate the budget and fiscal management of the trial courts.

### **6.1.3 Rules of Court**

1. Under Article VI, section 6 of the Constitution of California, the Judicial Council is charged with improving the administration of justice. The Judicial Council has constitutional authority to “*adopt rules for court administration, practice and procedure ... not inconsistent with statute.*” California Rules of Court have the force of law.
2. The state legislature can also have the Judicial Council perform other functions as prescribed by statute.
3. The Judicial Council’s Standards of Judicial Administration contain recommendations for court practices and procedures. The standards provide guidelines and include goals that courts and judges are urged to attain.

## **6.2 The Administrative Office of the Courts** (Revised 9/10)

### **6.2.1 Organization of the AOC**

1. The Administrative Office of the Courts (AOC) is the staff agency to the Judicial Council and carries out its official actions and other functions delegated by the council or the Chief Justice.

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<sup>9</sup> GC 77206(a)

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2. The AOC's mission is to serve the courts for the benefit of all Californians by advancing excellence, leadership, and service in the administration of justice.

(Original 8/01)

3. The AOC's authority to develop and implement management and administrative programs, rules, policies, and procedures is delegated by the Judicial Council, which also sets guidelines for the AOC to operate within.
4. The AOC organization is led by the Administrative Director of the Courts who is responsible for:
  - a. Implementing the directives of the Judicial Council.
  - b. Developing policies and procedures for the creation and implementation of a yearly budget for the judiciary.
  - c. Presenting the judiciary's budget in negotiations with the Governor and the Legislature.
  - d. Ensuring that the fiscal affairs of the trial courts are managed efficiently, effectively and responsibly.<sup>10</sup>
5. The AOC Finance Director, under the direction of the Administrative Director of Courts, administers the budget policies and procedures developed by the Administrative Director of the Courts and approved by the Judicial Council. The AOC Finance Director:
  - a. Develops and administers the budget preparation process and ensures the submission of a final budget recommendation for the judiciary to the Department of Finance each year.

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<sup>10</sup> GC 77206(a)



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- b. Develops a manual of procedures for the budget request process, revenues, expenditures, allocations, and payments.
  - c. Monitors all revenues and expenditures for the judiciary.
  - d. Develops recommendations for fiscal priorities and the allocation and reallocation of funds.
  - e. Assists the courts and the Administrative Director of the Courts in preparing and managing budgets.
6. The Finance Division provides an integrated program of budget planning, asset management, accounting, procurement, contract management, and internal audit to the judicial branch.

### **6.2.2 Duties and Responsibilities of the AOC**

1. The primary responsibility of the AOC is to carry out the directives of the Judicial Council. With respect to the fiscal management of the trial courts, the AOC has been granted the authority to:
  - a. Establish budget procedures and an annual schedule of budget development and management consistent with Judicial Council rules.
  - b. Set forth the criteria for the Judicial Council's trial court budget request.
  - c. Administer the Trial Court Improvement Fund along guidelines set by the Judicial Council.
  - d. Administer the Judicial Administration Efficiency and Modernization Fund along guidelines set by the Judicial Council.

### **6.3 The Trial Court** (Original 8/01)

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### **6.3.1 Organization of the Trial Court**

1. Trial courts are located in each of California's 58 counties.
2. The trial court organization structure is as follows:

(Revised 9/10)

- a. Each trial court is headed by a Presiding Judge, who is ultimately responsible for all of the administrative actions of the court.

(Original 8/01)

- b. The Court Executive Officer, who reports directly to the Presiding Judge, is responsible for the management and administration of court operations.
- c. The trial court may also employ a Court Fiscal Officer, who is responsible for the detailed management of the court's financial and accounting functions.
- d. The trial court operations are typically organized based on the programs that the courts conduct within the county that they reside in. Examples of court programs are General Civil, Family Law, Probate, Small Claims, Traffic, Criminal, Juvenile and miscellaneous programs.
- e. The trial court shall prepare an organizational chart that should be updated at least once per year.

### **6.3.2 Duties and Responsibilities of the Trial Court**

(Revised 9/10)

1. Pursuant to Government Code 77001 the Judicial Council is required to "adopt rules which establish a decentralized system of trial court management including:

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(Original 8/01)

- a. Local authority and responsibility of the trial courts to manage day-to-day operations.
- b. Countywide administration of the trial courts.
- c. The authority and responsibility of the trial courts to manage all of the following, consistent with statute, rules of court, and standards of judicial administration:
  - i. Annual allocation of funding, including policies and procedures about moving funding between functions or line items or programs.
  - ii. Local personnel plans, including the promulgation of personnel policies.
  - iii. Processes and procedures to improve court operations and responsiveness to the public.
  - iv. The trial courts of each county shall establish the means of selecting presiding judges, assistant presiding judges, executive officers or court administrators, clerks of court, and jury commissioners.
- d. Trial court input to the Judicial Council budget process.
- e. Equal access to justice throughout California utilizing standard practices and procedures whenever feasible.

#### **6.4 Trial Court Operating Standards**

(Revised 9/10)

1. The Judicial Council has delegated to the AOC the responsibility of preparing and adopting financial policies and procedures for trial courts as provided by California Rules of Court, rule 10.804.

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2. The AOC Finance Director under the direction of the Administrative Director of Courts periodically updates this manual for use of the trial courts.
  - a. This manual is intended to assist the trial courts in complying with statutory requirements, rules of court, and various industry and professional standards.
  - b. Between editions of the manual, finance memos may be issued by the AOC Finance Director to modify, adopt or repeal financial policies or procedures as appropriate. These finance memos are interim policies and procedures and are considered adopted as interim amendments to this manual immediately upon expiration of the 30-day comment period as provided by rule 10.804(b) unless modified within that period. Under rule 10.804(c), superior courts must adhere to these changes within 60 days after adoption of the amendment.
3. The Trial court shall manage its operations within the limits established by Judicial Council policies, procedures, rules, and programs prepared and adopted by the AOC.
  - a. The trial courts must develop processes to guide staff in the implementation of the policies and procedures contained in this manual, or to perform particular procedures with limited supervision. Local policies and procedures developed and used by the trial court will be documented, incorporated into the local trial court manual, and distributed to court personnel. Local policies and procedures can incorporate portions of this manual and can be worded differently provided the policies and procedures are consistent with the policies and procedures contained in this manual.
  - b. To the extent that the trial court continues to rely on county processes, the trial court can continue to follow local county

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policies and procedures as long as they are consistent with the policies and procedures in this manual.

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

AOC Finance Director  
Attn.: Trial Court Alternative Financial Policies and Procedures  
455 Golden Gate Avenue, 7th Floor  
San Francisco, CA 94102-3688

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 the AOC, an acknowledgement of receipt will be returned to the submitting court. The 60 business-day response time will begin once the court receives that acknowledgement of receipt. Absent a response from the AOC within 60 business-days, the alternative procedure will be in effect, subject to further review and consideration by the AOC. **Undocumented procedures or those not approved by the AOC 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 the AOC.



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## **7.0 Associated Documents**

(Revised 9/10)

### **Request for Alternative Procedure Form**

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## **Request for Alternative Procedure-Superior Court of , dated**

### **Requestor Information**

Superior Court :

Name:

Title:

### **Date Received by the AOC:**

Regarding AOC Policy No. FIN #.0#:

1. Extract from current Trial Court Financial Policies and Procedures Manual regarding requested alternative procedure.
2. Describe in detail the reason(s) for the alternative procedure and include proposed alternative procedure text.

\_\_\_\_\_  
Name and Title, Superior Court of

\_\_\_\_\_  
Date

### **AOC Evaluation of Request**

### **Accepted or Not Accepted**

\_\_\_\_\_  
**Administrative Office of the Courts**

\_\_\_\_\_  
**Date**



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **RESPONSIBILITIES AND AUTHORITY**

**POLICY NUMBER: AOC FIN 1.02**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009

## Responsibilities and Authority

(Original 8/01)

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- 4.0 Application
- 5.0 Definitions
- 6.0 Text

(Revised 9/10)

- 6.1 Governance and Accountability
- 6.2 Responsibilities
- 6.3 Duties
- 7.0 Associated Documents

### **2.0 Purpose**

(Revised 9/10)

The purpose of this policy is to establish the general responsibilities and authorities of trial court judges, subordinate judicial officers, management, supervisors, and staff with regard to the financial operations of the court, and the preparation of internal and external financial reports.

### **3.0 Policy Statement**

(Revised 7/06)

The trial court is subject to the rules and policies established by the Judicial Council or by the AOC under delegation by the council to promote efficiency and uniformity within a system of trial court management. Within the boundaries established by the Judicial Council, each trial court has the authority and is responsible for managing its own operations. All employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity and professionalism. All employees shall also operate within the specific levels of authority that may be established by the trial court for their positions.

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## **4.0 Application**

(Revised 9/10)

This procedure applies to all trial court judges, subordinate judicial officers, employees and other officials who are responsible for the preparation of internal and external financial reports or participate in the financial operations of the court.

## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Accountability**

**California Rules of Court**

**Fiscal Year-End Generally Accepted Accounting Principles (GAAP)  
Reports**

**Governmental Accounting Standards Board (GASB)**

**Quarterly Financial Statement (QFS)**



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## 6.0 Text

### 6.1 Governance and Accountability

(Revised 9/10)

1. The judicial branch is a separate branch of government and must demonstrate its capability to exercise strong leadership and to responsibly govern itself. As the courts assume greater responsibility for their governance they must ensure that they retain the confidence of the public and that of their sister branches of government. The judiciary has established policies and standards with the goal of ensuring the fiscal and administrative accountability from the courts that the public expects.
2. Trial courts play an important role in the overall governance, independence and accountability of the judicial branch. Accordingly, courts must maintain an appropriate administrative framework through which accountability is achieved at the local level.
3. Trial court administration is based on a framework of rules, relationships, systems and processes within and by which fiscal and administrative accountability is established, exercised and controlled in a trial court.

### 6.2 Responsibilities

(Revised 9/10)

1. CRC 10.603(a), details general responsibilities of the Presiding Judge related to the administration of the court.
2. The Presiding Judge and Court Executive Officer will establish internal controls over financial reporting to assure that:
  - a. Receipts and expenditures are made only as authorized;

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- b. Steps are in place to prevent and detect theft; and
- c. Any financial report produced, including the QFS and Fiscal Year-End Reports, accurately and fairly reflects all fund balances, assets liabilities, revenues, and expenditures of the trial court regardless of the source.
- d. The trial court is staffed with knowledgeable and trained employees who implement the financial and accounting policies and procedures presented in this manual in conducting trial court fiscal operations.
- e. The trial court has adopted written job descriptions for all positions covered by the policies and procedures contained in this manual. Each job description includes a duty statement and minimum qualifications.
- 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.

### **6.3 Duties**

(Revised 9/10)

1. California Rules of Court, rule 10.603 lists the duties for the **Presiding Judge**, including:
  - a. Establish a process for consulting with the judges of the court on budget requests, expenditure plans, and other budget or fiscal matters that the presiding judge deems appropriate;
  - b. Establish responsible budget priorities and submit budget requests that will best enable the court to achieve its goals; and
  - c. Approve procurements, contracts, expenditures, and the allocation of funds in a manner that promotes the implementation of state and local budget priorities and that ensures equal access to justice and the ability of the court to carry out its functions effectively. In a court with an executive officer, the presiding judge may delegate these duties to the court executive officer, but the presiding judge must ensure that the court executive officer performs such delegated duties consistent with the court's established budget.
2. **Court Executive Officer.** The Court Executive Officer serves under the direction of the Presiding Judge and has the responsibility to oversee the court's operations. The duties of the Court Executive Officer are specified in California Rule of Court 10.610.

(Original 8/01)

3. **Fiscal Officer.** The Fiscal Officer (the Court Executive Officer may also assume this role, depending on the court's organizational structure) is responsible for managing the court's fiscal operations, accounting, and financial reporting. The Fiscal Officer is generally responsible for performing the following duties:

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- a. Establishes, maintains and enforces all financial policies and procedures, whether they are developed internally or prescribed by statute or the Judicial Council.
- b. Maintains the court accounting system and financial records.
- c. Assures the implementation of a system of financial internal controls.
- d. Assures the court has an efficient and effective system to record and report employee time and attendance, accrue leave, and distribute the court payroll.
- e. Plays a critical role in developing the court's annual budget.
- f. If applicable, assures that all cash collected by the court is handled securely, properly accounted for and deposited, and accurately distributed and reported.

(Revised 9/10)

- g. Monitors the trial court budget and actual expenditures to identify variances, determine their cause, and implement measures to reduce or eliminate future variances.
- h. Prepares the court's financial statements including the QFS and Fiscal Year-End financial information as required by the Judicial Council.

(Original 8/01)

- i. Monitors cash flow and projects future cash flow needs to assure that the court can meet its financial obligations.
- j. Serves as the primary point of contact for the court in the event of an audit of the courts financial records.
- k. Maintains an inventory of the court's fixed assets and inventory items.

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- I. Performs other fiscal duties that may be delegated by the Court Executive Officer.

(Revised 9/10)

4. **Managers/Supervisors.** All managers and supervisors are responsible for ensuring that all fiscal operations and staff under their direction comply with this manual as well as AOC Finance Division Memorandums and the local policies and procedures established by the trial court.
5. **Staff.** Each trial court staff member is responsible for observing the court's rules for ethical behavior and for complying with this manual as well as AOC Finance Division Memorandums and the local policies and procedures established by the trial court.

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## 7.0 **Associated Documents** (Original 8/01)

**None**



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# **INTERNAL CONTROLS**

**POLICY NUMBER: AOC FIN 1.03**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

March 11, 2010

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# INTERNAL CONTROLS

## **1.0 Table of Contents**

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## **2.0 Purpose**

(Revised 9/10)

The purpose of this policy is to provide the trial courts with a broad based understanding of internal control, and establish the minimum standards for trial courts to use when forming organization plans, implementing operational and financial procedures and controlling financial records.

## **3.0 Policy Statement**

(Revised 9/10)

1. It is the policy of the trial court to maintain effective internal control systems as an integral part of its management practices. The trial court will continuously monitor and evaluate internal control systems for the purpose of strengthening existing operational, administrative, and financial controls.



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2. This policy recognizes that the objective of an internal control system is to minimize the court's financial, administrative, and operational risks, provide reasonable, but not absolute, assurance that court assets are properly safeguarded, and help the court comply with applicable law and accounting requirements.

#### **4.0 Application** (Revised 9/10)

This procedure applies to all trial courts of California including their judges, subordinate judicial officers, employees, and agents.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Accountability**  
**Accounting System**  
**Control Environment**  
**Fiscal Officer**  
**Internal Control**

#### **6.0 Text**

##### **6.1 Internal Control Concepts** (Revised 9/10)

1. The concepts of internal control reflect the following<sup>1</sup>:
  - a. Internal control is a process. It is a means to an end, not an end itself;

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<sup>1</sup> Internal Control – Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission (COSO), 1992

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- b. Internal controls are implemented by individuals
- c. A system of internal control can be expected to provide only reasonable assurance, not absolute assurance;
- d. Internal control is aimed at the achievement of one or more of the following separate, but sometimes overlapping, objectives:
  - i. Effectiveness and efficiency of operations;
  - ii. Reliability of financial reporting; and
  - iii. Compliance with applicable laws and regulations.

Internal control is not one event or circumstance, but a series of actions that permeate the trial court's activities. These actions are pervasive, and are inherent in the way the Presiding Judge, Court Executive Officer, and other court-staff run the trial court. The internal control system is intertwined with the trial court's operating activities and exists for fundamental business and legal reasons. Internal controls are more effective when they are built into the trial court's operations and information systems.

- 2. Since internal controls are implemented by individuals, they can break down and fail. They also can be purposefully circumvented by individuals. As a result, trial courts must monitor the effectiveness of their internal controls, which most often is accomplished through a supervisory review process. When an internal control breaks down or fails, the trial court must take the necessary corrective action(s) to ensure conformity with established standards.
- 3. Internal controls are either preventative or detective. The intent of these controls is different but both types are essential to an effective internal control system.
  - a. Preventative controls attempt to deter or prevent undesirable events from occurring. They are proactive controls that help to

prevent an undesirable event and accordingly are proactive and emphasize quality.

- b. Detective controls, on the other hand, attempt to detect undesirable acts once they have occurred. They provide evidence that the undesirable event occurred but do not prevent it from occurring. However, detective controls play a critical role providing evidence that the preventative controls are functioning effectively.

## **6.2 Benefits of an Effective System of Internal Control**

(Revised 9/10)

1. As a public institution, the trial court must maintain the highest standard of ethics and level of integrity to inspire public confidence and trust in the court system. Negative public perception about a trial court erodes public confidence in the fairness of the court system. An effective system of internal controls minimizes the trial court's exposure to operational and financial risks and negative public perception.
2. An effective system of internal control is not a catalog of "do not's" that are designed to force the trial court into performing unnecessary, and possibly costly tasks. An effective system of internal controls supports the trial court's efforts in meeting its objectives and is designed to inspire public confidence and trust in the court system by protecting the trial court's assets and promoting properly managed operations.
3. An effective system of internal control not only protects the trial court, but also trial court judges and staff. An ineffective system of internal control makes it easier for people to conceal mistakes, errors, and inefficiencies. A properly designed, implemented, and continuously monitored system of internal control protects court assets and resources by reducing or eliminating opportunities for

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individuals to commit and conceal errors or other inappropriate acts.

4. Specific examples of benefits that can be derived from an effective system of internal control include:
  - a. Execution of transactions according to management's authorization.
  - b. Proper accounting for and maintenance of court assets.
  - c. Accurate and reliable court financial and statistical records and reports.
  - d. Court compliance with all applicable laws, rules, regulations and internal policies and procedures.
  - e. Court accountability for public resources.
  - f. Passing internal or external audits conducted by trial court staff; federal/state/county/public agencies, and other entities (or their contractors).
  - g. A lower risk of media scrutiny.
5. Other more general examples of the benefits provided by an effective system of internal control include:
  - a. Efficient and effective resource management.
  - b. Protection of court assets from unauthorized access, misuse or theft.
  - c. Prevention of employees engaging in high-risk activities, committing errors, or concealing irregularities without management detection.
  - d. Efficient performance of daily duties because employees follow clear and concise management guidelines.

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- e. Employees are responsible and accountable because roles and responsibilities are understood.
  - f. Increased employee morale because court operations are based on high ethical and professional standards that inspire confidence.
6. Benefits to the court are not limited to the examples listed above. Each trial court may have a unique Control Environment. Derived benefits will be specific to these Control Environments. Ultimately, the most important outcome of an effective system of internal control is that management can be reasonably assured that its objectives will be achieved.

### **6.3 Key Elements of an Effective System of Internal Control** (Revised 9/10)

Effective internal control systems consist of five interrelated components:<sup>2</sup>

1. Control Environment sets the tone of a trial court, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure;
2. Risk assessment is the trial court's identification and analysis of risks relevant to the achievement of its objectives;
3. Control activities are the policies and procedures that help ensure that trial court management directives are carried out;
4. Information and communication systems support the identification, capture, and exchange of information in a form and time frame that enables trial court staff to carry out their responsibilities; and

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<sup>2</sup> Statement on Auditing Standards No. 55, Consideration of Internal Control in a Financial Statement Audit, American Institute of Certified Public Accountants. Also, Internal Control – Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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5. Monitoring is a process that assesses the quality of internal control performance over time.

### **6.3.1 Control Environment**

1. The Control Environment reflects the tone set by the Presiding Judge, Court Executive Officer and Fiscal Officer and the overall attitude, awareness and actions of the trial court and others concerning the importance of internal control and the emphasis placed on the trial court's policies, procedures, methods, and organizational structure. It is the foundation for all other components of internal control, providing discipline and structure.
2. The key components of the Control Environment include:
  - a. Integrity, ethical values, and behavior of the Presiding Judge, Court Executive Officer, Fiscal Officer, and other key judicial officers, supervisors, and managers;
  - b. Trial court's control consciousness and operating style;
  - c. Trial court's commitment to competence;
  - d. Presiding Judge, Assistant Presiding Judge, Court Executive Committee, Court Executive Officer, and Chief Fiscal Officer's participation in governance and oversight;
  - e. Organizational structure and assignment of authority and responsibility;
  - f. Human resources policies and procedures; and
  - g. An effective compliance program.
3. Competent Personnel
  - a. The court must require a high degree of competency and integrity from all of its employees. A competent staff is able to

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accomplish its assigned duties, which enables court management to achieve its goals.

- b. Employee competence should be enhanced through a combination of education, experience, and training.

#### 4. Supervision

- a. Court management must provide appropriate supervision of court employees to assure that approved procedures are followed.
- b. The court must ensure that all employees apply due care and diligence in the daily performance of their duties.
- c. Court management must ensure that the reporting hierarchy between employees and supervisors is well defined.  
Supervisors must be held responsible for their own actions as well as the actions of their subordinates.

#### 5. Organizational Structure

To build a solid foundation upon which trial court management and staff can operate efficiently and be held accountable for their performance, the court must:

- a. Maintain a current organization chart with clear reporting hierarchies.
- b. Maintain current job descriptions to define the duties and responsibilities of court employees.
- c. Define and document the scope and dollar level of authority for all executive officers, managers, supervisors, and staff
- d. Provide documentation of authority to commit court resources to the court, county, and/or accounting service providers that process transactions for reference.

- 6. Additionally, a trial court should ensure, where practical, that key functions identified by the trial court performed by an individual

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employee are performed by a different, sufficiently trained employee for a minimum of ten consecutive business days each year. This can be accomplished in many ways including any combination of the following methods:

- a. Having a different employee perform the duties of the regularly assigned employee while the regularly assigned employee is on vacation;
- b. Rotating employees so that they are not performing their regularly assigned job function(s) for the minimum ten consecutive business days; and
- c. Utilizing Phoenix Shared Services Center staff to periodically perform certain functions of the regularly assigned employee.

### **6.3.2 Risk Assessment**

1. Risk Assessment is the entity's identification and analysis of relevant risks (both internal and external) associated with the achievement of objectives, forming a basis for determining how the risks should be managed.

Risk is defined as the uncertainty of an event occurring that could have an impact on the achievement of objectives. Risk is assessed in terms of consequences and likelihood of occurrence.

At the highest levels, goals and objectives will be presented in a strategic and operational plan that includes a mission statement and broadly defined strategic and operational initiatives. At the department level, goals and objectives will support the organization's strategic plan. Goals and objectives are classified in the following categories:

- a. Operational objectives. These objectives pertain to the achievement of the basic mission(s) of a unit or department within a trial court and the effectiveness and efficiency of its operations, including performance standards and safeguarding resources against loss.



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- b. Financial reporting objectives. These objectives pertain to the preparation of reliable financial reports, including the prevention of financial reporting irregularities.
- c. Compliance objectives. These objectives pertain to adherence to applicable laws, rules, regulations and internal policies and procedures.

### **6.3.3 Control Activities**

1. In implementing appropriate controls, courts must incorporate internal control concepts in establishing policies and procedures that help ensure that management directives are carried out. Control activities can be categorized as the establishment, preparation, completion or performance of the following:
  - a. Authorizations – Transactions must be authorized and executed in accordance with management’s intent.
  - b. Segregation of duties – Segregation of duties is adequate when no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of their duties.
  - c. Record keeping – Adequate record keeping ensures that assets are properly controlled and transactions are properly recorded as to account, amount, and period.
  - d. Safeguarding – Limiting access to and controlling the use of assets and records are ways to safeguard those assets and records.
  - e. Reconciliations – Reconciliation is a memo or other signed writing that contains an independent verification of a fact, the preparation of which helps to ensure that the other four control activities are functioning as intended.
2. General computer and application controls are sometimes used to provide an automated and systematic way to address one or more

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of the above control activities. When this occurs, the general computer and application control must adhere to the policies and procedures outlined in this manual.

3. From an overall perspective, the trial court's control activities are affected by:
  - a. The establishment of local desktop policies and procedures which address at a more detailed level each of the trial court's activities and controls.
  - b. Clearly written budget and other financial and operating goals that have been communicated throughout the trial court and are actively monitored.
  - c. The establishment of planning and reporting systems to identify variances from planned budget and operating goals, and communicate any variances to the appropriate level of management within the trial court for investigation and timely corrective action(s).
  - d. Logically divided or segregated duties (whether manually or through appropriately setting-up information technology (IT) applications) among different people to reduce the risk of inappropriate actions.
  - e. Periodic comparisons of physical assets (e.g., cash, inventory, fixed assets) to the amounts recorded in the accounting system.
  - f. The establishment of adequate safeguards to prevent unauthorized access to or destruction of documents, records, and assets.
  - g. The establishment of policies for controlling access to programs and data files. If access security software, operating system software, and/or application software is used to control access to system programs and data, an information security function must be in place and responsible for monitoring compliance with information security policies and procedures.

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#### 4. Local Policies and Procedures

- a. The trial court will establish, distribute, and maintain certain local policies and procedures (desktop procedures) for trial court staff to follow in performing their duties and functions.
- b. The local desktop procedures must be in sufficient detail for trial court staff to complete a task without assistance. The local desktop procedures should encompass, at minimum, all appropriate internal controls and responsibilities, accountability for court assets, recording and reporting of financial transactions, maintenance of court records, and preparation of reconciliations.
- c. As long as the local policies and procedures fall within the requirements and guidelines established in this manual, the court may adopt additional state, county, or internally developed financial policies and procedures that are applicable to its operations. See Policy No. FIN 1.01 Trial Court Organization, Section 6.4, Paragraph 4 for a discussion of alternative procedures.

#### 5. Proper Authorization and Documentation

- a. The court must establish a system of authorization to provide effective management control over its assets, liabilities, revenues and expenditures. The specific levels and scope of authority of executives, managers, supervisors, and staff, with dollar limits where appropriate, must be established and documented. That documentation will be provided to applicable court, county, and accounting service provider personnel, and to the AOC, for reference.
- b. When processing transactions, evidence of authorization must be maintained in the accounting files to document that:
  - i. Proper authorizations are obtained.

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- ii. Authorizations are issued by court employees acting within the scope of their authority.
- iii. Transactions conform to the terms of the authorizations.

#### 6. Appropriate Segregation of Duties

- a. An organization plan should be established that provides for an appropriate segregation of duties; this will help safeguard trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction.
- b. Work must be assigned to court employees in such fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. The following duties must not be assigned to only one individual:
  - i. Authorizing expenditure and recording the transaction in the accounting system.
  - ii. Approving a purchase requisition and performing the purchasing function (choosing the vendor, deciding on the price, and issuing the purchase order). Approving a purchase order and using the purchase card to pay for the transaction.
  - iii. Performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order), performing accounts payable, authorizing vendor payment, or processing accounts payable, and maintaining the vendor master file (establishing new vendors and updating vendor information).
  - iv. Receiving cash and also establishing or modifying case files without appropriate supervisor review and approval, other

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than updating cash balance for payments received (Case Management System or manual records).

- v. Receiving and disbursing money.
  - vi. Receiving money and preparing cash settlement reports.
  - vii. Receiving money and preparing bank reconciliations.
  - viii. Receiving payments by mail and also establishing or modifying case files without appropriate supervisor review and approval (Case Management System or manual records).
  - ix. Maintaining detailed accounts payable records and reconciling bank statements.
  - x. Approving or recording time records and preparing payroll.
  - xi. Processing accounts payable and having any accounts payable check access.
  - xii. Preparing payroll and updating information in the personnel master files.
  - xiii. Processing payroll and reconciling bank statements.
- c. For tasks associated with bank accounts, the same person should not perform more than one of the following types of duties:
- i. Receiving and depositing remittances.
  - ii. Inputting receipts information.
  - iii. Authorizing disbursements.<sup>3</sup>
  - iv. Controlling pre-printed check stock.

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<sup>3</sup> In computerized systems, initiation, approval, and the input of disbursement information to the system should be performed by different people.

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- v. Preparing checks.
  - vi. Operating a check signing machine or having control over the electronic signature.
  - vii. Signing checks or comparing machine-signed checks with authorizations and supporting documents.
  - viii. Reconciling bank accounts and posting the general ledger or any subsidiary ledger affected by cash transactions, and/or reconciling system input to output.
- d. If segregation of duties cannot be achieved due to staffing limitations, court management must apply alternate control methods to mitigate the risks.

Work processes should be carefully reviewed to determine the critical points where segregation of duties must be implemented, considering the staff resources that are available.

As an example, if one individual handles all phases of the cash collection process (i.e., collecting cash, preparing bank deposits and updating the case files), then another employee should be made responsible for depositing the cash in the bank. Additional review and reconciliation of the case files by supervisors or higher levels of management might also be performed on a routine basis.

## 7. Safeguarding

The court must limit access to its assets to authorized personnel who require these assets to perform their assigned duties. Access includes both direct physical access and indirect access such as preparing and processing documents authorizing transactions that impact court resources.

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## 8. Reconciliation

- a. The trial court staff member who prepares a reconciliation of discrepancies must sign and date the reconciliation to evidence when the reconciliation was performed.
- b. The trial court supervisor or manager who reviews and approves the reconciliation must sign and date the reconciliation to evidence when the reconciliation was reviewed and approved.
- c. Trial court personnel are prohibited from simply adding a fictional amount in order to force reconciliation into balance in cases where they cannot determine why the reconciliation is out of balance; instead, they must add a reconciling item to the reconciliation.
- d. The trial court must identify and itemize each reconciling item in a reconciliation by including on the reconciliation:
  - i. The “as-of-date” of the general ledger, bank statement or other system generated reports used by the trial court to perform the reconciliation,
  - ii. The dollar amount of the unknown difference, and
  - iii. A short description that identifies possible errors that may have resulted in the need to enter a reconciling item.
  - iv. In each subsequent reconciliation the trial court must use the original date the reconciling item was identified until the reconciling item is resolved.
  - v. If trial court personnel are unable to resolve the reconciling item for more that 60 calendar days, the reconciling item must be reviewed by the Fiscal Officer to determine disposition.
- e. The trial court must develop local policies and procedures that define:
  - i. When an outstanding reconciling item must be escalated to the Court Executive Officer or Presiding Judge.

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- ii. When an outstanding reconciling item must be deemed irresolvable and the steps that trial court personnel must follow to discharge or adjust the outstanding reconciling item.
- iii. Who may approve any discharges taken by the trial court.

#### **6.3.4 Information and Communication Systems**

1. Information and communication systems support the identification, capture, and exchange of information in a form and time frame that enable management and other appropriate trial court personnel to carry out their responsibilities.
2. From an overall perspective, the effectiveness of the trial court's information systems is affected by:
  - a. The ability of information systems to provide trial court management with necessary reports on the trial court's performance relative to established objectives, including relevant external and internal information.
  - b. The ability of information systems to provid necessary reports to the right people in sufficient detail and on time to enable them to carry out their responsibilities efficiently and effectively.
  - c. The capability of the information systems to support the overall business strategy and strategic plans of the trial court.
  - d. The allocation of sufficient human and financial resources to support current information systems as well as necessary enhancements to and/or development of new information systems.
  - e. The establishment of a business continuity/disaster recovery plan for all primary information systems.
3. From an overall perspective, the effectiveness of the trial court's communications are affected by:



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- a. Timely and adequate communications to employees whereby each employee becomes aware of his/her duties and control responsibilities.
- b. The establishment of communication channels for people to report suspected improprieties.
- c. Adequate communication across the organization that enables people to discharge their responsibilities effectively.
- d. Timely and appropriate follow-up action on communications received from customers, vendors, regulators, or other external parties.

### **6.3.5 Monitoring**

1. The quality of internal control performance is monitored over time. The purpose of monitoring is to determine whether internal controls are adequately designed and properly used in connection with all five internal control components: control environment; risk assessment; control activities; information and communication systems; and monitoring.
2. From an overall perspective, the effectiveness of the trial court's monitoring process is affected by:
  - a. Periodic evaluations performed by supervisory and management personnel to obtain documented evidence as to whether the system of internal control continues to function.
  - b. Management actions to:
    - i. Implement internal controls recommended made by internal and independent auditors;
    - ii. Correct known deficiencies on a timely basis; and
    - iii. Respond appropriately to reports and recommendations from regulators.

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## **6.4 Effective System of Internal Review**

(Revised 9/10)

1. The court must establish an effective system of internal review to ensure that all financial transactions are properly and accurately recorded and reported on a timely basis as required.
2. An effective system of internal review includes, but is not limited to, the following:
  - a. Transaction balancing such as preparing and comparing batch totals against transaction details.
  - b. Verifying system records against original records.
  - c. Independent review and approval of transactions by supervising or managing personnel.
  - d. Periodic (not less than monthly) reviews of applicable accounting records (relating to budgets, cash flow, timekeeping, payroll, procurement, cash collection, etc.) against original entries for accuracy.
  - e. Periodic management review of actual expenditures and revenues against budget items for propriety and reasonableness.

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## 7.0 Associated Documents

(Original 8/01)

**None**



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# **FINANCIAL MANAGEMENT**

**POLICY NUMBER: AOC FIN 2.01**

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# Financial Management

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  - 6.4 Internal Controls
  - 6.5 Accounting Records
  - 6.6 Financial Reporting
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## **2.0 Purpose**

(Revised 9/10)

The purpose of this policy is to establish uniform guidelines for the trial court to monitor and control its fiscal operations and publicly account for its performance in accordance with California Rule of Court, No. Rule 10.804.

## **3.0 Policy Statement**

(Revised 9/10)

1. It is the policy of the trial court to employ sound business, financial and accounting practices to conduct its fiscal operations. The court shall be responsible for monitoring and controlling its fiscal operations and accounting publicly for its financial performance through:
  - a. Adherence to high ethical standards.

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- b. The development of a long-range strategic plan.
- c. The application of generally accepted accounting principles (GAAP).
- d. The institution of a system of internal controls.
- e. The retention of financial and accounting records for appropriate periods.
- f. The issuance of financial reports that account for the court's use of public funds.

#### **4.0 Application** (Original 8/01)

This procedure applies to all trial courts of California including their employees and agents.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**State Comprehensive Annual Financial Report (CAFR)**  
**Generally Accepted Accounting Principles (GAAP)**  
**Governmental Accounting Standards Board (GASB)**  
**Lockyer-Isenberg trial Court Funding Act of 1997 (AB 233)**  
**Quarterly Financial Statement (QFS)**

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## 6.0 Text

### 6.1 Financial Management Responsibilities

(Revised 9/10)

1. The National Center for State Courts, Commission on Trial Court Performance Standards has developed 22 standards that courts can use to measure their performance<sup>1</sup>. The standards fall into five performance areas that encompass the courts' fundamental purposes and responsibilities. Area 4 addresses court **independence and accountability** and states that:

*“Trial courts should establish their legal and organizational boundaries, monitor and control their operations, and account publicly for their performance.”*

(Original 8/01)

2. The performance standards recognize the court's status as a public institution. They maintain that the court is responsible for developing action plans, obtaining resources for implementing the plans, monitoring its operations, and accounting publicly for its performance.

(Revised 9/10)

3. The 1997 passage of AB 233<sup>2</sup>, which established the state's responsibility to fund the trial courts, began a new era of fiscal stability and accountability. The Judicial Council is dedicated to providing equal access to justice by fairly allocating funds to every trial court. The trial court is responsible for evaluating its needs and providing relevant workload and cost data so that the Judicial Council can establish funding priorities and compete for funds with other state programs. It is also the responsibility of the trial court to develop a

<sup>1</sup> <http://www.ncsconline.org/WC/CourTopics/overview.asp?topic=CtPerS>

<sup>2</sup> <http://www.courtinfo.ca.gov/reference/documents/tcfund.pdf>

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long-range strategic plan for the efficient and effective use of resources, technology, and the incorporation of community needs and concerns.

## **6.2 Business Practices**

(Original 8/01)

1. Trial court business practices should be guided by ethical standards befitting the judicial branch of the state's government. Trial court management shall promote compliance with all ethical standards, applicable statutes, and financial/accounting principles when exercising authority over the collection and disbursement of public monies.

(Revised 9/10)

2. One of the primary purposes of AB 233 was to make the courts more financially stable. Along with financial stability, the trial court assumes new responsibilities for administrative management, providing better service to the public and financial accountability. The Judicial Council has assured that these new challenges will be met by requiring the court to develop and maintain a long-range strategic plan. The plan must provide for the efficient, effective use of resources, the incorporation of new technology into court operations, and must address the needs and concerns of the community.

## **6.3 Accounting System**

(Original 8/01)

1. The trial court shall utilize an efficient and organized accounting system that ensures the accurate reporting of all transactions. The court is responsible for assuring that the transactions recorded by its accounting system are supported by documentation and evidential matter that can withstand internal or external financial audits.



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2. The key elements of an efficient and organized accounting system include an:
  - a. Organized and efficient method of accumulating, recording and reporting all transactions.
  - b. Effective assignment of authority and responsibility.
  - c. Effective approach to segregation of duties.
  - d. Efficient method of detecting errors and irregularities.

(Revised 9/10)

3. Financial transactions shall be executed and accounted for in accordance with generally accepted accounting principles. Trial courts shall also comply with the standards and principles established by the Governmental Accounting Standards Board (GASB), statutory requirements such as the Lockyer-Isenberg Trial Court Funding Act of 1997 (AB 233), Rule of Court 10.810, and administrative policies and procedures that apply to trial court fiscal management.
4. Accounting practices are discussed in more detail in Section 5-Accounting Practices of this manual.

## 6.4 Internal Controls

(Original 8/01)

1. The trial court shall maintain an effective system of internal controls that is integral to its management practices. A satisfactory system of internal controls includes, but is not limited to, the following:
  - a. **Segregation of Duties.** The court organization plan should provide for a proper segregation of duties that safeguards trial court assets. The objective is to eliminate or minimize opportunities to conceal errors and irregularities. Assignment of

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work to trial court employees should be based on the rule that no one individual controls all phases of an activity or transaction.

- b. **Standard Operating Procedures.** All trial court departments/ organizations should develop and enforce a system of operating procedures for employees to follow in performing their duties and functions. Such operating procedures should explain the implication of financial transactions and define trial court employees' responsibilities and their accountability for court resources.
- c. **Competent Personnel.** The trial court shall maintain high standards of employee competence and integrity. Competence should be established through a combination of education, training, and experiences so that employees may accomplish their assigned duties in the prescribed manner and help management achieve its goals.

(Revised 9/10)

- d. **Transaction Authorization and Documentation.** The trial court shall establish a system of authorization that provides effective management control over assets, liabilities, revenues and expenditures.
  - e. **Internal Review.** Each trial court shall establish an effective internal review system to provide checks and balances applicable to all financial transactions.
  - f. **Audits** conducted by the AOC Internal Audit Services Unit.
2. A more detailed discussion of internal controls is provided in Policy No. FIN 1.03 Internal Controls.

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## **6.5 Accounting Records**

(Original 8/01)

1. Each trial court shall document its financial activities and maintain sufficient accounting records to:
  - a. Ensure that all transactions are properly and accurately recorded.
  - b. Provide sufficient evidence and justification for all transactions.
  - c. Maintain accountability for trial court assets and resources.
  - d. Document accountability of trial court employees who execute and process financial transactions.
  - e. Permit preparation of accurate, informative and reliable reports that conform to applicable criteria.
  - f. Support management during internal reviews and external audits.

(Revised 9/10)

2. A more detailed discussion of record retention procedures is provided in Policy No. FIN 12.01 Record Retention.

## **6.6 Financial Reporting**

(Original 8/01)

1. The trial court is obligated to account for its use of public funds. To satisfy this obligation, the court prepares and issues periodic financial statements. The GASB Concepts Statement 1 defines the objectives of financial reporting as follows:
  - a. Financial reporting should assist in fulfilling the government's duty to be publicly accountable and should enable users to assess that accountability.
  - b. Financial reporting should assist users in evaluating the operational results of the governmental entity for the year.

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- c. Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations as they become due.
- 2. Financial reports that are effective and useful exhibit certain common characteristics. As defined in GASB Concepts Statement 1, effective financial reports are understandable, reliable, relevant, timely, consistent, and comparable.
- 3. The primary use of trial court financial reports is to assess the court's accountability in its use of public funds. According to GASB Concepts Statement 1 financial reports accomplish this by:
  - a. Comparing actual financial results with the legally adopted budget.
  - b. Assessing financial condition and results of operations.
  - c. Assisting in determining compliance with finance-related laws, rules and regulations.
  - d. Assisting in evaluating efficiency and effectiveness.
- 4. The users of financial reports issued by the trial court and other government agencies fall into three groups identified by GASB Concepts Statement 1:
  - a. Citizens, the media, advocate groups, and public finance researchers.
  - b. Legislative and oversight officials.
  - c. Investors and creditors.

(Revised 9/10)

- 5. The trial court financial reporting function includes, but is not limited to, preparation of the following reports:

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- a. Quarterly Financial Statements (QFS) for submittal to the Administrative Office of the Courts (AOC).
  - b. State Comprehensive Annual Financial Report (CAFR) financial information for submittal to the AOC.
  - c. Monthly Cash Settlement reports to the County to report revenue collection and distribution.
  - d. Schedule 1 for submittal to the AOC.
6. In addition, the court should prepare internal reports to assist it in monitoring its financial condition and fiscal operations (including, but not limited to):
- a. Monthly summaries of financial activities and review transactions for propriety and reasonableness.
  - b. Monthly budgetary reports to compare actual revenues and expenditures to budget items.
  - c. Monthly cash flow reports to analyze the current position and project future needs.
  - d. Monthly reimbursement claims for grants and other state or federal programs.
- (Original 8/01)
7. The trial courts shall apply GAAP, GASB and other government and public entity standards to prepare financial and other required reports. Exceptions should be disclosed in the form of qualifications or footnotes to the financial statements or reports.

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## **7.0 Associated Documents**

(Original 8/01)

**None**



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# **FUND ACCOUNTING**

**POLICY NUMBER: AOC FIN 3.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

December 4, 2008



# Fund Accounting

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## 2.0 Purpose

(Original 8/01)

The purpose of this policy is to establish uniform guidelines by which the trial court establishes “funds” and maintains accountability over the public resources used to finance its operations.

## 3.0 Policy Statement

(Revised 9/10)

As a publicly funded entity, the trial court must ensure that the monies allocated to it by the state and other sources are used efficiently. The AOC shall establish and maintain separate funds within the accounting system for the court as required by law and sound principles of financial administration to segregate the financial resources and allow for the detailed accounting and accurate reporting of the court’s financial operations.



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## **4.0 Application**

(Original 8/01)

This procedure applies to all trial court employees and officials who are responsible for or participate in the financial operation of the court, the accounting for court revenues and expenses, and the collection and disbursement of court funds.

## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Agency Fund(s)**  
**Capital Projects Funds**  
**Debt Service Funds**  
**Enterprise Funds**  
**Fiduciary**  
**Fiduciary Fund**  
**General Fund**  
**Government Accounting Standards Board (GASB)**  
**Governmental Funds**  
**Internal Service Funds**  
**Proprietary Funds**  
**Special Revenue Funds**  
**Trust Fund**

## **6.0 Text**

### **6.1 Funds and Fund Types**

(Original 8/01)

1. It is a common practice for state and local governments and public agencies to account for their financial resources and report the results of their operations through the use of fund accounting. A

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“fund” is a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses. The establishment of discrete funds is beneficial in ensuring that public monies are only spent for approved and legitimate purposes.

(Revised 9/10)

2. GASB Statement No. 1 concerning the number of funds states:  
*“Government units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.”*<sup>1</sup>

## **6.2 Basis of Accounting**

(Revised 9/10)

The Basis of Accounting is the timing or recognition for financial reporting purposes i.e., when the effects of transactions or events should be recognized in financial statements.

Proprietary Funds and Fiduciary Funds focus on total economic resources. These funds employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Only Governmental Funds use the modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to

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<sup>1</sup> Section 1300, GASB Codification: National Council on Governmental Accounting Statement No. 1

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the extent that they reflect near-term inflows or outflows of cash. Revenue is recognized when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period. Expenditures are recognized when payments are due because it is only at that time that they normally are liquidated with expendable available financial resources.

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### **Classifications of Fund Types Available to Government Agencies**

<b>Classification</b>	<b>Fund Type</b>	<b>Purpose</b>	<b>Commonly Used by the Trial Courts</b>	<b>Basis of Accounting</b>
Governmental Funds	General Fund	To account for all financial resources except those required to be accounted for in a separate fund.	Yes-to account for all funds received by the court except those that must be accounted for separately.	Modified Accrual
	Special Revenue Fund	To account for certain revenue sources "earmarked" for specific purposes.	Yes-to account for federal, state, local, and private grants.	Modified Accrual
	Debt Service Fund	To account for the accumulation of resources for and the payment of general long-term debt principal and interest.	No	Modified Accrual
	Capital Projects Fund	To account for financial resources used in the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds.	No	Modified Accrual
	Permanent Funds	To account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purpose that supports the reporting governmental program - that is, for the benefit of the governmental entity.	Yes-to account for endowments that require only earnings and not principal may be used for the purposes set forth in the endowment.	Modified Accrual
Proprietary Funds	Enterprise Fund	To account for operations that are financed and operated in a manner similar to private business enterprises.	No	Accrual
	Internal Service Fund	To account for the financing of goods or services provided by one department or agency to other departments or agencies or the governmental unit, or to other governmental units on a cost-reimbursement basis.	Yes-to account for the financing of goods or services provided by the trial court to another governmental entity, such as the county, on a cost reimbursement basis.	Accrual
Fiduciary Funds	Trust Fund	To account for funds held in a fiduciary capacity for a third-party (non-governmental) generally under a formal trust agreement.	Yes-to account for court orders requiring moneys to be held by the court until such time as a case is settled.	Accrual
	Agency Fund	To account for resources received by one government unit on behalf of a secondary governmental unit.	Yes-to account for fines, fees, etc. collected by the court on behalf of others.	Accrual
	Pension Trust Funds (and other Employee Benefits)	To account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.	Yes-to account for moneys held in irrevocable trusts used specifically for qualified pension and other employee benefit plans.	Accrual

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### **6.3 Trial Court Operations Fund** (Revised 9/10)

1. The Trial Court Operations Fund is used to account for the financial activities associated with the monies held by and under the control of the court.
2. The Trial Court Operations Fund is treated as a general fund type under the Governmental Funds classification.
3. All state funding, whether out of the Trial Court Trust Fund, Judicial Administration Efficiency and Modernization Fund or Trial Court Improvement Fund shall be recorded in the Trial Court Operations Fund.
4. An accounting structure including elements such as Programs, Organizations, Object and Sub-Object accounts and revenue sources have been established to allow the court to account separately for various court programs and activities.
5. Money from the Trial Court Operations Fund must only be used for trial court operations as defined in GC 77003 and 77006.5, and for services purchased by the court as set forth in GC 77212 (b) and (c).
6. The Presiding Judge or his or her written designee shall authorize and direct expenditures from the Trial Court Operations Fund. County approval is not required for expenditures from the account.
7. The Trial Court Operations Fund along with all other applicable funds shall be used to report the court's financial activities in the Quarterly Financial Statements (QFS) and the State Comprehensive Annual Financial Report (CAFR) information provided to the state.

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## 6.4 Special Revenue Funds

(Revised 9/10)

1. Special Revenue Funds are used to account for the activities related to specific revenue sources and are legally restricted to expenditures for specified purposes. Trial court operations may include activities that are funded by federal, state, local governmental or private grants. Most grants specifically define the purposes for which grant funds may be used. In many cases, the grants are reimbursement type agreements that require the court to document its costs to receive payment. These are generally defined as expense-driven grants.
  - a. The trial court must establish and maintain Special Revenue Funds to separately account for revenues and expenditures related to grant and other legally restricted activities.
  - b. Revenues and expenditures under these funds shall not be commingled with the Trial Court Operations Fund.
  - c. The trial court Special Revenue Funds shall be reported in the Trial Court Operations Fund in the Quarterly Financial Statements (QFS) and the State Comprehensive Annual Financial Report (CAFR) information provided to the state.
  - d. Additional information and the reporting requirements for grant funded operations are provided in AOC Policy No. FIN 5.03 Grant Accounting and Administration.

## 6.5 Agency Funds

(Revised 9/10)

1. Trial court operations may include activities that the court conducts on behalf of other government entities such as the county. Examples of these activities are the collection and holding of bail bond money, permit deposits, fines, fee assessments, etc. In instances where the court is holding money in a fiduciary capacity for another governmental entity:

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- a. The trial court must establish and maintain Agency Funds to account for court activities conducted on behalf of other governmental units.
- b. The trial court shall report these activities as balance sheet items in the CAFR.

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## 7.0 Associated Documents

(Original 8/01)

**None**





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# **BUDGET DEVELOPMENT**

**POLICY NUMBER: AOC FIN 4.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

March 11, 2010



## Budget Development

### **1.0 Table of Contents**

(Original 8/01)

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(Revised 9/10)

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6.2 State Budget Cycle and Timelines

6.3 Budget Program Structure

6.4 Budget Development

6.5 Budget Implementation

7.0 Associated Documents

### **2.0 Purpose**

(Original 8/01)

The purpose of this policy is to present uniform guidelines for the trial court to use in developing and managing its annual budget.

### **3.0 Policy Statement**

(Revised 8/02)

The trial court is responsible for developing and managing its budget so that its resources are utilized efficiently and effectively, in a manner that inspires public confidence in the court. It is the policy of the trial court to comply with applicable legislation and follow the procedures adopted by the Judicial Council for budget development and management.

### **4.0 Application**

(Original 8/01)

This procedure applies to all trial court officials and employees.

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## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Budget**  
**Budget Act**  
**Budget Change Proposals**  
**Cost Information Survey**  
**Fiscal Year**  
**SAL Adjustment Allocation Process**  
**State Appropriations Limit (SAL) Funding Adjustment**

## **6.0 Text**

(Revised 9/10)

The passage of the Lockyer-Isenberg Trial Court Funding Act of 1997 placed principal responsibility for funding trial court operations on the state. The trial court receives annual allocations from the Judicial Council based on appropriations in the state budget for statewide trial court operations. The trial court operates on the state fiscal year. Chapter 227, Statutes of 2004, specified an annual adjustment to the trial court budget to be calculated based upon the year-to-year change in the SAL. The SAL funding adjustment is intended to provide adequate base funding for the courts and fiscal independence for the judicial branch in managing trial courts' budgets.

### **6.1 Sources of Trial Court Funding**

(Revised 8/02)

1. The trial court's primary source of state funding is the Trial Court Trust Fund. The court may also receive state funding for specific purposes from other sources including the Trial Court Improvement Fund, and the Judicial Administration Efficiency and Modernization

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Fund. In addition, various grants are received by the Judicial Council and passed through to the trial courts. The court may also receive direct local revenues as well as revenues from the county depending on the terms of its Memorandum of Understanding with the county.

### **6.1.1 Trial Court Trust Fund** (Revised 9/10)

1. Each year the Budget Act contains an appropriation to the Judicial Council for the general operations of the trial courts.<sup>1</sup> Money for trial court operations is appropriated from the Trial Court Trust Fund<sup>2</sup>, which is administered by the Judicial Council.<sup>3</sup> The Judicial Council is responsible for allocating funds from the Trial Court Trust Fund to the individual trial courts in a way that: (1) assures the courts' ability to carry out their functions, (2) promotes implementation of statewide policies, and (3) promotes the immediate implementation of efficiencies and cost saving measures in court operations, to guarantee equal access to the courts.<sup>4</sup>
2. The Trial Court Trust Fund has two main revenue sources. First, over half of the money that flows into the Trial Court Trust Fund comes directly from the annual transfer appropriation from the State General Fund. Second, the counties are required to submit Maintenance of Effort (MOE) payments to the state. The 20 largest counties make Expenditure MOE payments based on county funding provided to local courts in fiscal year 1994–1995, as established by the Trial Court Funding Act and subsequent legislation (GC 77201.1). All counties make Revenue MOE payments based on fine, fee and forfeiture collections in fiscal year

<sup>1</sup> Government Code (GC) 77202

<sup>2</sup> GC 68085

<sup>3</sup> GC 68085

<sup>4</sup> GC 68502.5(c)

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1994-1995. Civil filing fees; specified civil assessment revenues, security fee revenue, and other miscellaneous revenues make up the balance of Trial Court Trust Fund revenues.

### **6.1.2 Trial Court Improvement Fund**

(Revised 8/02)

1. Government Code Section 77209 established the Trial Court Improvement Fund to fund improvements in the statewide trial court system. The Judicial Council allocates portions of this fund to special projects that benefit the statewide trial court system, or to approved projects in individual trial courts.
2. The Trial Court Improvement Fund is continuously appropriated. Three sources of state revenue support the Trial Court Improvement Fund:
  - a. Transfer of a mandated one percent of the annual state budget appropriation for trial court operations from the Trial Court Trust Fund.
  - b. Deposit of the first two percent of fines, forfeitures and penalties collected by the court in criminal cases (referred to as 2 Percent Automation Fund revenues).
  - c. "Excess revenues", which are equal to one-half of any fee, fine and forfeiture collections above the level collected in fiscal year 1994–1995 (known as 50-50 split, counties retain the balance).
3. The one percent transfer from the Trial Court Trust Fund is allocated to projects that improve the provision of justice in the courts:
  - a. Half of this amount is held until March 15<sup>th</sup> of each fiscal year as a protection against urgent needs and fiscal emergencies.

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(Revised 9/10)

- b. One-quarter of this amount may be allocated for trial courts that meet any additional criteria established by the council.
- c. One-quarter of this amount may be allocated for statewide projects or programs for the benefit of the trial courts.

### **6.1.3 Judicial Administration Efficiency and Modernization Fund**

1. GC 77213 establishes the Judicial Administration Efficiency and Modernization Fund “to promote improved access, efficiency and effectiveness in trial courts that have unified to the fullest extent permitted by law.” The administration of the fund is delegated by the council to the AOC as allowed by Government Code Section 77213(b). The fund may be used for, but is not limited to, the following:
  - a. The costs of in-state education programs for judicial officers or court staff, or the support of local trial court education programs.
  - b. Improved technology including information systems programming or equipment that meets Judicial Council standards.
  - c. Pilot projects to improve trial court operations, programs, or administration.
2. The following limits are placed on the ways in which the Judicial Administration Efficiency and Modernization Fund may be used:
  - a. No more than 20 percent of the fund may be permanently allocated to projects that support educational programs for judicial officials and trial court staff.
  - b. No more than 40 percent may be permanently reallocated to the trial courts for any other purpose approved by the Judicial Council.
  - c. At least 40 percent of the funds must be retained to support annual allocations to improvement programs and projects for

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qualifying trial courts. This ensures that funds are available for new pilot projects or programs.

3. The Judicial Administration Efficiency and Modernization Fund is supported by annual appropriations from the State General Fund.

## **6.2 State Budget Cycle and Timelines**

(Revised 7/06)

There are two major phases of the state budget cycle – **development** and **implementation**. The development phase includes evaluation of current year activities and performance and planning for future year fiscal requirements. The implementation phase includes establishing budgetary controls through appropriation, allocation and budget execution, or in accounting terms, the recording and management of revenues, expenditures and encumbrances.

### **6.2.1 Budget Development Process**

1. The Judicial Council is ultimately responsible for adopting a budget and allocating funding to the trial courts under GC 68502.5.

(Revised 9/10)

2. The trial court's right to provide input into the Judicial Council budget process is provided for in GC 77001 (d).
3. Pursuant to Government Code 77202 (c), the Administrative Director of the Courts has responsibility for establishing trial court budgeting procedures and the annual schedule of budget development and management.

### **6.2.2 Trial Court Budget Development Activities**

(Revised 8/02)

1. **Budget Evaluation.** Monitoring budget performance is critical to evaluating the court's success in meeting current year objectives and is also the first step in planning the budget for next year's operations. The trial court should track revenues and expenditures against its budget to assure that expenditures do not exceed available funding. The court's monthly internal reports and Quarterly Financial Statements are useful budget evaluation tools.

(Revised 9/10)

2. **Budget Planning.** California Rule of Court 10.603(c)(9) requires that trial courts prepare a strategic plan. The strategic plan must address effective operation, management of increased service demands, and improved service delivery. The trial court's budget is a formal statement of how the court will manage its resources to meet objectives in the coming year.
3. The trial court will responsibly evaluate and prioritize the resources it needs to address increases in workload, changes in services mandated by statute, improved administration and operation, and enhanced services to meet the goals of its strategic plan.

(Revised 8/02)

4. It is essential to the success of the trial court that judges and non-judicial staff give budget development a high priority to prepare an accurate and all-inclusive budget for the court.

### **6.3 Budget Program Structure**

(Revised 7/06)

The trial court Budget Program Structure is broken into four levels- Program, Element, Component, and Task (PECT). Each successive level provides additional detail that is used to develop, organize, and manage the trial court budget as follows:



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(Revised 9/10)

1. **Program** elements of Trial Court Operations – Program 10 and Court Administration – Program 90.
2. **Element:** This is the second level of budget detail, which breaks down the two programs into the major court operations and administration elements.
3. **Component:** The Component level is the third level of budget detail. It further segregates trial court operations expenditures into categories for different types of court cases and other support services.
4. **Task:** The task level is the most detailed budget category. It is used to segregate expenditures within the Criminal and Family and Children components .

## 6.4 Budget Development

(Revised 9/10)

1. Responsibility for developing the budget lies with the trial court. The AOC Finance Division issues an annual Budget Development Package that specifies the procedures and schedules for developing the baseline budget. The trial court must complete the following schedules to establish its baseline budget:
  - a. **Schedule 7A – Salary and Position Worksheet.** The budget process starts with an estimate of the cost of personal services (salaries and wages), which is the largest component of the trial court budget. Schedule 7A is a listing of all authorized positions, their salaries, and the associated benefit costs for each position.
  - b. **Schedule 1 –Budget.** The complete operating budget for the trial court based on existing resources makes up the budget presented in Schedule 1. The budget provides a comprehensive financial

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- plan for the trial court. It also establishes the financial condition of the court through the fund condition statement. The Schedule 1 identifies all resources available to the trial court including: fund balances, funding from Judicial Council allocations, grant funding and other local revenue. It also identifies all trial court costs including the personal services amounts from Schedule 7A; operating expense and equipment; and special items of expense. Schedule 1 is prepared at the summary object of expenditure level according to the program budget structure used in the state trial court budget process (see Section 6.3, Budget Program Structure).
2. The Schedule 1 also incorporates the following table and schedules to assist the trial court:
    - a. Allocation Table.
    - b. Schedule of Major Equipment.
    - c. Schedule of General Consultant and Professional Services.

## 6.5 Budget Implementation

(Revised 7/05)

Budget implementation is a two-step process of establishing control over available resources and then executing operations consistent with the adopted budget plan.

1. The trial court is responsible for managing its budget within available resources and in compliance with prescribed rules and regulations. Ultimately this responsibility resides with the Presiding Judge, who has authority over the general operation of the trial court. The Presiding Judge may delegate the responsibility for budget matters according to the California Rules of Court.
2. It should be noted that in certain circumstances a “person who incurs any expenditure in excess of the allotments or other provisions of the

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fiscal year budget is liable both personally and on his official bond for the amount of the excess expenditures.”<sup>5</sup>

### **6.5.1 Establishing Budgetary Control** (Revised 9/10)

1. Budget controls are mechanisms to ensure that the trial court’s resources are expended in a manner consistent with the court’s priorities. The court’s budget is the key internal control for effective operations. As the court prepares its Salary and Position Worksheet (Schedule 7A) and allocates its known resources between programs, elements, components, tasks (PECT), and objects of expenditure (Schedule 1), a starting point is created by which the court can measure itself to evaluate its performance.
2. System-wide budget revision and transfer policies are specified in Policy No. FIN 4.02 Budget Monitoring and Reporting.
3. The trial court is responsible for developing internal policies regarding the internal allocation and transfer of moneys between programs, elements, components, tasks and objects of expenditure. At minimum, the following shall apply:
  - a. Money allocated to the trial court by the Judicial Council shall be used for “court operations” as defined in GC 77003.
  - b. Money allocated to the trial court by the Judicial Council from the State Trial Court Trust Fund, as defined by California Rules of Court, Rule 10.810, is limited to Rule 10.810 allowable expenses. Under no circumstances will these funds be transferred for purposes that are not Rule 10.810 allowable.

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<sup>5</sup> GC 13324

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- c. Under no circumstance will grant funds received by the trial court from the Judicial Council or any other governmental body be expended for any purpose other than that specifically provided by the grantor.
- d. Under no circumstance shall the court incur obligations greater than the expenditure limits imposed by the available resources.

### **6.5.2 Budget Execution**

Once plans, resources and controls are in place the trial court executes its operating plan, thereby incurring operating expenses and receiving revenues. As part of this process, encumbrances are established to account for contracts and purchase orders. Payments are made and received consistent with the policies set forth in this manual. Expenditure limits based on Judicial Council and internal allocations and policies on the movement of funds guide how the court may accommodate necessary modifications to its budget plan.

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## 7.0 Associated Documents (Revised 9/10)

None



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **BUDGET MONITORING AND REPORTING**

**POLICY NUMBER: AOC FIN 4.02**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

June 15, 2010

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# Budget Monitoring and Reporting

## **1.0 Table of Contents**

(Original 8/01)

- 1.0 Table of Contents
- 2.0 Purpose
- 3.0 Policy Statement
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 Background
  - 6.2 Budget Monitoring Requirements
  - 6.3 Budget Reporting
  - 6.4 Budget Revisions
  - 6.5 Budget Transfers
  - 6.6 Budget Change Proposals
  - 6.7 Emergency Budget Procedures
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 8/01)

The purpose of this policy is to establish uniform guidelines for the trial court to monitor and control its annual budget and help ensure responsible management of available resources.

## **3.0 Policy Statement**

(Revised 9/10)

1. The trial court will manage its operations in a fiscally prudent manner. Expenditures may not exceed the amounts established in the court's approved budget. Budgetary control measures are required to assure that expenditures do not exceed allocations for specific funds, programs, elements, components, tasks, or objects of expenditure.

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2. The trial court shall monitor actual expenditures against its annual budget. Cash flow also will be monitored to assure that the trial court has sufficient moneys to meet its obligations. On a quarterly basis, the trial court shall submit a report of revenues and expenditures to the AOC. The Quarterly Financial Statement (QFS) and the supplementary Report of Revenues (ROR) will be in the form and according to the schedule approved by the Judicial Council. Annually, the trial court shall submit financial information to the AOC for consolidation and submittal to the state for inclusion in the State's Comprehensive Annual Financial Report (CAFR).

#### **4.0 Application** (Original 8/01)

This policy applies to all trial court officials and employees.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Approved Budget**  
**Budgetary Control**  
**Budget Revision**  
**Budget Transfer**  
**Cash Flow**  
**PECT**  
**Quarterly Financial Statement (QFS)**  
**Report of Revenues (ROR)**  
**State Appropriations Limit (SAL) Funding Adjustment**  
**State Comprehensive Annual Financial Report (CAFR)**



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## **6.0 Text**

### **6.1 Background**

(Revised 7/06)

1. After the trial court's annual budget has been approved and funds appropriated in the State Budget Act, the court must operate within the limitations of the available funding under the budget (GC 77206.1). The court must establish budgetary control procedures to monitor its budget on an ongoing basis throughout the year to assure that actual expenditures do not exceed budgeted amounts.
2. Regular budget monitoring allows the court to: 1) assure that funds are available for court operations, and 2) reallocate limited resources in the event of budget shortfalls or surpluses. Monitoring both expenditure and cash flow allows the court to exercise an appropriate level of control over available funds and to take corrective action as necessary.
3. Quarterly budget reporting to the AOC is done in the PECT format at the object of expenditure level. The trial court submits the QFS, which is a budgetary control document and financial report that provides the AOC and other external reviewers with the assurance that the court's operations are within appropriate limits. The QFS is also the means by which the court reports budget revisions and transfers.

### **6.2 Budget Monitoring Requirements**

(Revised 9/10)

1. It is the court's responsibility to monitor its budget on a regular basis. To facilitate management control of financial operations, the court must prepare and review a comparison of actual expenditures with

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the approved budget that provides the following information for each program element and budget line item of expenditure:

- a. Actual expenditures incurred for the previous month.
  - b. Expenditures incurred for the fiscal year-to-date.
  - c. The variance between actual and budgeted expenditures.
  - d. The remaining balance for each program element and object.
2. In addition, the court should analyze its cash flow needs for the current month and project its cash flow for the remainder of the fiscal year.
  3. The court should not limit its budget analysis to a "bottom line" review of the court's fund balance. Individual budget line item review is required to provide a greater degree of budgetary control.

### **6.3 Budget Reporting** (Revised 9/10)

1. The Judicial Council is responsible for collecting information and reporting on the financial status of the trial courts. GC 77206 (d)(e) and (f) establish that the Judicial Council shall:
  - a. Provide the State Controller with summary information regarding court revenues and expenditures (via the CAFR).
  - b. Adopt rules to provide for reasonable public access to budget allocation and expenditure information at the state and local levels.
  - c. Adopt rules ensuring that the trial court provides information relating to court administration including financial information in a timely manner upon written request.
2. Specific requirements for trial court financial reporting are discussed below.

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### **6.3.1 Civil Filing and Miscellaneous Collections**

The trial court will report and remit civil filing fees and miscellaneous collections, including civil assessments collected pursuant to Penal Code section 1214.1, to the AOC as specified in the most current AOC instructions, which can be found at the following link:

[http://serranus.courtinfo.ca.gov/programs/finance/fees\\_tools.htm](http://serranus.courtinfo.ca.gov/programs/finance/fees_tools.htm)

### **6.3.2 Quarterly Financial Statements (QFS)**

(Revised 8/02)

1. The trial court shall submit a QFS that provides the following PECT information at the object of expenditure level:
  - a. Actual expenditures incurred during the previous fiscal quarter.
  - b. Cumulative expenditures for the fiscal year-to-date.
  - c. The variance between actual and budgeted expenditures.
  - d. The remaining budgeted-balance for each object of expenditure.

(Revised 9/10)

- e. Budget transfers among PECT areas and between expenditure objects, as necessary to support operations. These adjustments are required to net to zero.
  - f. Budget revisions reflecting changes to the court's available budget, such as additional Judicial Council allocations or receipt of new grants.
2. The trial court will designate the fund balance in the QFS at the end of the fourth quarter into the following categories:
  - a. Restricted Fund Balance
    - i. Statutory – A restricted fund balance that is unspent, receipted revenues that have a statutory restriction on their use.

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- ii. Contractual – A restricted fund balance set aside for executed contractual commitments beyond the current year (e.g., multi-year contracts).
- b. Unrestricted Fund Balance
  - i. Designated – The portion of unrestricted fund balance that is subject to tentative management plans beyond the current fiscal year. Funds in this category are specifically designated consistent with Judicial Council approved categories.
  - ii. Undesignated – The portion of fund balance that is neither restricted nor designated.

### **6.3.3 Report of Revenues (ROR)** (Revised 9/10)

1. The ROR is used to verify and estimate revenues for various statutory and programmatic areas and to respond to requests for information from the Legislature, Department of Finance and other requestors. The trial court shall submit a quarterly ROR as specified in the instructions that are issued annually by the AOC's Office of Budget Management. In the ROR, the trial court is required to report:
  - a. Net civil assessment revenue;
  - b. Cost of collections related to civil assessment revenue;
  - c. Security fee for criminal offenses;
  - d. 2% automation fund;
  - e. Fees and fines related to realignment revenue;
  - f. Specified court-related county fines and forfeitures;
  - g. Specified penalties remitted to the State Penalty Fund;
  - h. 20% state surcharge;
  - i. Court construction penalty assessments; and
  - j. Surcharges on parking offenses.

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#### **6.3.4 Certification and Documentation**

1. Both the QFS and ROR are to be reviewed by the Presiding Judge or delegated to the Court Executive Officer for review prior to submission to the AOC. The reports and signed QFS certification pages must be sent to the AOC by the dates established by the AOC's Office of Budget Management.
2. The QFS is to be certified by the Presiding Judge, or the Presiding Judge may delegate the certification to the Court Executive Officer. The QFS, including the signed certification page, will be sent to the AOC by the dates established by the AOC's Office of Budget Management.
3. The trial court should retain a copy of both the paper and electronic version of its QFS and ROR for its records and for use in preparing future reports.

#### **6.4 Budget Revisions**

(Revised 9/10)

1. During the course of the fiscal year, the trial court may receive additional or amended allocations from the Judicial Council, local revenues above those originally budgeted or new grants from other governments or private sources.
2. The trial court will revise the budget and report the budget revisions to the AOC in the QFS for the quarter in which budget revision is made. The Fiscal Officer will also prepare amended reports for management and the Presiding Judge, reflecting these revisions.
3. Budget revisions are reported in the PECT area and at the object of expenditure level, and reflect an overall increase or decrease to the trial court's approved budget.

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4. The court must document all budget revisions to account for variances in projected versus actual expenditures.

## **6.5 Budget Transfers**

(Revised 8/02)

1. GC 77001 (c)(1) establishes the authority of the Judicial Council to adopt rules that ensure the trial court's management of the movement of funds between functions, line items, or programs on a basis that is consistent with statute, rules of court, and standards of judicial administration.

(Revised 9/10)

2. It is the intent of this manual to provide trial courts the flexibility in transferring funds between individual programs areas and objects of expenditure where; the transfers are necessary for the efficient and cost-effective operation of the courts, or to make technical corrections. Within this framework, the following provisions govern budget transfers.

### **6.5.1 Transfers Between Programs**

1. Trial courts prepare their baseline budgets on Schedule 1 according to the PECT structure. The budgeted amounts in Schedule 1 represent the court's planned operations by program for the fiscal year.
2. The budget transfer process allows courts to transfer unrestricted funds between or among the budgeted programs to reflect changes in the court's planned operations or to correct technical errors. However, budget transfers are subject to the following limitations:
  - a. For any fiscal year, a cumulative amount not to exceed \$400,000 or ten percent of the total trial court budget,

whichever is greater, may be transferred between or among other program areas. The trial court has the authority to transfer unrestricted funds up to this limitation and must record this information on the appropriate QFS.

- b. Any request(s) exceeding the \$400,000 or ten percent of the trial court budget, whichever is greater, threshold requires written notification to the AOC Finance Director and must include a complete explanation for the necessity of the transfer. The AOC will review the request and respond (approve/deny) within 30 days of receipt.
3. Transfers are also subject to public notification under California Rule of Court 10.620(d)(1).
4. Grant funds received by the court for specific uses, applications, or purposes shall not be transferred to other court programs if doing so would violate any term or conditions of the grant.
5. The court's Presiding Judge or written designee shall establish internal review and approval procedures regarding the transfer of funds between programs.

### **6.5.2 Transfers Between Objects of Expenditure**

All transfers between objects of expenditure must be reported in the QFS.

## **6.6 Budget Change Proposals**

(Revised 9/10)

1. The Judicial Council submits Budget Change Proposals (BCP(s)) on behalf of the courts to request additional funding through the annual State budget process to address costs. Funds provided to the trial

courts through the BCP process must be used for the purpose requested.

2. Augmented funding may be received from the Judicial Council based upon approved BCPs funded in the Budget Act. Following enactment of the state budget, the court will reflect changes in funding in its subsequent QFS.
3. Funds received pursuant to the BCP process should not be transferred between program areas and are not to be included when calculating the amount available for transfer to another program area, as set forth in Section 6.5, Budget Transfers.

## **6.7 Emergency Budget Procedures**

(Revised 9/10)

1. The Judicial Council budget allocation to the trial court is intended to adequately fund court operations and staffing, allowing the court to carry out its functions and guarantee citizens' access to justice. In the unlikely event that the trial court projects that its funds will be exhausted before the end of the fiscal year, preventing the court from meeting its financial obligations or continuing normal operations, the court must advise the AOC Finance Director in writing as soon as practicable.
2. The AOC will work with the court to help it manage the funding shortfall. Under the most extreme circumstances, if trial court expenditures exceed the budget authorized by the Judicial Council, the AOC may appoint another party to manage the fiscal operations of the trial court (GC 77206.1).
3. A loan of trial court funds to any entity, including the county, is not permissible under any circumstance.



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## 7.0 Associated Documents

(Original 8/01)

**None**



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# **POSITION MANAGEMENT**

**POLICY NUMBER: AOC FIN 4.03**

Original Release Date

July 1, 2006

Effective Date:

July 1, 2010

Revision Date:

October 7, 2009



## Position Management

### 1.0 Table of Contents

(Original 7/06)

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Positions that are Unfunded or are No Longer Needed  
Based on Workload

6.3 Written Authorization of New or Reclassified Positions

6.4 Reporting Abolished, New, and Reclassified Positions to the  
AOC

7.0 Associated Documents

### 2.0 Purpose

(Original 7/06)

The purpose of this policy and procedure is to establish policies for the establishment of new court positions and the abolishment of continuously-vacant positions or vacant positions that are unfunded or no longer required on a workload basis; and establish procedures for managing trial court positions. (Note: Policies and procedures related to the creation and reclassification of Subordinate Judicial Officer (SJO) positions are not addressed in this policy.)

### 3.0 Policy Statement

(Revised 9/10)

#### 1. Position Creation/Reclassification

Each court has the authority and discretion to establish or reclassify non-judicial positions as needed to meet workload demands, subject to the following conditions:



- a. Permanent positions may be established or reclassified only to the extent that ongoing resources are available. These resources may include any excess ongoing funding as a result of a redirection after ensuring there is sufficient funding for all other ongoing obligations.
- b. Limited-term positions may be established with limited-term funding.

## 2. Position Abolishment

Trial courts shall annually review all vacant authorized positions and identify for abolishment vacant positions that meet the following criteria:

- a. Any position that becomes vacant and cannot be filled due to permanently insufficient resources, or for which there is no longer a workload demand.
- b. Any position that has been vacant for one entire year and will not be filled in the coming fiscal year. Assignment of new position numbers to a vacant position does not constitute sufficient justification to maintain the vacancy as an authorized position.

Note: If a position is vacant due to circumstances such as leave-of-absence, or any other factors that necessitate a temporary vacancy, and the court has the funding and the intention to fill it, the position should not be abolished.

## 3. Funding Related to Abolished Positions

The Administrative Office of the Courts (AOC) will not reduce funding to trial courts as a result of court abolishment of vacant positions in compliance with this policy.

## 4.0 Application

(Revised 9/10)

This policy applies to all trial court employees, excluding SJO positions.

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## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

### **Authorized Positions**

**Change in Position Authorization Form**

**Full-Time Equivalent (FTE)**

**Limited-Term Positions**

**Position Roster**

**Quarterly Report of Changes of Authorized Positions (QCAP)**

**Reclassification**

**Subordinate Judicial Officer (SJO)**

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## 6.0 Text

### 6.1 Trial Court Position Management System (Original 7/06)

1. The trial court will establish a position management system, which will include, at a minimum, the components listed below:
  - a. A position roster. The roster will be kept current and updated as changes occur.
  - b. A process for abolishing vacant positions. At least once a year, near the end of a fiscal year, the trial court will abolish vacant positions as specified in Section 6.2 below.
  - c. Process and procedures for requesting, evaluating, and approving new positions and reclassified positions.

### 6.2 Abolishment of Continuously Vacant Positions or Vacant Positions that are Unfunded or are No Longer Needed Based on Workload (Original 7/06)

The following procedures will be followed during the annual process of abolishing vacant positions, to the extent that the court projects a total court position vacancy rate of over five percent in the current and following fiscal year.

1. Review the position roster and identify vacant positions that:
  - a. Have been vacant for an entire year and will not be filled during the next fiscal year;
  - b. Cannot be filled because of a lack of sufficient funding to support the cost of the position if it were filled; or
  - c. Will no longer be needed on a workload basis.

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2. Determine if positions identified in the review specified in Sub-section 6.2.1 should remain on the position roster due to special circumstances, including, but not limited to; positions that are hard to fill due to lack of qualified candidates, positions that are vacant because the incumbent employee is on a leave of absence, delays in recruitment or hiring, and other factors that have precluded the court from filling a position that the court intends to fill on an ongoing basis.
3. Any position identified in the review specified in Sub-section 6.2.1 and that does not qualify as being vacant due to special circumstances as described in Sub-section 6.2.2 will be abolished.

### **6.3 Written Authorization of New or Reclassified Positions** (Original 7/06)

1. A written authorization for the establishment of a new position or the reclassification of a position must be approved and signed by the court Presiding Judge, or Court Executive Officer, if designated in writing, prior to recruiting for or filling a new position or an existing position at a new classification level. (A sample Change in Position Authorization Form that may be used as a template for developing a form specific to your court is provided in 7.0, Associated Documents.) The form will contain the reason and justification for the position change, including workload need, the current year and ongoing cost impact that will result from the position change and verification from the court fiscal officer that sufficient funding is available or has been identified to support the position. All approved and signed forms will be stored in a single, central location in the court.

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## **6.4 Reporting Abolished, New, and Reclassified Positions to the AOC**

(Original 7/06)

1. Authorized positions listed on the position roster as of July 1 in a fiscal year will be reported in the Schedule 7A for the same fiscal year.
2. New positions will be reported in the Quarterly Report of Changes of Authorized Positions (QCAP) of the current fiscal year as an added position and then reported in the Schedule 7A of the subsequent fiscal year.
3. Abolished positions will be reported in the QCAP of the current fiscal year as a deleted position and will not be reported in the Schedule 7A of the subsequent fiscal year.
4. Reclassified positions will be reported in the QCAP of the current fiscal year. The reclassified position will be reported as an added position and the old position will be reported as a deleted position. The net change to total position FTEs should be zero. Only the reclassified positions will be reported in the Schedule 7A of the subsequent fiscal year.



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## **7.0 Associated Documents**

(Revised 9/10)

**Sample Quarterly Report of Changes of Authorized Positions (QCAP)**

**Sample Position Roster**

**Sample Change in Position Authorization Form**

**SAMPLE FY 2004-05 Quarterly Report of Changes of Authorized Positions**

Changes to total authorized positions identified in the Schedule 7A

Additions, Deletions and Reclassifications

Fourth Quarter

Trial Court Position Title (position title used by court)	Trial Court Model Classification Number	Position Number (if applicable)	Positions	Reclass (R)	Quarter	Date of Change	Current Year Total Salary Impact	Ongoing Full Year Salary Impact	Funding Source*	PECT	How Funded?***	Reason/justification for change
Supervising Court Clerk	201c	1234abcd	1.00		2	10/1/2003	60,000	80,000	Trial Court Trust Fund	10 20 020 000	Funded by reduction in other Supervising Court Clerks' overtime and contract savings	Additional supervisor position needed to support growth in clerk positions
Commissioner	214	9876zyxw	-1.00		2	11/1/2003	(66,667)	(100,000)	Trial Court Trust Fund	10 10 000 000		Position was abolished due to budget cuts and decreased workload
Senior Court Clerk	201b	5678efgh	-0.50	R	2	12/1/2003	(14,583)	(25,000)	Non-Trial Court Trust Fund	10 20 010 020	N/A, position downgraded	Position downgraded based upon an evaluation of the level of work performed
Court Clerk	201a	5678abcd	0.50	R	2	12/1/2003	10,208	17,500	Non-Trial Court Trust Fund	10 20 010 020	N/A, position downgraded	Position downgraded based upon an evaluation of the level of work performed
<b>Total</b>			<b>0.00</b>				<b>(11,042)</b>	<b>(27,500)</b>				

For reclassification, list previous position with negative FTE and \$ impact and then add reclassified position directly below.

\*Trial Court Trust Fund, Improvement Fund, Modernization Fund, Grants, etc.

\*\*Indicate whether new funding or specific items reduced to offset the additional costs (e.g., reduction in other positions held vacant or reduction in operating expenses). Applies only to positions being added.

## SAMPLE POSITION ROSTER

Agency Code #	Facility Code #	Organizational Unit	Position #	Model Class Number	Class Code #	Classification Title	Employee Name (Last, First, or Vacant)	Hourly Rate	Beginning Sep (Monthly)	Last Sep (Monthly)	Current Salary (Annual)	Tenure (see note a)	Timebase (see note b)	Hire Date	Appoint- ment End Date	Date Vacant	MSA Date	FTE	Leave Status (see note c)	FLSA (see note d)	Bargaining Unit #
904	TC1000	Court Support	20269	104	3369	Court Services Manager I	Vacant	\$30.76	\$3,515	\$4,443	\$63,961	R	FT			11/05	11/06	1.0		E	C1
904	TC1000	Court Support	20267	201c	3368	Court Supervisor	Smith, A.	\$22.81	\$3,515	\$4,443	\$47,445	LT	FT			11/05	11/05	1.0		E	C2
904	TC3000	Court Support	20265	202a	3415	Legal Process Clerk II	Smith, B.	\$9.47	\$2,701	\$3,416	\$19,686	R	FT			3/1/06	3/1/06	1.0		E	D1
904	TC2000	Court Support	20268	202a	3415	Legal Process Clerk II	Smith, C.	\$21.11	\$2,891	\$3,659	\$43,939	R	FT			11/05	11/05	1.0		E	D1
904	TC4000	Court Support	20263	202a	3415	Legal Process Clerk II	Smith, D.	\$16.83	\$2,701	\$3,416	\$35,068	R	FT			21/06	21/06	1.0		E	D1
904	TC2000	Court Support	20267	202a	3415	Legal Process Clerk II	Smith, E.	\$21.81	\$2,891	\$3,659	\$44,949	R	FT			11/05	11/05	1.0		E	D1
904	TC3000	Court Support	20268	203a	3441	Courtroom Clerk II	Smith, F.	\$19.07	\$3,056	\$3,865	\$39,668	R	PT			5/20/16	5/20/16	0.5		E	D2
904	TC2000	Court Support	20267	203a	3441	Courtroom Clerk II	Smith, G.	\$22.30	\$3,056	\$3,865	\$46,384	R	PT			6/11/05	6/11/05	0.5		E	D2
904	TC4000	Court Support	22222	203a	3441	Courtroom Clerk II	Vacant	\$22.30	\$3,056	\$3,865	\$16,384	R	PT			2/20/16	2/20/16	1.0		E	D2
904	TC2000	Court Support	33333	203a	3441	Courtroom Clerk II	Smith, H.	\$22.30	\$3,056	\$3,865	\$16,384	R	PT			11/24/05	11/24/05	1.0		E	D2
904	TC2000	Court Support	20262	203a	3441	Courtroom Clerk II	Smith, I.	\$22.30	\$3,056	\$3,865	\$46,384	R	PT			12/20/05	12/20/05	1.0		E	D2
904	TC2000	Court Support	20272	203a	3441	Courtroom Clerk II	Smith, J.	\$23.38	\$3,233	\$4,053	\$44,630	R	FT			5/5/04	5/5/05	1.0		E	D3
904	TC4000	Court Support	20209	203a	3441	Courtroom Clerk III	Smith, K.	\$23.38	\$3,233	\$4,053	\$44,630	R	FT			12/20/05	12/20/06	1.0		E	D3
904	TC2000	Court Support	20210	203c	3444	Court Supervisor	Smith, L.	\$25.63	\$3,515	\$4,443	\$53,549	R	FT			10/28/02	10/28/05	1.0		E	D4
904	TC3000	Court Support	20210	205a	3445	Court Reporter	Smith, M.	\$32.72	\$5,671	\$5,671	\$68,068	R	FT			6/11/00	6/11/05	1.0		E	C1
904	TC2000	Court Support	20212	205a	3143	Court Reporter	Smith, N.	\$32.72	\$5,671	\$5,671	\$68,068	R	FT			11/24/03	11/24/05	1.0		E	C1
904	TC4000	Court Support	20213	205a	3143	Court Reporter	Smith, O.	\$32.72	\$5,671	\$5,671	\$68,068	R	FT			8/19/02	8/19/05	1.0		E	C1
904	TC2000	Court Support	20214	205a	3143	Court Reporter	Vacant	\$32.72	\$5,671	\$5,671	\$68,068	R	FT			12/1/04	12/1/04	1.0		E	C1
904	TC3000	Court Support	20215	205a	3143	Court Reporter	Smith, P.	\$32.72	\$5,671	\$5,671	\$68,068	R	FT			6/22/03	6/22/05	1.0		E	C1
904	TC4000	Court Support	20216	205a	3142	Court Reporter	Smith, Q.	\$33.70	\$5,671	\$5,671	\$70,100	R	FT			12/28/09	12/28/06	1.0		E	C1
904	TC2000	Court Support	20275	205a	3145	Supervising Court Reporter	Smith, R.	\$36.08	\$6,252	\$6,252	\$75,069	R	FT			11/7/04	11/7/05	1.0		E	C2
904	TC1000	Court Support	20273	210a	3138	Judicial Atty III	Smith, S.	\$51.61	\$7,070	\$8,946	\$107,349	R	FT			6/21/04	6/21/05	1.0		E	E1
904	TC1000	Court Support	20273	210a	3138	Judicial Atty III	Smith, T.	\$51.61	\$7,070	\$8,946	\$107,349	R	FT			6/30/01	6/30/05	1.0		E	E1
904	TC1000	Court Support	20273	214	3137	Court Commissioner	Smith, U.	\$58.78	\$9,422	\$9,422	\$122,262	J	FT			11/1/00	11/1/05	1.0		E	E2
904	TC1000	Court Support	20228	215	3369	Traffic Referee	Smith, V.	\$44.85	\$7,791	\$7,791	\$93,466	J	FT			12/20/06	12/20/06	1.0		E	E01
Total											\$1,546,662							24.0			

Note (a) Tenure: R = Regular; individual authorized position with an unspecified duration

LT = Limited Term: individual authorized position with a specified duration,

T = Temporary: unauthorized position to fill vacant authorized positions involving fluctuating staff or workload.

Temporary do not include Agency temp. help or independent contractors/consultants

J = Judicial; individual authorized position judicial appointments

Note (b) Timebase: FT = Full Time; PT = Part Time; INT = Intermittent (no estab. work sched., works as needed, hours must not exceed 1500 hrs/yr)

Note (c) Leave Status: LOA = Leave of Absence, WC = Workers Comp., SDI = State Disability Insurance

Note (d) FLSA: Fair Labor Standards Act

E = Exempt from earning overtime compensation

N = Non-exempt employees eligible to be paid from overtime work in accordance with applicable wage and hour laws.

**SAMPLE CHANGE IN POSITION AUTHORIZATION FORM**

ACTION EFFECTIVE DATE: \_\_\_\_\_ COURT/ DIVISION: \_\_\_\_\_  
CONTACT PERSON: \_\_\_\_\_ PHONE: \_\_\_\_\_ EMAIL: \_\_\_\_\_

**A. Action Requested (Check all that apply)**

\* Requires Written Justification

**ESTABLISHMENT OF POSITION**

- ☐ Permanent\*  
☐ Limited-Term\*  
End Date: \_\_\_\_\_  
☐ Extra Help - Temporary\*  
☐ **ABOLISHMENT OF POSITION**

**CHANGES TO POSITION**

- ☐ Time Base Change\*  
☐ Reporting Unit\*  
☐ Reclassification\*  
☐ Location Change  
☐ Other\*  
Explain: \_\_\_\_\_

**B. Enter Requested Information**

	Current Position	New Position
POSITION TIME BASE ( FTE )	_____	_____
REPORTING UNIT NUMBER	_____	_____
POSITION CLASSIFICATION CODE / TITLE	_____	_____
LOCATION	_____	_____
OTHER:(explain below)	_____	_____
	_____	_____

Remarks/Comments (Please attach any additional remarks/comments) :

**C. Funding for Requested Action**

Current Year Fiscal Impact \_\_\_\_\_  
Ongoing Annual Fiscal Impact \_\_\_\_\_

Funding Source : \_\_\_\_\_

CERTIFICATION OF AVAILABILITY OF FUNDS  
BUDGET OFFICER : \_\_\_\_\_

signature/date

Funding Comments :

**For Position Reclassifications or Time Base Changes**

\*\* includes Salary and Benefits

Current Position	New Position
Personal Salary Cost**	Personal Salary Cost**
\$0	\$0

**Per Pay Period**

Per Month ☐  
Per Semi-Monthly ☐  
Per Bi-weekly ☐  
Per Week ☐  
Per Day ☐  
Per Hour ☐

**Per Pay Period**

Per Month ☐  
Per Semi-Monthly ☐  
Per Bi-weekly ☐  
Per Week ☐  
Per Day ☐  
Per Hour ☐

UNIT MANAGER : \_\_\_\_\_ signature/date \_\_\_\_\_ comments \_\_\_\_\_  
DIVISION DIRECTOR : \_\_\_\_\_ signature/date \_\_\_\_\_ comments \_\_\_\_\_  
HUMAN RESOURCES DIRECTOR: \_\_\_\_\_ signature/date \_\_\_\_\_ comments \_\_\_\_\_  
PRESIDING JUDGE OR COURT EXECUTIVE OFFICER : \_\_\_\_\_ signature/date \_\_\_\_\_ comments \_\_\_\_\_



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

Policy No.  
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**FIN 5.01**  
1 of 14

# **ACCOUNTING PRINCIPLES**

**POLICY NUMBER: AOC FIN 5.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009



# Accounting Principles

## 1.0 Table of Contents

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- 2.0 Purpose
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- 4.0 Application
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  - 6.1 General
  - 6.2 Application of GAAP
  - 6.3 Financial Resources Recognition
  - 6.4 Expenditure Recognition
  - 6.5 Inter-Fund Transfers
  - 6.6 Encumbrances
  - 6.7 Financial Reporting
  - 6.8 Year-End Procedures
- 7.0 Associated Documents

## 2.0 Purpose

(Original 8/01)

The purpose of this policy is to establish uniform guidelines and accounting principles for the trial court to follow when gathering, summarizing and reporting accounting information associated with the fiscal operations of the court.

## 3.0 Policy Statement

(Revised 9/10)

It is the policy of the Judicial Council of California and the Administrative Office of The Courts (AOC) that all trial courts shall comply with the basic principles of accounting and reporting that are applicable to government units. The trial courts shall execute and account for financial transactions in conformity with generally accepted accounting principles (GAAP) and legal requirements.

Trial Court Financial Policies and Procedures	<b>Accounting Principles</b>	Policy No. <b>FIN 5.01</b> Page: 3 of 14
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## **4.0 Application**

(Revised 9/10)

This procedure applies to all trial courts of California including trial court judicial officers, employees and agents of the court who are responsible for or participate in the financial operation of the court, the accounting for court revenues and expenditures, and the collection and disbursement of court funds.

## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Accrual Basis**

**Encumbrances**

**Expenditures**

**Fiscal Year**

**Generally Accepted Accounting Principles (GAAP)**

**Governmental Accounting Standards Board (GASB)**

**Modified Accrual Basis**

**Reimbursable Agreement(s)**

## **6.0 Text**

### **6.1 General**

(Revised 9/10)

Government entities such as the trial courts operate in a unique environment. They must maintain both fiscal and operational accountability over the funds they are responsible for overseeing. The users of trial court financial information; whether they are internal or external to the court, depend upon reliable financial data and reports issued by the court to obtain the information they need to evaluate the court's finances.

Trial Court Financial Policies and Procedures	<b>Accounting Principles</b>	Policy No. <b>FIN 5.01</b> Page: 4 of 14
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## 6.2 Application of GAAP (Original 8/01)

1. The trial court shall use an accounting system that allows a trial court to conform to GAAP to assure uniformity in financial reporting and to provide a reasonable degree of comparability between trial court and state financial reports.

(Revised 9/10)

2. An accounting system implemented by the trial court must :
  - a. Present fairly and fully disclose the financial positions and results of operations of the court's funds in conformity with GAAP; and
  - b. Determine and demonstrate compliance with all accounting and legal requirements and contractual provisions.
3. Every effort shall be made to comply with GAAP. When legal requirements conflict with GAAP, the basic financial statements shall be prepared in conformity with GAAP. Additional schedules and explanations shall be also issued to conform to legal requirements, if necessary.<sup>1</sup>

Fund Accounting and which basis of accounting should be used for each fund type is discussed in detail in Policy No. FIN 3.01 Fund Accounting.

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<sup>1</sup> National Council on Governmental Accounting, *Accounting Standards and Procedures*, Summary Statement of Accounting Principles, Section 1.04.



## **6.3 Financial Resources Recognition**

(Revised 9/10)

Procedures in this section apply to revenue, reimbursements, and abatements of governmental funds unless other accounting treatment is provided by law.

### **6.3.1 Revenue**

1. Since the trial court derives most of its revenues from state funding and local fees and fines, revenues can be accurately measured and expected to be available within a reasonable amount of time to pay for current liabilities. The trial court must use a 60-day period as the criterion to determine revenue availability. Therefore;
  - a. The trial court must recognize revenues during the current fiscal year when they become both measureable and available to finance expenditures of the current period.
  - b. During the fiscal year, the court must recognize revenue on a cash basis as of the date received or transferred from another fund.
  - c. At fiscal year-end (June 30), revenue earned but not yet received must be accrued and recorded in the accounting system. For detailed year-end accrual procedures see Section 6.8, Year-End Procedures.

### **6.3.2 Reimbursements**

1. Trial courts may also receive funding from other state, local, or federal entities through Reimbursable Agreements or as a result of services provided to other trial courts. The reimbursement may be received by two methods;
  - a. Advanced; or
  - b. Recovered once the service or good has been provided and the expenditure is incurred. Therefore;

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- i. The trial court must recognize reimbursements in the fiscal year when earned, not necessarily when received as in the instance of a prepayment. Prepayments must be recorded as reimbursements collected in advance when received and recognized in the fiscal year when the related expenditures are incurred;
- ii. During the fiscal year, the court must recognize reimbursements and establish an accounts receivable when an invoice is issued to a person, grantor, governmental agency; and
- iii. At fiscal year-end (June 30), reimbursements earned but not yet invoiced must be accrued and recorded in the accounting system. For detailed year-end accrual procedures see Section 6.8, Year-End Procedures.

### **6.3.3 Abatements**

1. All abatements reduce the original expenditure general ledger account and are recorded in the period received. The following must be accounted for as abatements;
  - a. Refunds of overpayments of salaries;
  - b. Rebates from vendors or from third parties for defective merchandise, return of merchandise, return of empty containers, promotional purposes (e.g., incentives to purchase products or services), or other reasons;
  - c. Employee jury duty or witness fees;
  - d. Employee payments for private use of state resources such as personal long-distance telephone charges; and
  - e. Other abatements approved by the AOC for situations not listed above.

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## **6.4 Expenditure Recognition**

(Revised 9/10)

The trial court must recognize expenditures in the fiscal year during which goods are received or services are rendered. Courts may use the cash basis of recognizing expenditures throughout the year and must accrue appropriate amounts at fiscal year-end as described in Section 6.8, Year-End Procedures. If material expenditures are excluded from the financial records, it is preferred that courts recognize expenditure accruals on a quarterly basis. Each fiscal year should bear its fair share of on-going expenditures. The trial court must encumber monies in accordance with Section 6.6, Encumbrances and Sub-section 6.8.3.

## **6.5 Inter-Fund Transfers**

(Revised 9/10)

Inter-fund transfers are used to record the transfer of monies from one fund to another. An inter-fund transfer must be used to record the flow of assets without equivalent flows of assets in return and without a requirement for repayment. Inter-fund transfers received from other funds are reported as Other Financing Sources and must not be treated as revenues or expenditures by either fund involved in the transaction.

## **6.6 Encumbrances**

(Revised 9/10)

Encumbrances are used as a means of ensuring trial court resources are available to pay commitments as they become due. An encumbrance reserves part of a fund until a commitment is paid, cancelled, or expires. At the time of payment, the encumbrance is disencumbered (i.e., reduced) and the Expenditure is recorded. A Purchase Order (PO), Contract, Memorandum of Understanding (MOU), or Intra-Branch Agreement (IBA) cannot be encumbered unless there is an unencumbered balance of an appropriate fund.

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POs, Contracts, MOUs, and IBAs, must be forwarded to the accounts payable provider. Any encumbrance amount over \$500 must be posted in the accounting system ensuring adequate amounts must be reserved for the expenditures contemplated. As invoices related to encumbrances are paid, encumbrances should be disencumbered by an amount equal to the payment. Once the last payment related to the Contract, PO, MOU, or IBA is made, the encumbrances associated with the Contract, PO, MOU, or IBA must be disencumbered. Similarly, all encumbrances associated with Contracts, POs, MOUs, or IBAs that have expired or have been cancelled must also be disencumbered. There are court financial commitments that typically would not be encumbered; examples include monthly telephone services and subscriptions.

#### **6.6.1 One-Time Commitments**

One-Time POs or contracts for delivery of goods or services within the fiscal year must be encumbered for the full amount when issued.

#### **6.6.2 Blanket Purchase Orders**

Blanket purchase orders encumber an estimated amount to cover specific goods or services during the term of the blanket purchase order and are set up by fiscal year.

#### **6.6.3 Multi-Year Contracts/POs**

Multi-year POs, Contract, MOUs, and IBAs must specify on the document the amount to be encumbered for which the performance occurs over several fiscal years. Contract, POs, MOUs, and IBAs for anticipated costs must record an encumbrance for each fiscal year. This requires that each fiscal year bear its fair share of Expenditures for applicable costs.

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#### **6.6.4 Change Orders**

Periodically, changes or amendments to existing POs, Contracts, MOUs, or IBAs are processed. Encumbrances must be adjusted accordingly, to reflect the corresponding increases or decreases.

#### **6.6.5 Canceling an Encumbrance**

An Encumbrance may be cancelled by expiration or by cancellation of the PO, Contract, MOU, or IBA within the terms of the agreement. When this occurs, the unencumbered funds are available for other expenditures or encumbrances of the trial court.

### **6.7 Financial Reporting**

(Revised 9/10)

Financial statements and reports are derived from the accounts and related records of the accounting system. Interim financial statements and reports cover periods of less than one fiscal year (monthly, quarterly, etc.) and are primarily for internal use. Annual and periodic financial statements and reports are prepared each fiscal year to serve the needs of both internal and external users.

#### **6.7.1 Interim Financial Statements and Reports**

Appropriate interim financial statements and reports must be prepared by the trial court to facilitate management control of financial operations. Typically, interim financial statements and reports are designed to accomplish these goals:

1. Allow management to monitor compliance with legal and contractual provisions; and
2. Provide management with information on current performance needed to make future financial plans.
3. Trial court managers must review as frequently as necessary the financial statements and reports derived from the accounts and

related records of their accounting system. At minimum, trial courts should review the following statements and reports monthly by fund:

- a. Balance Sheet – A report that reflects the trial courts assets, liabilities, and fund balance;
- b. Encumbrance Report – Displays all current open encumbrances;
- c. Revenue and Expenditure Statement – Reflects all revenue, expenditures, and other sources and uses; and
- d. Budget to Actual Report – Reflects budget, actual expenditures, encumbrances and available budget balance.

### **6.7.2 External Financial Reports**

External financial reports are used by both internal and external users. The trial court must prepare and submit to the AOC the following external reports:

1. State Comprehensive Annual Financial Report (CAFR) information. The CAFR information is a compilation of worksheets that are annually submitted by the AOC to the State Controller's Office (SCO) once the financial statements for each trial court are complete. The State CAFR includes some GAAP adjustments that are not stated in the trial courts financial statements. The State CAFR includes financial statements and supporting schedules, statistics, other financial information, and introductory material to demonstrate conformity to GAAP and compliance with legal requirements, rules, and regulations. Each year the AOC must issue detailed instructions to the trial courts for the preparation and submission of State CAFR information.
2. Quarterly Financial Statement (QFS). Quarterly, the trial court is required to certify and submit to the AOC a QFS as specified in the instructions issued annually by the AOC's Office of Budget Management. Additional information regarding the QFS is provided in Policy No. FIN 4.02 Budget Monitoring and Reporting,

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Sub-section 6.3.2. The QFS is a document that displays the combined statement of revenues, expenditures, other financial sources and uses, and changes in fund balance for all trial court resources. Expenditures in the QFS are reported by the Program, Element, Component, and Task (PECT) structure. The QFS is used by the AOC as a comparative tool in making management decisions and provides other external reviewers with assurance that the court's operations are within appropriate limits.

## **6.8 Year-End Procedures**

(Revised 9/10)

Trial courts are required to adjust their financial statements at year-end to account for revenues not yet received or expenditures not yet paid as of the last day of the fiscal year (June 30). Trial courts must follow the procedures outlined in this section and additional year-end instructions that the AOC may issue.

### **6.8.1 Year-End Revenue and Reimbursement Accruals**

During year-end closing, the court must:

1. Review all revenue accounts, including entitlements and local revenues, and accrue revenues that may not have been received, but which are both measurable and available.
2. Review all reimbursement accounts including state, local, and federal grants; MOUs with state and local entities; and other reimbursable items and accrue reimbursements for expenditures incurred, but not invoiced as of June 30; and
3. Reverse all revenue and reimbursement accruals in the first month of the new fiscal year.

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## **6.8.2 Year-End Expenditure and Related Liability Accruals**

During year-end closing, the court must:

1. Accrue expenditures for all open encumbrances for goods and services that have been delivered or rendered, but not paid as of June 30;
2. Review all Contracts, including Contracts covering more than one fiscal year. Accrue expenditures for services rendered or goods received in the current fiscal year only;
3. Not accrue expenditures for contracts or POs that have a valid, open balance, and the goods or services have not been received by June 30.
4. Accrue expenditures for all direct invoices, not supported through an encumbrance, for which goods or services have been received or rendered, but not paid as of June 30;
5. Prepare and maintain a detailed listing of accruals with actual invoice numbers and amounts noted; and
6. Reverse all expenditure accruals in the first month of the new fiscal year.

## **6.8.3 Year-End Encumbrances**

1. The trial court must review the ending balances for all open POs, MOUs, IBAs, and Contracts and the related encumbrances for validity. Unneeded encumbrance balances, including balances for Blanket Purchase Orders that must not be used by the end of the fiscal year (June 30), must be disencumbered and the disencumbrance must be recorded in that fiscal year.
2. Open encumbrances on June 30 must be handled by the trial court in one of the following ways:
  - a. Accrue encumbrances when goods have been received or services have been provided in the current fiscal year and the invoice must not be paid until the next fiscal year. The accrual



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must be reversed and the payment must be made against the encumbered amount in the next fiscal year off-setting the reversed entry:

- b. Encumbrances budgeted for commitments in the current fiscal year, but goods and services were not received should be reflected on the QFS and the State CAFR information as Reserve for Encumbrances within Fund Balance.
3. The court must retain a complete listing of the current year's year-end encumbrances plus four additional years. See Policy No. FIN 12.01 Record Retention, Section 6.1, Paragraph 5.

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## 7.0 Associated Documents

(Original 8/01)

**None**



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **GENERAL LEDGER**

**POLICY NUMBER: AOC FIN 5.02**

Original Release Date:

April 1, 2001

Effective Date:

August 1, 2001

Revision Date:

December 4, 2008  
(Format of 5.0 only revision)



# General Ledger

## 1.0 Table of Contents

(Original 8/01)

1.0 Table of Contents

2.0 Purpose

3.0 Policy Statement

4.0 Application

5.0 Definitions

6.0 Text

6.1 General Ledger

6.2 General Fixed Asset Account Group

7.0 Associated Documents

## 2.0 Purpose

(Original 8/01)

The purpose of this policy is to establish uniform guidelines by which the trial court organizes its chart of accounts and general ledger to document financial transactions ensuring that financial reports clearly and accurately reflect the court's financial position.

## 3.0 Policy Statement

(Original 8/01)

It is the policy of the trial court to establish an accounting system with a chart of accounts and general ledger that enable the court to record financial transactions with accuracy and consistency. The financial information contained in the general ledger shall be maintained in a manner that facilitates the preparation of reports that clearly and accurately reflect the court's financial position.

Trial Court Financial Policies and Procedures	<b>General Ledger</b>	Policy No. <b>FIN 5.02</b> Page: 3 of 8
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#### **4.0 Application** (Original 8/01)

This procedure applies to all trial court employees and officials who are responsible for or participate in the financial operations of the court, and the accounting for court revenues and expenses.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Account**  
**Accounting System**  
**Asset**  
**Chart of Accounts**  
**Credit**  
**Debit**  
**Equity**  
**Fiscal Year-End Generally Accepted Accounting Principles (GAAP)**  
**Reports**  
**Fixed Asset**  
**General Ledger**  
**Journal**  
**Journal Entry**  
**Liability**  
**Sub-Ledger or Subsidiary Ledger**

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## 6.0 Text

### 6.1 General Ledger (Original 8/01)

1. The trial court shall maintain separate and identifiable trial court general ledgers for the purpose of recording and reporting its financial activities.
2. The general ledgers are the hubs of the trial court accounting and financial system. All financial transactions shall be summarized and recorded in the trial court general ledgers.
3. Separate general ledgers shall be maintained for each type of fund used by the court. For example, separate general ledgers will be maintained for each of the following:
  - a. Trial Court Operations Fund to record all general trial court operations not associated with other trial court fund types.
  - b. Trial Court Special Revenue Fund to record all federal, state, local government or private grants provided to the trial court.
  - c. Trial Court Agency Fund to record all financial activities performed by the court on behalf of other government entities such as the collection of fees, assessments, fines, penalties, etc. for the county.
4. The general ledgers shall be supported by appropriate sub-ledgers that provide adequate and sufficient details of all summary entries.
5. Entries into the general ledgers flow from the sub-ledgers (such as accounts payable) or other journals.
6. The trial court general ledgers shall consist of general ledger accounts designed to identify and segregate different types of

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transactions in logical groups such as assets, liabilities, equity or fund balances, revenues and expenditures. The trial court shall document these general ledger accounts in its chart of accounts. For trial court users the current chart of accounts can be accessed at the SAP Shared Workplace.

7. To the extent practical, the trial court shall adopt the AOC chart of accounts. When strict adherence to the AOC chart of accounts is not practical due to system or other local constraints, the trial court shall maintain a chart of accounts that provides a complete listing of all the accounts used in the accounting system. A detailed description of the type and purpose of each account should also be developed.
8. The level of detail provided by the accounting system is dependent on the number of accounts established in the chart of accounts. The trial court should establish an appropriate number of accounts to allow the court to make sound financial decisions. Too few accounts will not provide sufficient detail. Too many will render the accounting system difficult to manage and hinder the extraction of relevant information.
9. If the AOC chart of accounts is not adopted, the trial court shall match each applicable trial court general ledger account to the corresponding AOC account. Audit trails shall be documented to facilitate the conversion of the applicable trial court accounts into the corresponding AOC account.
10. The Quarterly Financial Statements (QFS) and State Comprehensive Annual Financial Reports (CAFR) financial information must be prepared following the AOC format or all general ledger balances must be converted into such format prior to submission to the AOC. This is required to maintain consistency between all trial courts and to facilitate financial reporting.

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11. For budgetary purposes, the trial court shall further categorize and summarize various general ledger accounts by program, component, element, and task.
12. The general ledgers should be balanced on a regular basis and not less than once a month. Trial balances shall be generated as part of this effort to verify that the sum of debit and credit entries during the period is equal.
13. When necessary, adjusting journal entries shall be prepared to adjust the accounts. All adjusting entries shall be adequately documented and shall require appropriate written management approval.
14. All nominal and budgetary accounts shall be closed at the end of the fiscal year, as the balance sheet accounts remain open and should be carried forward to the new fiscal year. Closing entries shall be used to transfer the balances in operating accounts (revenue and expenditure accounts) to fund balances. After closing entries are made, only balance sheet accounts should have balances. Budgetary accounts should also be closed along with the revenue and expenditure accounts.

## **6.2 General Fixed Asset Account Group**

(Original 8/01)

1. The trial court shall account for fixed assets that are not otherwise accounted for in the general ledgers of the Trial Court Operations Fund, Trial Court Special Revenue Fund or Trial Court Agency Fund in a "General Fixed Asset Account Group".
2. The General Fixed Asset Account Group shall be used to track the following categories of assets:
  - a. Land.



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- b. Structures and improvements.
  - c. Equipment.
  - d. Construction in progress.
3. Trial court equity or ownership of these assets shall be recorded in “Investment in Fixed Assets” accounts that are set up according to the source of the fund used to acquire the assets. For example, the general ledger of each of the trial court’s three funds (Operations, Special Revenue, and Agency) may include an Investment in Fixed Assets account to track ownership of specific assets recorded in the general fixed asset account group.

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## 7.0 **Associated Documents** (Original 8/01)

**None**



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **GRANT ACCOUNTING AND ADMINISTRATION**

**POLICY NUMBER: AOC FIN 5.03**

Original Release Date:

April 1, 2002

Effective Date:

August 1, 2002

Revision Date:

December 4, 2008  
( Format of 5.0 only revision)



# Grant Accounting and Administration

## **1.0 Table of Contents**

(Original 8/02)

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  - 6.7 Grant Closeout
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## **2.0 Purpose**

(Original 8/02)

The purpose of this policy is to establish the budget, cost allocation, and reporting requirements related to the administration of grants that are used to fund trial court programs, projects and operations.

## **3.0 Policy Statement**

(Original 8/02)

The trial court shall comply with all federal, state, Judicial Council and grantor regulations, rules and requirements that apply to the administration of grant funds. The use of grant funds for specific trial court activities does not exempt employees from standard trial court policies and procedures. Requirements that apply to grant administration are in addition to those associated with normal trial court operations.

#### **4.0 Application** (Original 8/02)

This policy applies to all trial court officials and employees who participate in trial court activities that are funded by grants, or who are responsible for the administration of grant funds.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Advance**  
**Block Grant**  
**Grant**  
**Grantee**  
**Grantor**  
**Grant Period also Funding Period**  
**Indirect Rates**  
**Reimbursement Grant**  
**Sub-grantee or Sub-recipient**  
**Subrogate**  
**Unobligated Balance**

#### **6.0 Text** **6.1 Introduction** (Original 8/02)

1. Grant funds awarded by government, business and other organizations may substantially benefit the 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. This is because money received by the court through grants is provided for specific purposes and under conditions that apply to its use.

2. Grants are auditable. Therefore, the court must be able to identify the source and application of all grant funds. It must also prepare and submit periodic performance and financial reports regarding grant-funded programs and projects.
3. Inattention to grant compliance requirements or inadequate controls can lead to problems including:
  - a. Incorrect reporting regarding the time, effort and funds spent on grant-funded activities.
  - b. Failure to report program income.
  - c. The use of grant funds to pay for activities not related to the grant program or project.
  - d. Improper accounting for overhead costs.
  - e. Improper transfers of funds between programs.
4. Common weaknesses associated with grant compliance include:
  - a. Lack of management controls due to outdated or nonexistent policies and procedures.
  - b. Inadequate staff training and education.
  - c. Inadequate systems associated with effort reporting, financial management, program income, etc.
5. Measures that have been shown to improve grant program compliance include:
  - a. Establishing compliance as an institutional expectation and individual responsibility.
  - b. Establishing an expectation of zero tolerance for noncompliance.
  - c. Defining individual roles and responsibilities.
  - d. Assigning oversight responsibilities.
  - e. Keeping policies and procedures current with respect to changing statutes, regulations, and grant conditions.

## **6.2 Grant Requirements**

(Original 8/02)

1. The uniform administrative rules for federal grants and cooperative agreements and sub-awards to state and local governments are established in Title 28, Part 66 of the Code of Federal Regulations (CFR).
2. Various grant programs (federal, state, local, private foundation, and corporate) may have other requirements associated with specific legislation or the rules of the grantor. The trial court is responsible for familiarizing itself and complying with the requirements of the grant agreements it enters into.

## **6.3 Grant Budgets**

(Original 8/02)

### **6.3.1 Budget Establishment**

For each grant agreement that the trial court enters into, a distinct budget must be established at the appropriate level of the Budget Program Structure. The trial court financial management system must allow for the tracking of grant revenues and expenditures and facilitate the preparation of required financial and performance reports.

### **6.3.2 Budget Control**

The trial court must be able to compare actual expenditures under each grant with budgeted amounts. Grant funds must be traceable to a level of expenditure that demonstrates the funds have not been used in ways that violate statutes, regulations, or conditions of the grant agreement.

### **6.3.3 Budget and Program Changes**

1. Certain types of post-award changes to budgets and projects supported by grant funds shall require the prior approval of the grantor.
2. Unless otherwise stated in a grant agreement or applicable regulations, the trial court must obtain prior approval whenever any of the following changes is anticipated:<sup>1</sup>
  - a. A revision that would result in the need for additional funding.
  - b. Cumulative transfers among direct cost categories or among separately budgeted programs, projects, functions or activities that exceed ten percent of the current total approved grant budget, when the grantor's share is greater than \$100,000.
  - c. Transfers of funds allotted for training allowances to other expense categories.
3. The trial court must also obtain prior approval from the grantor whenever any of the following program-related changes is contemplated:
  - a. Revision of the scope or objective of the project.
  - b. Need to extend the grant period to make funds available for a longer time than originally planned.
  - c. Changes in key program personnel where the grant agreement specifies such a notification.
  - d. Obtaining the services of a third party to perform activities that are central to the purposes of the grant award (subcontracting or subgranting).

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<sup>1</sup> Required for federal grant funds under CFR Title 29, Part 66.3. For other types of grants, refer to grant agreements for specific requirements.



4. A request for approval of a change to the grant budget or program should be submitted to the grantor in the same format as the original grant application. The request shall include a narrative justification for the proposed change.

## **6.4 Accounting and Administrative Requirements**

(Original 8/02)

The trial court must account for grant funds in accordance with applicable laws and the procedures established for expending and accounting for its own funds. Specific aspects (of fiscal control and accounting procedures required by 28 CFR Part 66) are discussed below.

### **6.4.1 Internal Control**

The trial court must effectively control and account for all grant-related cash, real and personal property, and other assets. These assets must be safeguarded and the trial court must assure that they are used only for authorized purposes.

### **6.4.2 Fund Identification**

As indicated in the table shown in Policy No. FIN 5.01, Fund Accounting, grant funds shall be accounted for in Special Revenue Funds. This will allow grant transactions and resources to be accounted for as a separate entity, and facilitate grant monitoring, reporting and auditing.

### **6.4.3 Accounting Records**

1. The trial court must maintain records that adequately identify the source and application of grant funds. The records must contain information about grant awards, authorizations, obligations, unobligated balances, assets, liabilities, expenditures, and income.

2. Accounting records must be supported by appropriate documentation that may include receipts, cancelled checks, employee time and attendance records, payroll records, etc.
3. Grant records will be retained according to the requirements established in Policy No. FIN 12.01, Record Retention.

#### **6.4.4 Allowable Costs**

Only costs that are determined to be reasonable, allowable, and allocable may be applied to grant programs. In determining whether specific costs may be applied to a grant program, the trial court shall refer to the specific terms of the grant agreement. For federal grants, guidance is provided by the United States Office of Management and Budget in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (available at [www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars)).

#### **6.4.5 Direct and Indirect Costs**

1. Costs that are applied to grant budgets can be classified as either direct costs or indirect costs. There is no universal rule for classifying costs as direct or indirect. However, it is important to treat each cost item consistently as either direct or indirect. Guidelines for determining direct and indirect costs are provided in the following paragraphs.
2. Direct costs are those that are specifically associated with a grant program or are incurred in the performance of grant-related activities. Direct costs that are typically applied to grants include:
  - a. Employee compensation for time devoted and identified specifically to the performance of grant awards.
  - b. The cost of materials acquired, consumed, or expended specifically for the purpose of grant awards.
  - c. Equipment and other capital expenditures.

- d. Travel expenses incurred specifically to carry out grant awards.
- 
- 3. Time spent on grant-funded activities must be documented on employee timesheets that indicate the employee's name, the specific grant program time is charged to, the dates on which time is charged, and the number of hours charged to the grant program each day.
  - 4. Indirect costs are those that are incurred for a common purpose that benefits more than one trial court function, program, grant, contract or other activity; and are not readily assignable to the activities they benefit. Indirect costs are usually charged to grant programs through the use of an indirect cost rate.
  - 5. The types of costs that may be classified as indirect costs cannot be specified for all situations. However, typical examples include:
    - a. Trial court central service costs.
    - b. General administrative costs.
    - c. Accounting and personnel services performed within the trial court.
    - d. Facility operations and maintenance costs.
  - 6. To determine the indirect costs that may be applied to a specific grant; the trial court may be required to submit an indirect cost rate proposal that serves as the basis for negotiation of the indirect cost rates that will be allowed under the grant. In some cases, the trial court may apply predetermined rates that are based on the court's estimated costs for a specific period, usually the fiscal year.

#### **6.4.6 Availability of Funds**

1. Most grants specify a specific period of time during which grant funds are to be used. In these situations, the trial court may only apply expenditures to the grant up to the end of the grant period, unless the grant specifically allows the carryover of unobligated balances.
2. The trial court must liquidate all obligations incurred under a grant within 90 days of the end of the grant period, unless otherwise specified in the grant agreement. This deadline may be extended at the grantor's discretion, upon the trial court's request.

#### **6.4.7 Income from Grant-Funded Programs**

1. The trial court may sometimes generate income from grant-funded programs or activities. Income may include fees for services performed by the trial court, but it does not include fines, taxes, special assessments, or levies collected by the court.
2. Income generated by grant programs shall be deducted from total program costs.

#### **6.4.8 Supplies and Equipment**

1. The trial court shall use, manage and dispose of equipment acquired under a grant according to the procedures established in Policy No. FIN 9.01, Fixed Asset Management.
2. Equipment acquired using grant funds shall be used for the project or program for which it was acquired as long as needed, whether or not the project continues to be supported by grant funds.

3. Minimum requirements for the management of equipment acquired using grant funds include:
  - a. Records must be kept that include a description of the property, serial number or other identification, the source of the property, who holds title, the acquisition date, cost, percentage of grant participation in the cost, the location, use, and condition of the property. In addition, any information regarding the ultimate disposition of the property and the sale price.
  - b. A physical inventory of the property must be taken and reconciled with property records at least once every three years.
  - c. A control system must be in place to safeguard property and prevent loss, damage, or theft.
  - d. Adequate maintenance procedures must be developed to keep property in good condition.
  - e. Proper procedures must be followed to ensure the highest possible return when the sale of property is authorized. See Policy No. FIN 9.01, Fixed Asset Management, for requirements pertaining to disposal of assets.
4. When equipment is no longer needed for a project or program, disposition will be made as follows:
  - a. Equipment with a current value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the grantor.
  - b. Equipment with a current value greater than \$5,000 may be retained or sold. The grantor shall have a right (which it may waive) to an amount calculated by multiplying the current market value or proceeds from the sale by the grantor's share of the equipment.
5. If there is a residual inventory of unused supplies that exceeds \$5,000 in total fair market value at the end of the grant period, and if

the supplies are not needed for any other grant-funded program or project, the trial court shall compensate the grantor for its share of the value of the unused supplies, unless the grantor waives its right to compensation.

#### **6.4.9 Procurement**

When procuring goods and services under a grant, the trial court will follow the same policies and procedures it uses for procurements using non-grant funds (see Policy No. FIN 6.01, Procurement).

### **6.5 Reporting Requirements** (Original 8/02)

1. The trial court is responsible for monitoring the day-to-day activities of grant-funded operations to assure compliance with federal, state, Judicial Council, and grantor-specific requirements and performance goals. The trial court must make periodic reports to the grantor regarding grant program performance and financial status.
2. In cases where the trial court is a subrecipient of a grant awarded to the Judicial Council, the trial court must submit reports to the AOC, which in turn reports to the grantor.
3. Upon written request, the trial court shall provide information regarding any and all grant funds and programs to the AOC. The information requested may include, but is not limited to, performance and financial reports prepared for federal, state, local, and private grants.
4. The following sections on performance and financial reporting generally pertain to federal grants. Pass-through grants or reimbursement grants received from the Judicial Council, or grants received from other sources may have different reporting requirements. It is the trial court's responsibility to familiarize itself and

comply with the reporting requirements of any grant it receives to avoid the discontinuation of funds needed for court programs.

### **6.5.1 Performance Reporting<sup>2</sup>**

1. The trial court may be required to submit performance reports related to grant funds as required by the terms of their grant agreements. For federal grants, the trial court shall submit annual performance reports unless the grantor requires quarterly or semi-annual reports. Performance reports shall not be required more frequently than quarterly.
2. Annual reports shall be submitted no later than 90 days after the end of the grant year, or as specified in the grant agreement. Quarterly or semi-annual reports shall be submitted no later than 30 days after the reporting period. At its discretion, the grantor may extend the deadline for report submittal upon the trial court's request. The grantor may also waive any performance reports when it is not needed.
3. For each grant, performance reports shall contain brief information regarding the following:
  - a. A comparison of actual accomplishments to the objectives established for the reporting period. Results should be quantified wherever possible.
  - b. If established objectives were not met, the reasons for underperformance.
  - c. Pertinent information including, but not limited to, analysis and explanation of any cost overruns.

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<sup>2</sup> Required for federal grant funds under CFR Title 28, Part 66.41. For other types of grants, refer to grant agreements for specific requirements.

4. The trial court shall not be required to submit more than the original and two copies of grant performance reports to the grantor.
5. If significant developments that impact the trial court's grant performance occur between reporting dates, the court must inform the grantor as soon as possible. Significant developments include:
  - a. Problems, delays, or adverse conditions that will materially impair the court's ability to meet grant objectives. Disclosure to the grantor must include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.
  - b. Favorable developments that will enable the court to meet time schedules and objectives sooner or at a lower cost than anticipated, or that produce more benefits than originally envisioned.

### **6.5.2 Financial Reporting<sup>3</sup>**

1. Accurate, current and complete disclosure of the financial results of grant-related activities must be made according to the reporting requirements of each grant.
2. Financial information shall be reported on a cash or accrual basis, as required by the grantor (the trial courts operate on the modified accrual basis). If the grantor requires financial reporting on an accrual basis, the trial court shall not be required to convert its accounting system. Rather, the financial reporting information shall be developed through an analysis of available information.
3. The trial court shall submit annual financial reports unless the grantor requires quarterly or semi-annual reports. Financial reports

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<sup>3</sup> Required for federal grant funds under CFR Title 28, Part 66.41. For other types of grants, refer to grant agreements for specific requirements.



shall not be required more frequently than quarterly, unless otherwise specified in the grant agreement.

4. Annual reports shall be submitted no later than 90 days after the end of the grant year. Quarterly or semi-annual reports shall be submitted no later than 30 days after the reporting period. At its discretion, the grantor may extend the deadline for report submittal upon the trial court's request. The grantor may also waive any financial report when it is not needed.
5. The trial court shall not be required to submit more than the original and two copies of grant financial reports.

### **6.5.3 Required Forms for Federal Grant Financial Reports**

1. Federal regulations (28 CFR Part 66.41) require the submittal of financial information on specific forms (available at [www.whitehouse.gov/omb/ggrants/#forms](http://www.whitehouse.gov/omb/ggrants/#forms)) for grants made by federal agencies. The following forms will be used unless specifically waived by the grantor.
2. Financial Status Report. The court shall report the status of funds for all nonconstruction grants on federal Standard Form 269 or 269A, *Financial Status Report*.
3. Federal Cash Transaction Report. For grants paid by letter of credit, treasury check advances or electronic transfer of funds, the court will submit federal Standard Form 272, *Federal Cash Transactions Report*, and when necessary, its continuation sheet, Standard Form 272A. These reports are used by the federal agency making the grant to monitor cash advanced to the court and to obtain disbursement or outlay information for each grant.
  - a. Forecasts of federal cash requirements information may be required in the Remarks Section of the report.

- b. Submittal of this report is required no later than 15 days after the end of the quarter. However, if an advance of funds is authorized at an annualized rate of \$1,000,000, the federal agency making the grant may require the report to be submitted within 15 days of the end of each month.
4. Request for Advance or Reimbursement. Requests for treasury check advance payments or for reimbursement will be submitted on Standard Form 270, *Request for Advance or Reimbursement*. This form will not be used for drawdowns under a letter of credit, electronic funds transfer or when treasury check advance payments are made automatically on a predetermined basis.

## **6.6 Grant Termination and Enforcement**

(Original 8/02)

1. If the court fails to comply with any term of a grant award, whether the term is stated in a federal regulation, State plan or application, grant agreement, notice of award, or elsewhere, the grantor may take the following actions, as appropriate to the circumstances:
  - a. Withhold cash payments pending correction of the issue.
  - b. Disallow all or part of the cost of the activity that is not in compliance.
  - c. Suspend or terminate the grant award in whole or in part.
  - d. Take other remedies that may be legally available.
2. In the event the grantor takes action due to perceived noncompliance with the grant conditions by the court, the court shall have the opportunity to a hearing, appeal, or other administrative process that may be established under applicable statutes, regulations, or grant conditions.

3. Grant awards may be terminated for convenience in whole or in part under the following conditions:
  - a. By the grantor with the consent of the court, in which case the parties shall agree to the termination conditions including the effective date and the portion to be terminated, if applicable.
  - b. By the court upon written notice to the grantor, setting forth the reasons for the termination, the effective date, and the portion to be terminated, if applicable. However, in the case of a partial termination, if the grantor determines that the remaining portion of the grant will not accomplish the purposes for which the grant was made, the grantor may terminate the grant in its entirety.

## **6.7 Grant Closeout**

(Original 8/02)

1. Within 90 days of the expiration or termination of a grant (or as specified in the grant agreement), the court shall submit all financial, performance and other reports that may be required as conditions of the grant. For federally funded grants these reports may include, but are not limited to:
  - a. Final performance or progress report.
  - b. Financial Status Report (federal Standard Form 269).
  - c. Final request for payment (federal Standard Form 270).
2. The grantor may make upward or downward adjustments to the allowable costs within 90 days of receipt of the court's final report (or within the period specified in the grant agreement). The grantor will also promptly pay the court for any final allowable costs.
3. The court shall immediately refund the balance of any unobligated funds that are not authorized for use on other grants to the grantor.

## **7.0 Associated Documents**

(Original 8/02)

**None**



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **PROCUREMENT**

**POLICY NUMBER: AOC FIN 6.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

February 24, 2009

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# Procurement

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Charge Card
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Employees

## 2.0 Purpose

(Original 8/01)

The purpose of this policy is to establish uniform guidelines for the trial court to use in procuring necessary goods and services and to document that court procurement practices are fair and reasonable, and provide for economical use of public funds.

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### **3.0 Policy Statement** (Original 8/01)

It is the policy of the trial courts that the procurement of necessary goods and services be conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. All procurement actions shall be planned, implemented and administered under procurement guidelines that are clear and concise. Employees who are authorized to commit public funds are held to a high level of accountability. At a minimum, they are expected to conduct themselves with integrity, objectivity, and fairness.

### **4.0 Application** (Revised 7/04)

The procurement policies and procedures described in this policy apply to all trial court officers and employees who participate in the specification, requisition, approval, purchase, receipt, or payment for goods and services required by the trial court.

### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Audit Trail**

**Bid**

**Blanket Purchase Order (BPO)**

**California Multiple Award Schedule (CMAS)**

**Competitive Procurement**

**Conflict of Interest**

**Contract**

**Contractor**

**Fiscal Officer**

**Gratuity**

**Interagency Agreement**

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**Invitation for Bid (IFB)**  
**Low Value Purchase**  
**Memorandum of Understanding (MOU)**  
**Mini Purchase**  
**Procurement**  
**Proposal**  
**Purchase Order (P.O.)**  
**Quote**  
**Request for Bid (RFB)**  
**Request for Proposal (RFP)**  
**Request for Quote (RFQ)**  
**Requisition**  
**Sealed Bid**  
**Small Purchase**  
**Sole Source**  
**Solicitation Document**  
**Vendor**  
**Warrant**

## **6.0 Text**

### **6.1 Standard Procurement Process**

(Revised 9/10)

1. The procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee who has been given the responsibility for approving the requisition. This is a separate and distinct process from approving the purchase order or executing the contract. Requisition approval authority may be delegated by organizational structure (e.g., manager of a unit) or by the type of goods or services requested (e.g., equipment or services under \$5,000). The individual who approves the requisition is responsible for assessing the need for the requested good or services and assuring that funds are available in the court's budget and that appropriate account codes are provided for the proposed



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purchase. See Section 6.3, Purchase Requisition Preparation and Approval for suggested requisition approval.

2. Upon approval of the purchase requisition, the trial court employee responsible for the procurement process must follow the appropriate steps as outlined in Sections 6.5, Procurement Methods, 6.6, Protest Procedures, and 6.7, Circumvention of Procurement Requirements to obtain bids, quotes or proposals (hereinafter referred to as offers) from qualified vendors, suppliers, bidders, proposers, or contractors (hereinafter referred to as offerors) unless a sole source procurement has been authorized according to Section 6.11, Sole Source Procurements. When offers are received and analyzed to select the one that offers the best value to the trial court, a draft purchase order is created or a contract drafted, if an award is to be made.
3. Following negotiations, if any, with the selected offeror and any applicable protest period, the Presiding Judge (PJ) or Court Executive Officer (CEO), (if the PJ has delegated this authority<sup>1</sup>) may execute the purchase order or contract.
4. Receipt of the goods or services is documented prior to partial or final payment. See Section 6.8, Receipt of Goods and Services.

## **6.2 Standards of Conduct**

(Revised 7/05)

1. Trial court procurement activities shall be conducted in a manner that is impartial, above reproach, and without preferential treatment. Trial court employees shall perform their duties in a manner that avoids even the appearance of a conflict of interest. No trial court employee shall:

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<sup>1</sup> California Rule of Court 10.603(d).

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- a. Have a financial interest in any procurement to which the trial court is a party.
  - b. Solicit or accept money or anything of value in addition to the compensation paid to him or her by the trial court in connection with services performed within the scope of his or her official duties.
  - c. Release information regarding any procurement that would give an unfair competitive advantage to any individual or concern.
  - d. Make any commitment or promise regarding the selection of a contractor or award of a procurement.
  - e. Use his or her position with the trial court to coerce or give the appearance of coercing another person to provide any benefit to persons to whom he or she has family, business, or financial ties.
  - f. Accept any gratuity for themselves or others from any source that seeks business or financial ties with the trial court.
  - g. Participate in the selection, award, or administration of any procurement if a conflict of interest exists or could be perceived to exist.
  - h. Participate in any actions that might result in favored treatment of prospective contractors, vendors or suppliers.
2. As stated in items b and f above, trial court employees may not accept gifts, meals or gratuities from parties that have or seek to have business or financial relationships with the court. Any such gift that is offered or received must be returned to the sender with an explanation of the court's policy regarding gifts except as specifically provided for in Rule of Court 10.102.

### **6.3 Purchase Requisition Preparation and Approval** (Revised 9/10)

1. A written or electronic purchase requisition is used to initiate all procurement actions. The requestor identifies the correct account

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code(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the trial court employee responsible for approving the requisition. After performing an assessment of the need verifying that the correct account code(s) are specified, and assuring that funding is available, the **requisition** is forwarded to the trial court's buyer. The following table provides **suggested** requisition approval authority levels for trial court staff and management.

### **Suggested Approval Thresholds for Trial Court Procurements<sup>2</sup>**

<b>Position</b>	<b>Suggested Approval Threshold</b>
Presiding Judge or Executive Committee (if applicable)	\$25,000 and above
Executive Officer	\$10,000 to \$24,999
Managers	\$2,500 to \$9,999
Supervisors	Less than \$2,500

- Alternative thresholds (e.g., approval levels that are different from those suggested above) and AOC-approved alternative procedures must be documented, incorporated into the local trial court procurement manual, and distributed to court personnel. Any alternative procedure, other than changes in threshold dollar amounts, that is different from what is included in the Trial Court Financial Policies and Procedures Manual is required to be approved by the AOC prior to its implementation. Please refer to Policy No. FIN 1.01 Trial Court Organization, Section 6.4, Paragraph 4 for instructions on submitting alternative procedures. Use of **undocumented policies or those not approved by the AOC will not be considered valid for audit purposes.**

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<sup>2</sup> Threshold values refer to total procurement value, not individual items within a single procurement.

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## **6.4 Purchase Orders**

(Revised 7/05)

1. A purchase order is a document that is issued to authorize an offeror to provide goods. Payment is made according to the terms and conditions printed on the purchase order unless otherwise specified in writing. The terms and conditions printed on a purchase order usually apply to the purchase of goods rather than services. In most cases, a contract is used to procure services.
2. Purchase orders issued by the trial court shall be numbered according to a system that allows them to be verified and prevents unauthorized purchase orders from being issued. The use of either preprinted, pre-numbered forms or computer-generated purchase order numbers is permitted.
3. Access to purchase order forms or computerized purchasing systems should be limited to a minimum number of authorized trial court employees. A purchase order log shall be kept that includes the following information:
  - a. Purchase order number.
  - b. Date issued.
  - c. Requisition number / requestor.
  - d. The vendor to whom the purchase order is to be issued.
  - e. The approximate cost of the goods or services to be purchased.
4. A copy of each purchase order issued by the trial court shall be maintained in the trial court's procurement files (refer to Section 6.10, Administration and Documentation).

## **6.5 Procurement Methods**

(Revised 9/10)

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1. The value of the goods and services to be purchased is an important factor in determining the procurement method that must be employed. The following table lists four **suggested** purchasing thresholds and identifies the appropriate procurement method for each one.
2. Purchase thresholds that are different from those suggested below must be documented, incorporated into the local trial court procurement manual, and distributed to trial court personnel. Any alternative procedure, other than changes in threshold dollar amounts, that is different from what is included in the Trial Court Financial Policies and Procedures Manual, is required to be approved by the AOC prior to its implementation. Please refer to Policy No. FIN 1.01 Trial Court Organization, Section 6.4, Paragraph 4 for instructions on submitting alternative procedures. Use of **undocumented policies or those not approved by the AOC will not be considered valid for audit purposes.**

### **Suggested Purchasing Thresholds and Methods for Trial Court Procurements<sup>3</sup>**

<b>Suggested Purchase Value</b>	<b>Procurement Type</b>	<b>Procurement Method</b>
Less than \$500	Mini Purchase	Purchases must be made according to good purchasing practice
\$500 to \$4,999	Low Value Purchase	At least three offers must be obtained by telephone or internet and documented in writing
\$5,000 to \$24,999	Small Purchase	At least three written offers must be obtained
Greater than \$25,000	Competitive Procurement	Formal written offers must be obtained

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<sup>3</sup> Thresholds refer to total procurement value, not to individual items within a single procurement.

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### **6.5.1 Mini Purchases – Suggested Value of Less than \$500**

1. Written offers and documentation are not required for purchases totaling less than \$500. However, good procurement practices must be followed to determine that a fair and reasonable price will be paid including:
  - a. An approved purchase requisition.
  - b. Timely and economical provision of goods and services to the trial court.
  - c. Maximizing the benefit received by the trial court.
  - d. Purchases may be completed using a check or warrant request, or purchase card. A purchase order may also be used but is not required.

### **6.5.2 Low Value Purchases - Suggested Value \$500 to \$4,999**

1. For procurements that exceed a value of \$500 but are less than \$ 5,000, at least three offers should be obtained from qualified offerors by telephone, fax or through the Internet. If bids include a vendor using California Multiple Award Schedule (CMAS) pricing, then bids from at least two vendors using non-CMAS pricing must also be obtained. The telephone offers should either be documented in a log kept by the procuring employee or by fax or email from the offerors.
2. Upon receipt of the offers, the procurement must be awarded to the vendor who will provide the requested goods or services for the best price/value within the court's time requirements.
3. The solicitation information should be attached to the purchase requisition. Purchases of up to \$1,500 may be executed with a purchase card or a purchase order and purchases of up to \$ 4,999

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should be executed with a purchase order. The court should ensure that purchases over \$500 executed with a purchase card do not require the risk mitigation afforded the court by a purchase order's terms and conditions.

### **6.5.3 Small Purchases – Suggested Value of \$5,000 to \$24,999**

1. Small purchases are defined as those with a value of \$5,000 and up to and including \$ 24,999. The procedures recognize that up to a certain limit, the cost of a competitive procurement may be greater than the value yielded by a formal competitive process. Small purchases simply require that offers be received from an adequate number of qualified vendors. Reasonable efforts shall be made to obtain at least three offers. If offers include a vendor using CMAS pricing, then offers must also be obtained from at least two vendors using non-CMAS pricing.
2. If fewer than three offers are received, the court must justify the appropriateness or reasonableness of the cost. The names and addresses of the firms or individuals solicited for bids or proposals must be documented in the procurement file.
3. The procurement process begins with a written or electronic requisition that clearly describes the goods or services required, the quantity needed, and the schedule for delivery or performance. The requisition information should be transmitted by mail, fax, or email to a number of qualified suppliers or posted to the court's public Web site that assures at least three offers are received. A submittal deadline and the method of submitting offers (e.g., by mail, fax, email) should also be communicated to the prospective offerors.
4. Upon receipt of at least three offers, the procurement must be awarded, if at all, to the offeror who will provide the requested goods or services for the best price/value within the time required

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by the trial court. The procurement must be executed with a purchase order or contract.

5. In some cases, small procurements are best executed with a contract. This is often true when the court needs to obtain services or for procurements that are considered to be complex. Complex procurements are those that require considerable and detailed explanation of the requirements and obligations of the buyer and seller. Complex procurements may also require special contract clauses that are not typically covered by the standard (and somewhat minimal) terms and conditions of a purchase order.

#### **6.5.4 Competitive Procurements – Suggested Value Equal to or Greater than \$ 25,000**

(Revised 9/10)

1. For all procurements that exceed a value of \$25,000, at least three written offers should be obtained. If three written offers are not obtained, the PJ or his/her designee must be consulted as to whether the procurement must proceed. An approval to proceed must be in writing. The steps required for obtaining written offers are listed below:
  - a. Depending on the size and nature of the goods and/or services to be procured, the trial court should advertise the procurement before the contracting process begins. Publicizing procurements provides several advantages including:
    - i. Increasing competition.
    - ii. Broadening industry participation to meet trial court requirements.
    - iii. Assisting small and disadvantaged businesses in obtaining contracts and subcontracts.



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The trial court can advertise competitive procurements in the California State Contracts Register (CSCR), which is published by the California Department of General Services. More information may be obtained by logging into the CSCR advertisement submittal section of the Department of General Services Web site at [www.cscr.dgs.ca.gov/cscr](http://www.cscr.dgs.ca.gov/cscr).

Other outlets for advertising competitive procurements include newspapers of general circulation in the county where the trial court is located, trade papers that publish announcements of upcoming government and industry procurements, and the trial court's Web site.

Advertisements for competitive procurements shall announce the availability of the solicitations, state the time and place for the receipt and opening of bids/proposals, describe the required goods/services in general terms, and provide contact information for vendors interested in responding to the solicitation.

Rule of Court 10.620 requires the trial court to provide notice not later than fifteen court days after the solicitation of a **proposal** or the execution of a contract that exceeds the greater of \$400,000 or ten percent of the total trial court budget.

- b. A Request for Quote, Request for Proposal, or Invitation for Bid (RFQ, RFP, or IFB) must be written and must include a clear and accurate description of the material, product or service to be procured. The written specifications may not be written to unduly restrict competition.
- c. The solicitation document must state where delivery is to be made and that delivery must be included in the offer price as a separately identified cost.
- d. The solicitation document should provide a schedule for delivery of the requested material or product, or completion of the requested work.

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- e. Criteria to be used in selecting the successful offeror should also be listed (e.g., qualifications, experience, acceptance of trial court terms and conditions, inventory in stock, etc.). The selection criteria should be prioritized or weighted, and should also be provided to the prospective offerors.
- f. The format and content required for responsive submittals must be clearly stated.
- g. The deadline and location for submittal of offers must be clearly stated.
- h. The solicitation document must clearly state that the lowest responsible, responsive offeror (or the offeror that provides the best value to the court based on an evaluation of all offers according to the stated selection criteria) will be selected for award, if any award is made. In addition, the trial court should reserve the right to:
  - i. Reject all bids or proposals, or any parts thereof, if it is in the court's best interests to do so.
  - ii. Reject any bid or proposal that is nonresponsive to the solicitation requirements
  - iii. Reject any bid or proposal because the submitting firm or individual does not meet the trial court's stated criteria for contractor responsibility.
- i. The solicitation document should be mailed to a list of qualified offerors. If a vendor using CMAS pricing is included in the solicitation process, then a sufficient number of qualified offerors must be included to ensure that proposals from at least two vendors using non-CMAS pricing are received.
- j. Any changes to the solicitation made after it is issued must be documented and provided to all of the solicitation document holders via addenda. The addenda must be sent to all persons or entities that received a copy of the solicitation, not only those on the original mailing list. If the solicitation document is posted

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on a website in lieu of mailing, the addenda must also be posted on the website.

- k. All offers received in accordance with the solicitation must be opened and/or evaluated after the submittal deadline at the time and place designated (only sealed bids need to be opened publically).
  - l. Document the offers received, the offer prices and the responses to any other offer criteria specified in the solicitation documents.
  - m. Evaluate the offers against the stated selection criteria to determine the responsiveness of each offer and the responsibility of each offeror.
  - n. Select an offeror from among the offers received.
  - o. For IFBs, if the lowest priced offer is not selected, document in writing why the selected offeror is the most responsible and responsive offeror.
  - p. Award the procurement, if it is in the trial court's best interest to do so, by issuing a purchase order or executing a contract agreement with the selected offeror.
2. Individuals or businesses that assist in the preparation of solicitation documents may be disqualified from submitting offers if the individual or business has a potential unfair advantage as a result of their involvement in the preparation of the solicitation.

#### **6.5.5 Special Considerations for Sealed Bid Procurements** (Revised 7/05)

1. Under certain conditions, a sealed bid process may be used. Conditions that lend themselves to the use of sealed bids include:
  - a. A complete, adequate and realistic specification or purchase description.

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- b. Two or more qualified bidders who are willing to compete for the business.
  - c. The procurement lends itself to a firm, fixed price contract.
  - d. Selection can be made mainly on the basis of price.
  - e. No negotiation with the bidders is needed prior to award.
- 2. If a sealed bid process is used, the following additional procedures should also be followed:  
(Revised 9/10)
  - a. Instructions for submitting a sealed bid must be provided to all bidders in the IFB (e.g., "Bids are required to be submitted in double envelopes with the outside envelope clearly marked with the bid number and bid name").
  - b. Employees who receive and open mail should be instructed not to open sealed bids.
  - c. Stamp the unopened bid envelopes with the date and time received, and deliver them to the person designated to receive the bids.
  - d. Keep a log of the bids received.
  - e. Publicly open the bids at the place and time specified in the IFB. Announce the bidder's name and the bid amount as each bid is opened. Document the bidders responding and their bid amounts in writing.
- 3. Reasonable efforts shall be made to obtain at least three bids. If fewer than three bids are received, the court is required to justify the appropriateness or reasonableness of the cost. The names and addresses of firms or individuals solicited for bids must be documented in the procurement file.

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## **6.6 Protest Procedures**

(Revised 9/10)

1. The trial court must process bid protests in a timely and consistent manner to assure that all prospective contractors are accorded fair and equal consideration for the award of contracts or purchase orders. Trial courts are required to establish protest guidelines by January 1, 2005 that will be followed for all procurements. RFPs should include a protest procedure section that outlines the protest guidelines.
2. The trial court protest procedures must outline the process for two types of protest actions that the court will accept:
  - a. Protests based on defective specifications or improprieties.
  - b. Protests based upon award.
3. A sample Trial Court Protest Procedure is included in 7.0, Associated Documents. The trial court may develop its own protest procedure as long as it is substantially in the form of the sample.

### **6.6.1 Protest Remedies**

1. The Court Fiscal Officer or his or her designee must respond to a protest with a written determination.
2. For protests based on restrictive specifications or improprieties, the written determination must be provided to the protestor prior to the courts' evaluation of the proposals. If required, the proposal closing date may be extended to allow for a reasonable time to review the protest. The Court Fiscal Officer or designee's decision must be final.
3. For protests based upon award, the written determination should be provided within ten business days of the trial court's receipt of a

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timely protest. If the trial court is unable to provide a written determination within ten business days, the protestor must be notified. If the protest is denied, the protestor may appeal the determination.

4. In determining the appropriate remedy for an appeal, the Court Executive Officer shall consider all circumstance surrounding the procurement or proposed procurement, including the seriousness of the procurement deficiency, the degree of prejudice to other parties or to the integrity of the competitive procurement system, the good faith of the parties, the extent of performance, the cost to the trial court, the urgency of the procurement, and the impact on the trial court. Protest remedies may include, but are not limited to, a refrain from exercising options under the awarded procurement; termination of the awarded procurement; a re-compete of the awarded procurement; issuing a new solicitation; or an award of the procurement that is consistent with statute or regulation.

## **6.7 Circumvention of Procurement Requirements**

(Revised 10/03)

No procurement shall be divided in order to circumvent requirements based on purchase value thresholds. All procurements shall be made in a manner that will afford the trial court the maximum value or benefit through competitive procedures and consolidation of purchases

## **6.8 Receipt of Goods and Services**

(Revised 9/10)

To assure the implementation of strong internal controls, the receipt of goods and performance of services must be acknowledged and documented.

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### **6.8.1 Receipt of Goods**

The person receiving the procured goods indicates his or her receipt and acceptance by signing and dating the accompanying packing slip or other similar documentation. The proof of receipt and acceptance is then sent to accounts payable for processing or other persons as designated by the court.

### **6.8.2 Receipt of Services**

The individual responsible for monitoring the procured services, such as the project manager named in the contract, must provide written acknowledgement that the work associated with the invoiced amount has been completed and accepted. The written acknowledgement should be on an internal acceptance form or it should be noted on the contractor's invoice that the work has been accepted. The individual processing the invoice and authorizing payment must sign and date the invoice, indicating acceptance of service and payment authorization, prior to sending it to accounts payable for processing. The accounts payable section must verify that the invoiced amounts are in accordance with those listed in the court's contract.

## **6.9 Payment**

(Revised 9/10)

1. Invoices can be paid only if they are supported by appropriate documentation and approved by authorized trial court employees. A three-point-match of the purchase order or contract, documentation of receipt and acceptance (e.g., packing slip signed by the requestor or acceptance form signed by the project manager) and the invoice constitutes appropriate documentation. The employee who requests the procurement of a good or service and initiates the purchase requisition is responsible for acknowledging and documenting the receipt of goods or completion of invoiced services, as described above. Accounts payable matches the purchase order or contract

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quantity and price or rate to the receipt and acceptance documentation and the invoice quantity and price or rate. The entire package, containing the purchase order or contract, documentation of receipt and acceptance, and invoice is presented to the employee who is authorized to approve payment for signature. The signed package is then returned to accounts payable for payment and filing.

2. Any discrepancies between requisitions, purchase orders or contracts, invoices, documentation of receipt and acceptance, and the actual goods or services received should be corrected before processing for payment. In addition, there must be segregation of duties among the employees involved in the procurement process. The same employee may initiate the requisition and receive the goods or services, although receipt by a second person strengthens internal controls. Unless the AOC has previously approved other procedures for the trial court, different employees must be responsible for procurement activities and payment approval.

## **6.10 Administration and Documentation**

1. The expenditure of public funds is subject to review or audit during and after performance to ensure that the trial court gets what it pays for. The procurement file should stand alone to demonstrate that the procurement official and the vendor or contractor has complied with the terms of the purchase order or contract. The file must also show that any disputes have been resolved according to good administrative practice and sound business judgment.<sup>4</sup>
2. A properly documented procurement file for purchase orders and/or contracts provides an audit trail from the initiation of the requirement to the delivery of goods. The file provides a complete basis for informed decisions at each step of the acquisition process. A well

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<sup>4</sup> Rule of Court 10.202(c) requires courts to refer to the AOC's Office of the General Counsel (OGC) any dispute that is likely to result in a claim or lawsuit, and to consult with OGC regarding strategic and settlement decisions.



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documented file also supports the actions taken, provides information for later review and facts in the event of litigation or an investigation.

Depending on the nature and value of the procurement, procurement files must contain:

- a. Approved purchase requisition.
  - b. Rationale for method of procurement (quotes, sealed bid, proposal, etc.).
  - c. List of sources solicited.
  - d. Specifications, scope of work, or scope of services.
  - e. Copy of the solicitation and any amendments or addenda.
  - f. List of each offer received.
  - g. Copy of the winning offer and the offers rated second and third best.
  - h. Source selection documentation.
  - i. Internal approvals for award.
  - j. Notice of award, if applicable (may not apply to bids or quotes).
  - k. Notices to unsuccessful offerors, if applicable (may not apply to bids or quotes).
  - l. Records of protest, if any.
  - m. Required insurance documents, if applicable.
  - n. Notice to proceed (purchase order, check or warrant request).
3. In addition, contract files must contain specific information as outlined in Policy No. FIN 7.03 Contract Administration.

## **6.11 Sole Source Procurements**

(Revised 7/05)

1. Full and open competition is a primary goal of public procurement. Sole source procurement is a noncompetitive exception to the norm.

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It is accomplished by soliciting an offer from only one source under conditions that normally require the use of competitive procurement methods (see Sections 6.5, Procurement Methods, and 6.7, Circumvention of Procurement Requirements). Sole source procurement may only be used when the award is a Mini Purchase, or when competitive procurement procedures are deemed infeasible due to at least one of the following reasons:

- a. The required product or service is only available from one source.
  - b. A public emergency does not permit the time needed for a competitive procurement.
  - c. An AOC grant application submittal deadline does not permit the time needed for a competitive procurement of services.
  - d. After solicitation of a number of sources, competition is determined to be inadequate.
  - e. The contract is for legal defense, legal advice, or other legal services (e.g., legal counsel and expert witnesses representing the trial court) awarded by the trial court, which are not subject to competitive procurement requirements and may be awarded on a sole source basis. (See, Public Contract Code, section 10335(c) (3) and (4)).
  - f. The contract is for services that are provided by the county, under a Memorandum of Understanding or for services provided by a State Executive Branch Agency under an Interagency Agreement, see Policy No. FIN 7.02 Memorandums of Understanding (MOUs), Interagency Agreements (IAs), and Intra-Branch Agreements (IBAs).
  - g. The contract is for services received from another government agency.
2. Justification of the rationale for sole source procurements should pre-date the actual procurement, must be documented thoroughly and carefully in the event an audit or investigation is performed during or

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after the procurement. Documentation justifying a sole source procurement should include:

- a. The effort made to solicit competitive bids or proposals, if any.
  - b. A summary outlining the reason for the sole source, based on the allowable exceptions set forth in paragraph 1 above.
  - c. Cost information in sufficient detail to support and justify the cost of the contract as reasonable and fair.
  - d. Cost information for similar services and differences that should be noted and explained.
  - e. Special factors affecting the cost under the contract.
  - f. An explanation of why the trial court believes the cost is appropriate.
3. Rule of Court 10.620 subdivision (e), requires that the trial court seek input from the public at least fifteen court days prior to the execution of a contract awarded without competitive bidding in an amount greater than \$400,000 or is ten percent of the total trial court budget, whichever is greater. This subdivision does not apply to a contract entered into between a trial court and a county that is provided for by statute.

## **6.12 Use of Blanket Purchase Orders**

(Original 8/01)

1. Blanket purchase orders (BPOs) may be used to streamline the process of filling repetitive needs for goods and services. A BPO may be established if there is a broad class of goods that is purchased (e.g., office supplies) but the exact items, quantities, and delivery requirements are not known, and/or the administrative cost of issuing numerous purchase orders can be avoided through the use of this one-time procedure.

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2. To the extent practicable, BPOs for the same types of items should be placed with more than one vendor to promote competition, assure a steady supply, and deliver the best value to the trial court.
3. The existence of a BPO or CMAS contract is not justification for procurement on a sole source basis in and of itself. Depending on the size and complexity of the procurement, appropriate procedures should be followed including obtaining offers by telephone or in writing prior to placing an order under a BPO or CMAS contract.
4. BPOs are issued on the trial court's standard purchase order form with the following additional terms and conditions:
  - a. A statement that the supplier will provide the items described in general terms, if and when requested, for a specified time period up to a specified maximum dollar amount, whichever occurs first.
  - b. A statement that the trial court is obligated only to the extent that purchases are made under the BPO. There is no guarantee that a BPO is exclusive, that a minimum number of orders will be placed or that a minimum dollar value of goods or services will be purchased under the BPO.
  - c. Any restrictions on items that may be purchased.
  - d. A statement that sets a maximum dollar amount per order under the BPO, if desired.
5. Vendors with BPOs shall be provided with a list of the individuals authorized to make purchases under the BPO. All deliveries made under the BPO shall be accompanied by detailed packing slips or similar documentation that contains at least the:
  - a. Name of the vendor.
  - b. BPO number and release number.
  - c. Purchase date.
  - d. Itemized list of supplies or services furnished.

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- e. Quantities, unit prices, item extensions.
  - f. Delivery or shipment date.
6. Receipt and acceptance documentation (e.g., packing slips or similar documents) should be signed by the receiving employee indicating receipt and acceptance of the goods, and coded to distribute the charges to the appropriate department, program, account, etc. Packing slips or similar documentation should then be sent to accounts payable for later matching against monthly invoices.
  7. On a monthly basis, vendors with BPOs shall submit a summary invoice for all deliveries or shipments made during the preceding month, identifying the packing slips or other documentation of receipt and acceptance.
  8. A BPO is considered to be complete and closed-out when purchases placed against it equal the BPO maximum amount or when the term of the BPO expires, whichever occurs first.

### **6.13 Use of Master Agreements** (Original 8/01)

A Master agreement is used to acquire services similar to the way BPOs are used to acquire goods. They allow the trial court to obtain needed services quickly and easily, avoiding the delay and uncertainty of the competitive procurement process (master agreements themselves must be awarded using competitive procedures). Master agreements generally define the types of services to be provided and establish the rates that the provider will charge the trial court for those services.

1. Master agreements are most appropriate when the trial court has identified a recurring need for a specific type of service, but the level of effort and timing of the court's need fluctuates or is uncertain. For example, master agreements may be useful to obtain the services of

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temporary agency employees, translators, court reporters, court-appointed council, etc. To promote competition, assure availability, and deliver the best value to the trial court, master agreements for the same types of services should be placed with more than one provider.

2. The existence of a master agreement is not justification for procurement on a sole source basis in and of itself. Depending on the size and complexity of the procurement, appropriate procedures should be followed including obtaining offers from more than one service provider before authorizing work under a master agreement.
3. Master agreements can be issued using the trial court's standard terms and conditions for professional services with the addition of specific language required for a Master Agreement (see Policy No. FIN 7.01 Contracts).
4. Service providers with master agreements shall submit invoices for all work performed no less frequently than monthly identifying the applicable work authorization, the work performed, the dates and number of hours worked the appropriate unit prices, and the total amount due.
5. A master agreement is considered to be complete and closed-out when authorizations placed against it equal the maximum agreement amount or when the term of the agreement expires, whichever occurs first.

#### **6.14 Use of Purchase Cards** (Revised 9/10)

1. Purchase cards are a method of payment that work like personal credit cards and offer a number of streamlining advantages over traditional procurement methods. The court must establish internal controls to monitor the use of purchase cards. The state-

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administered procurement card program, CAL-Card, is available to the trial courts. Contact AOC's Business Services Procurement Supervisor at (415) 865-7978 for details.

2. Purchase cards are to be used for official court business only; personal use is prohibited. Purchase cards may be used only for the procurement of goods. Examples of items that may be purchased using purchase cards include library purchases, subscriptions, seminar registrations, office supplies and minor equipment. If the court uses a purchase card to pay for services (e.g. emergency repairs, association or membership dues, etc.) the court must comply with Internal Revenue Service regulations and maintain a **Vendor** Data Record or W-9 on file for each service supplier. The court is required to track credit card expenditures for services, unless the court's credit card provider accepts the 1099 processing responsibilities, the court may be required to report such expenditures per IRS (Form 1099 – MISC.) reporting requirements. The trial court may be responsible for IRS penalties if the expenditures are not properly reported. Note that as credit card expenditures are bundled on a monthly statement, tracking of services may be extremely labor intensive.
3. Purchase cards may not be used to circumvent established procurement procedures. All procurements executed using a purchase card must be initiated by an approved purchase requisition.
4. Purchase cards may only be used for purchases with a maximum of \$1,500 per transaction. A suggested daily limit of \$5,000 should also be set for purchase card use. Alternative procedures are required to be documented, incorporated into the local trial court manual, and distributed to court personnel. However, any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual, is required to be approved by the AOC prior to its implementation. Please refer to Policy No. FIN 1.01 Trial Court Organization, Section 6.4, Paragraph 4 for instructions on submitting

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alternative procedures. Use of **undocumented policies or those not approved by the AOC will not be considered valid for audit purposes.**

5. If purchase cardholders receive a monthly statement of activity, they are responsible for providing documentation in the form of requisitions and receipts for purchases made using the purchasing card. The receipts and the statement shall be forwarded to accounts payable for verification and payment.
6. If the trial court receives a monthly master statement of purchase card activity, either accounts payable or the cardholder(s) must be responsible for assembling the documentation (requisitions, receipts) necessary to verify purchases prior to issuing payment to the purchase card company.
7. If there is no receipt issued for a purchase card charge, the employee making the purchase must provide some other form of documentation for the charge. At a minimum, a written explanation for what the purchase card was used to purchase must be provided.
8. Individual court employee travel expenses may be reimbursed, or purchased with a court credit card that is used only for travel expenses, or centrally purchased using a court travel account.

#### **6.15 Use of California Department of General Services (DGS) Charge Card** (Revised 9/10)

1. The California Department of General Services (DGS) charge card, also known as the blue card, may be used for official court business to obtain the following services:
  - a. To rent a vehicle from one of the garages operated by the Office Fleet Administration (OFA). Vehicles may be rented on a daily



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- basis or monthly basis. OFA rates include insurance, fuel, oil, maintenance, vehicle repair costs, and roadside assistance. A fuel card is also provided for each vehicle at no additional cost.
- b. To pay for Yellow Cab taxi fares in Sacramento and Fresno only, in lieu of cash.
  - c. To pay for preventative maintenance services for court-owned vehicles at one of the OFA garages.
  - d. To purchase fuel at one of the OFA garages refer to [www.ofa.dgs.ca.gov/services/garage](http://www.ofa.dgs.ca.gov/services/garage) for current lists of;
    - i. The garages operated by OFA;
    - ii. OFA vehicle rental rates; and
    - iii. State commercial vehicle rental contractors.
2. Each Court Executive Officer designates the court employees who will be assigned a DGS charge card. Cards may be issued on either a permanent or temporary basis. Proper record keeping is required to reduce the possibility of card misuse or loss:
- a. The Court Executive Officer or his/her designee must record the employee's name, the number of each card, and the date that it is distributed.
  - b. Temporary cards must be returned to the Court Executive Officer or their designee as soon as practicable and the return date must also be documented.
  - c. Unassigned cards should be safeguarded at all times.
  - d. A lost or stolen DGS charge card must be reported immediately to the AOC Business Services Procurement Supervisor by telephone at (415) 865-7988 so it can be cancelled and a replacement issued. It is imperative that a lost or stolen card be cancelled as soon as possible. Unlike a regular credit card, the DGS charge card does not provide for a signature; so technically, anyone can use the card.

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3. In February 2001, each trial court received a DGS charge card for each judicial position in the court. Based on its size, each court also received additional cards for use by court employees on official court business. The trial court may obtain additional DGS charge cards by contacting the AOC's Business Services Procurement Supervisor at (415) 865-7988.

## **6.16 Limitation on Contracting with Current and Former Employees**

(Revised 7/04)

1. As required by Rule of Court 10.103, current employees of the judicial branch are prohibited from:
  - a. Engaging in any employment, enterprise, or other activity from which the employee receives compensation or in which the employee has a financial interest; and
  - b. Engaging in any employment enterprise or other activity that is sponsored or funded by any judicial branch entity through or by a contract for goods or services for which compensation is paid, unless the activity is required as a condition of the employee's regular judicial branch employment.
2. As required by Rule of Court 10.104, a trial court may not enter into a contract for goods or services for which compensation is paid with a person previously employed by that court or by the Administrative Office of the Courts for a period of 12 months following the date of the former employee's retirement, dismissal, or separation from service, if he or she was employed in a policymaking position in the same general subject area as the proposed contract within the 12-month period before his or her retirement, dismissal, or separation; or for a period of 24 months following the date of the former employee's retirement, dismissal, or separation from service, if he or she engaged in any of the negotiations, transactions, planning, arrangements, or any part of the decision-making process relevant to the contract while employed in any capacity by the court or the Administrative Office of the Courts.

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## **Associated Documents**

(Revised 9/10)

### **Sample Trial Court Protest Procedures**

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## **DRAFT SAMPLE TRIAL COURT PROTEST PROCEDURE**

1. The trial court intends to be completely open and fair to all vendors in selecting the best possible service providers within budgetary and other constraints described in the solicitation document. In applying evaluation criteria and making the selection, members of the evaluation team will exercise their best judgment.
  
2. **Prior to Submission of Bid or Proposal.** An interested party that is an actual or prospective bidder with a direct economic interest in the procurement may file a protest based on allegedly restrictive or defective specifications or other improprieties in the solicitation process that are apparent, or should have been reasonably discovered prior to the submission of a bid or proposal. Such protest must be received prior to the date and time that proposals are due.
  
3. **After Award.** A vendor submitting a proposal may protest the award based on allegations of improprieties occurring during the proposal evaluation or award period if it meets all of the following conditions:
  - a. The vendor has submitted a proposal that it believes to be responsive to the solicitation document.
  - b. The vendor believes that its proposal meets the trial court's administrative requirements and technical requirements, proposes items and/or service of proven quality and performance, and offers a competitive cost to the trial court; and
  - c. The vendor believes that the trial court has incorrectly selected another vendor submitting a proposal for an award.

Such protest must be received no later than five (5) business days after the protesting party knows or should have known of the facts and circumstances upon which the protest is based.

4. In no event shall a protest be considered if all submittals are rejected or after a contract has been executed.

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5. **Form of Protest.** A vendor who is qualified to protest should contact the [insert the title of the person accepting protests] at the address provided below:

[Title]  
Name  
Street Address and Room #  
City, State and Zip Code]

- a. The protest must be in writing and sent by certified or registered mail or delivered personally to the address listed above. If the protest is hand-delivered, a receipt must be requested.
  - b. The protest shall include the name, address, telephone and facsimile numbers of the party protesting or their representative.
  - c. The title of the solicitation document under which the protest is submitted shall be included.
  - d. A detailed description of the specific legal and factual grounds of protest and any supporting documentation shall be included.
  - e. The specific ruling or relief requested must be stated.
6. The trial court, at its discretion, may make a decision regarding the protest without requesting further documents from the protestor. Therefore, the initial protest submittal must include all grounds for the protest and all evidence available at the time the protest is submitted. If the protestor later raises new grounds or evidence that was not included in the initial protest but which could have been raised at that time, the trial court will not consider such new grounds or new evidence.
7. **Determination of Protest Submitted Prior to Submission of Bid or Proposal.** Upon receipt of a timely and proper protest based on allegedly restrictive or defective specifications or other improprieties in the solicitation process that are apparent, or should have been

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reasonably discovered prior to the submission of a bid or proposal, the trial court will provide a written determination to the protestor prior to the proposal closing date. If required, the proposal closing date may be extended to allow for a reasonable time to review the protest. If the protesting party elects to appeal the decision, the protesting party will follow the appeals process outlined below and the court, at its sole discretion, may elect to withhold the contract award until the protest is resolved or denied or proceed with the award and implementation of the contract.

8. **Determination of Protest Submitted After Submission of Bid or Proposal.** Upon receipt of a timely and proper protest, the trial court will investigate the protest and will provide a written response to the vendor within a reasonable time. If the trial court requires additional time to review the protest and is not able to provide a response within ten (10) business days, the trial court will notify the vendor. If the protesting party elects to appeal the decision, the protesting party will follow the appeals process outlined below and the court, at its sole discretion, may elect to withhold the contract award until the protest is resolve or denied or proceed with the award and implementation of the contract.
  
9. **Appeals Process.** The [insert the title of the person listed above]'s decision shall be considered the final action by the trial court unless the protesting firm thereafter seeks an appeal of the [insert the title of the person listed above]'s decision by filing a request for appeal with the [insert the title of the person that is the second tier for protests] within five (5) calendar days of the issuance of the [insert the title of the person listed above]'s decision. The justification for appeal is limited to: facts and/or information related to the protest, as previously submitted, that was not available at the time the protest was originally submitted; or (2) the decision of [insert the title of the person listed in 5 above] was in error of law or regulation. The request for appeal shall include: (1) the name, address, telephone and facsimile numbers of the vendor filing the

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appeal or their representative; (2) a copy of the trial court's decision; and (3) the legal and factual basis for the appeal and the ruling or relief requested. Issues that could have been raised earlier will not be considered on appeal. Upon receipt of a request for appeal, the [insert the title of the person that is the second tier for protests] or his/her designee will review the request and the decision of the [insert the title of the person listed in 5 above] and shall issue a final determination. The decision of the [insert the title of the person that is the second tier for protests] shall constitute the final action of the trial court.

10. **Protest Remedies:** If the protest is upheld, the court will consider all circumstances surrounding the procurement in its decision for a fair and reasonable remedy, including the seriousness of the procurement deficiency, the degree of prejudice to the protesting party or to the integrity of the competitive procurement system, the good faith of the parties, the extent of performance, the cost to the court, the urgency of the procurement, and the impact of the recommendation(s) on the court. The court may recommend any combination of the following remedies:
  - (a) Terminate the contract for convenience;
  - (b) Re-compete the contract;
  - (c) Issue a new solicitation;
  - (d) Refrain from exercising options to extend the term under the contract;
  - (e) Award a contract consistent with statute or regulation; or
  - (f) Other such remedies as may be required to promote compliance.
11. Failure of the bidder to comply with these protest procedures will render a protest untimely and inadequate and may result in rejection thereof by the trial court.



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **CONTRACTS**

**POLICY NUMBER: AOC FIN 7.01**

Original Release Date:

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February 10, 2009





# Contracts

## **1.0 Table of Contents**

(Revised 7/04)

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## **2.0 Purpose**

(Original 8/01)

The purpose of this policy is to establish uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors.

## **3.0 Policy Statement**

(Revised 9/10)

The trial court must execute a written contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court.

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#### **4.0 Application** (Original 8/01)

This policy applies to all trial court officials and employees.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Consideration**  
**Contract**  
**Contractor**  
**Contract Suspension**  
**Indemnification**  
**Interagency Agreement (IA)**  
**Intra-branch Agreement (IBA)**  
**Liquidated Damages**  
**Master Agreement**  
**Memorandum of Understanding (MOU)**  
**Negotiate**  
**Purchase Order (P.O.)**  
**Retention**  
**Termination**  
**Warranty**

#### **6.0 Text** (Revised 9/10)

1. This section addresses basic contract principles and policies that must be applied to agreements for services and complex procurements of goods. Complex procurements are those buying activities that require considerable and detailed explanation of the requirements and obligations of the buyer and seller. Complex procurements also require special contract clauses that are not typically covered by the standard

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terms and conditions of a purchase order. Purchase order terms and conditions are usually sufficient when goods are purchased, but rarely apply to contracts for services. An interagency agreement or a MOU is generally used when the transaction is between the trial court and another government entity. An intra-branch agreement (IBA) is to be generally used when the transaction is between the trial court and another judicial branch entity. The Executive Branch interagency form agreement should be used when a trial court is contracting with an agency of the Executive Branch and payment from the court is required. See Policy No. FIN 7.02, Memorandums of Understanding (MOUs), Interagency Agreements (IAs), and Intra-Branch Agreements (IBAs) for the use of MOUs and IBAs.

2. It is the responsibility of every person authorized to commit the trial court's resources to review, negotiate, award, and manage contracts that protect the interests of the court. The contractual obligations and liabilities assumed by the court should be reasonably proportionate to the kinds of goods and services it receives from its contractors.

## **6.1 Contract Elements**

(Revised 9/10)

1. Every contract must identify the contracting parties and consists of four major elements; cost or other consideration, schedule, scope of work, and terms and conditions. Each major element must be clearly defined in every contract so that:
  - a. the court's needs are met, and
  - b. the contractor and the trial court understand their performance obligations.
2. The cost to the trial court (or the price it will pay the contractor) for goods and services under a contract must be clearly stated:

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- a. The cost may be expressed as a lump sum (i.e., one-time payment), firm fixed price, unit price, labor rate, or other specific cost basis.
- b. If the court is contracting for labor, a schedule listing the hourly, daily, weekly, or monthly cost for each person or job classification must be incorporated into the contract. This includes firm fixed price or lump sum contracts, where the schedule may be used as the basis for establishing the cost of additional work authorized under the contract.
- c. Each party's responsibility for costs that may apply such as shipping, sales tax, permits, licenses, installation, bonds, etc., should be defined.
- d. The duration of some contracts may be longer than one year. For these multi-year contracts, the contractor may want to build in automatic price increases at certain intervals. The contract should include the price or rates for the additional years. The court should determine whether any such increases are acceptable.
- e. The court may be restricted by statute or policy regarding the allowability of certain costs. The contract should address this issue, if it exists.
- f. With regard to payment, the contract should define how frequently the contractor may submit invoices (typically monthly) and what the terms of payment will be.
- g. If the court requires contractors to use special forms or formats in submitting invoices, those conditions should be stated in the contract.
- h. The contract should define the conditions under which the court may withhold payment, either as a retention or in the event of a dispute with the contractor.
- i. The contract should clearly state when payment or partial payment is due and whether or not payment is tied to completion or acceptance of tasks or deliverables.

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3. **Schedule.** Time is usually a critical element in every contract. The schedule of when work will be started and completed will be included in the contract. If applicable, interim dates for the completion of specific portions of the contract should also be stated.

4. **Scope of Work.** The contract must:

- a. Clearly define the services to be performed or the goods to be provided so that the parties agree upon the contract's scope and a determination can be made as to when consideration is due to the contractor.
- b. Be appropriate to the type of agreement. The trial court's standard purchase order may be sufficient for a simple purchase of goods, but in many cases purchase order terms are not applicable or are insufficient when the court is contracting for services.
- c. List any inclusions or exclusions.
- d. Specify details such as supervision, labor, equipment or materials. Also specify whether these are to be supplied by the court or the contractor.
- e. Identify project milestones as well as any service, product deliverables, or tasks for which the contractor is responsible.
- f. Address the possible conditions that may arise during performance of the contract that would trigger additions or deletions to the scope of work, schedule or consideration.

Additional descriptive information may be attached to the contract as an exhibit to help define the scope of work.

5. **Terms and Conditions.** Contract terms and conditions can be somewhat flexible to suit the needs of the court and the specific contract circumstances. It is the responsibility of authorized trial court employees to assure that contract terms and conditions are appropriate to the type of contract that is being awarded.

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Additional language may be necessary to incorporate “special” conditions and protect the court’s interests. Examples of contract terms and conditions that may be negotiable include, but are not limited to:

- a. Contract schedule, specifications, and quantities. Portions of a contract that define the time for performance of the scope of work and any intermediate milestones; provide a detailed statement of particulars, especially statements prescribing materials, methods, and quality of work; and the number, amount, or quantity of specific items that are to be provided by the contractor for a specific project.
- b. Delivery or completion dates. Refers to specific times during contract performance by which particular goods or services will be delivered or completed.
- c. Contract type. Refers to the method by which a contractor is reimbursed for goods provided or services rendered. Selection of the appropriate contract type is based upon the contractual obligations of the parties and the timing of payments. Examples of contract types include firm fixed price, unit price, time and materials, cost reimbursable, etc.
- d. Independent contractor. Establishes that the contractor is not an employee or agent of the trial court, but is a distinct entity in the business of providing certain types of goods or services.
- e. Payment terms and frequency. Refers to the requirements and proper format for contractors to submit invoices for services that have been completed or goods that have been delivered. Establishes the time in which the trial court must pay undisputed portions of contractor invoices after they have been received.
- f. Withholding of payments (retention). The part of a contract that establishes an amount, if any, to be withheld from progress billings until final and satisfactory project completion.

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- g. Availability of Funds (for multi-year contracts, contracts that cross fiscal years, and mid-year funding cuts). Establishes that funds that are expected to be available for payment for goods or services provided by a contractor may be withdrawn, reduced, or limited prior to the expiration of the contract. In such a case, the court may terminate the contract and the contractor is paid for goods delivered or work performed up to the date of termination.
- h. Warranty. The part of a contract that establishes any promise or guarantee on the part of the contractor regarding, for example, the nature, usefulness, service life, or conditions of the goods or services provided under the contract.
- i. Allowable vs. unallowable costs (e.g., profit or markups on materials and subcontracts). Certain cost reimbursable contracts may contain a schedule of the types of costs for which the contractor is specifically entitled to reimbursement and those costs that are not eligible for reimbursement.
- j. Requirements for bonds or letters of credit. Refers to written instruments executed by the contractor and its surety to protect or reimburse the trial court should the contractor fail to perform some obligation. If the contractor's obligations are not met, the bond or letter of credit insures payment to the extent specified in the contract documents. Common types of bonds include bid, payment, and performance bonds. Since the costs of the bonds or letters of credit are usually passed on to the trial court as part of the contractor's costs, the trial court should carefully review the need for bonds or letters of credit.
- k. Inspection, testing and acceptance requirements. Part of a contract that establishes any required examination or testing of procured items or services to determine whether they have been received in the proper quantity and condition and conform to applicable specifications. Acceptance for services should be written and issued to the contractor to indicate acceptance of a deliverable or submittal to be in compliance with the contract's

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requirements. Contracts typically specify that a contractor must not be paid for a deliverable or submittal until it has been accepted in accordance with the acceptance procedures that are specified in the contract.

- l. Labor documentation (contractor timesheets). A contract may require that the contractor's invoices be accompanied by documentation such as workers' signed and approved timesheets to substantiate the work for which the invoice has been submitted.
- m. Financial requirements. For large or long-term contracts that require significant contractor investments of time, labor and capital, the trial court may require that the contractor's organization meet certain financial requirements that indicate financial stability.
- n. Insurance requirements. A listing of the minimum insurance coverage that must be maintained by the contractor during the course of the work as well as the requirements for submitting evidence of such coverage.
- o. Indemnification. The part of a contract that establishes the extent to which either party is required to hold the other party harmless from loss, damage, or liability that may arise out of the contractor's performance of the contract or other circumstances specified in the contract. The trial court may require indemnification from the contractor, but the trial court should not agree to indemnify the contractor.
- p. Liquidated damages. The part of a contract that establishes a fixed amount that must be assessed against the contractor (or possibly the court) if it breaches specified delivery provisions of a contract (e.g., it fails to complete delivery, installation, services, or the work specified in a contract within a defined period of performance or schedule). A liquidated damage is a sole remedy for damages resulting from a breach of schedule; therefore, legal counsel should be obtained prior to its inclusion in a contract.



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- q. Termination clauses. The portion of a contract that specifies what rights each party will have to terminate the contract unilaterally. The trial court should specify that the court may terminate the contract either for cause, convenience, or unavailability of funds. Each court must ensure that any contract entered into by the court contains provisions that will permit the contract to be modified if resources become unavailable during the course of the contract year due to reductions in the budget that are beyond the control of the individual court. The court may also agree to give the contractor the right to terminate the contract for cause. The court should not agree to give the contractor the right to terminate for convenience.
- r. Contract changes clause. The part of a contract that defines the conditions under which the contractor may request a material or immaterial change to the contract and the responsibility of the trial court to consider the contractor's request.
- s. Audit rights. The part of a contract that establishes the right of the trial court to conduct an audit of the contractor's financial records and records that specifically relate to the work performed by the contractor for the trial court.
- t. Disputes/Dispute Resolution. Defines the process to be followed and the rights of each party in the event of a disagreement between the trial court and the contractor.
- u. Contract Suspension. Defines the conditions under which the trial court may unilaterally order the contractor to stop work and the conditions that apply for resumption of work or eventual termination of the contract.
- v. Remedies (regarding correction of issues discovered during audits, poor contractor performance, etc.). The part of a contract that establishes the parties' respective rights and the process to be followed in the event of a failure to perform as required by the contract terms and conditions.

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- w. Confidentiality. The performance of certain contracts may require a contractor to generate or receive from the trial court data or other information that is about individuals, organizations, or government programs and must be kept confidential. In these instances, and in the instances where either the contractor or the court must disclose any other confidential or proprietary information to the other party, the contract should contain a clause that addresses the kinds of data and other information to be disclosed or generated by the contractor and/or disclosed or provided by the trial court that are considered confidential and how it should be treated. Examples of situations where the clause may be appropriate include:
- i. Studies that generate information or involve trial court-furnished information that is personally identifiable, such as medical records, vital statistics, surveys, and questionnaires.
  - ii. Contracts that involve the use of salary structures, wage schedules, proprietary plans or processes, or confidential financial information of organizations other than the contractor's.
  - iii. Any work that requires the contractor to access the trial court's proprietary systems or software.
- x. Ownership of deliverables. The part of a contract that establishes the rights of each party regarding the use and ownership of items that are delivered to the trial court under the contract and for which the contractor is compensated. The trial court typically owns the deliverables produced by the contractor and ownership rights should be specified in the contract. It is especially important to specify ownership of any rights to intellectual property, such as software, artwork, and writings that may be produced by the contractor.
- y. Notice (to whom legal notices should be sent). A statement in a contract regarding to whom specific types of written notices or communications are to be sent.

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- z. **Business Related Travel.** The part of the contract that establishes the terms and conditions associated with business-related travel, if the trial court agrees to compensate the contractor for travel. Although the specific contract language may vary depending on the project, an example of suggested contract language for reimbursable business-related travel is included as part of the 7.0, Associated Documents.

Refer to Policy No. FIN 7.03 Contract Administration, for more information on a number of these subjects.

#### **6.1.1 Requirements for Contracts with Credit Card Issuers** (Revised 8/02)

1. GC 6159 (c) establishes the minimum requirements that must be met when the trial court enters into contracts with credit card issuers so that the court may accept various types of payments by credit card. These contracts must define:
  - a. The respective rights and duties of the trial court and credit card issuer regarding the presentation, acceptability, and payment of credit card drafts.
  - b. A reasonable method to facilitate payment settlements.
  - c. A reasonable fee or discount to be paid to the credit card issuer.
  - d. Other matters that may be agreed upon by the parties.
2. Additional information regarding credit card payments is provided in Policy Nos. FIN 10.01 Revenue Collection and Distribution, and FIN 10.02 Cash Handling.

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## **6.2 Contractor Insurance**

(Revised 9/10)

1. Contractors providing services to the trial court must maintain and show proof of adequate insurance coverage before beginning work on any contract with the court.
2. Contractor insurance policies should be endorsed to include the trial court as an additional insured for commercial general liability and automobile insurance policies. Certificates of insurance must be received from the contractor or be verified as current and on file with the court prior to the beginning of any work.
3. Trial court contractors must maintain insurance coverage that is appropriate to their business operations and the nature of the work, goods or services provided to the court. Examples of the types of insurance coverage generally maintained by reputable contractors include, but are not limited to:
  - a. Workers Compensation and Employer's Liability.
  - b. Commercial General Liability including property damage and bodily injury.
  - c. Automobile Liability – Owned, non-owned, and hired vehicles, including bodily injury and property damage.
  - d. Professional Liability (e.g., errors and omissions) – Required if contractor provides professional/design services (e.g., attorneys, consultants, architects, engineers, etc.).

## **6.3 Contract Negotiation**

(Revised 9/10)

1. Contract negotiations, if required, must be conducted, as authorized by the court.

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2. Contract negotiations must only be conducted by court employees who are authorized to commit the court with respect to the subject matter and dollar value of the prospective contract.
3. Prior to beginning negotiations, the trial court should develop a negotiation strategy that addresses the critical points of the contract.
4. Legal counsel should be sought when negotiating indemnification, liquidated damages, limitation of liability, and other such provisions. Attorneys in the AOC's Office of General Counsel are available to assist the trial courts when legal counsel is required.
5. At the conclusion of negotiations, it is recommended that a memorandum be prepared summarizing the results of the negotiations and the final agreements on contract cost, scope of work, schedule, and terms and conditions. The memorandum serves as the record of negotiations for the contract file, documenting the specific points of agreement between the court and the contractor prior to execution of the contract. The memorandum is not a part of the contract but can be a useful communication device for the court internally as well as with the contractor, and can be used to settle any misunderstandings, confusion or challenges that may arise later.

#### **6.4 Risk Evaluation**

(Revised 9/10)

1. The trial court must conduct its business in a way that minimizes financial risk and avoids unnecessary liability.
2. The trial court must only enter into contracts with individuals, businesses and other legal entities that are financially and operationally sound. They must demonstrate an ability to meet the requirements of the contract scope of work. They must also meet the applicable insurance and bonding requirements of the court.

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3. All of a contract's terms and conditions are important, but there are key clauses that must be carefully reviewed with respect to the degree of risk the court is willing to assume including:
  - a. Indemnification – This provision of a contract can limit the parties' responsibility to make payments in the case of an accident, injury, property damage, etc.
  - b. Warranty – The contractor should provide a warranty that protects the court against the failure of goods provided or services performed for a reasonable period of time given the nature of the scope of work.
  - c. Insurance – The types and amounts of insurance carried by a contractor may limit the compensation the court can recover in case of an accident, injury or property damage caused by the contractor.
  - d. Liquidated damages – The purpose of this section of the contract is to establish and agree to a monetary damage if specified schedule conditions are not met.
  - e. Dispute resolution – The contract should contain a description of how the parties will seek to resolve any dispute that arises during the performance of the contract.
  
4. There may be instances when prospective contractors insist on contract terms, payment schedules, work schedules, restrictive scopes of work or other conditions that are unacceptable to the court. Other times, prospective contractors may not maintain acceptable levels of insurance or be able to meet special bonding requirements. The trial court should avoid circumstances that would force or coerce the trial court to enter into a contract in which risks or liabilities outweigh the benefits. After examination of all the issues, the trial court may elect to contract with another party whose terms are more beneficial to the court.

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5. Prior to execution, contract documents must be reviewed by an authorized and knowledgeable employee for conformance with the court's requirements and any negotiations that have occurred. The scope, schedule, cost, terms and conditions, and items such as the court's liability exposure, insurance and bonding requirements must be reviewed and approved before the contract is transmitted to the contractor for execution. The contract review checklist at the end of this section may be used as an aid in contract review.

## 6.5 Contract Execution

(Revised 9/10)

1. Trial court contractual agreements must only be executed by authorized court employees acting within the scope and authorization level (dollar amount) of their official duties.
2. The trial court should not allow any contractor to begin work without a fully executed (signed by both parties) contract. In addition, the contractor should provide all applicable insurance and bonding documentation to the court prior to beginning work.
3. The trial court's files must contain an **original, fully executed copy of every contract** it enters into, including any amendments.
4. Contract files must be retained according to the requirements established in Policy No. FIN 12.01 Record Retention.

## 6.6 Master Agreements

(Revised 9/10)

1. Master Agreements may be issued using standard terms, as listed above, with the addition of specific language that addresses the following:

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- a. A statement that the provider must provide the services or goods if and when requested, at rates established in the agreement, for a specified time period or until the maximum dollar amount has been depleted, whichever occurs first.
  - b. A statement that the trial court is obligated only to the extent that services are authorized in writing under the master agreement. There is no guarantee that a master agreement is exclusive, that a minimum number of orders will be placed, or that a minimum dollar value of services will be authorized under the agreement.
2. When service requirements arise that may be filled under a master agreement, the trial court issues a written authorization to the provider that describes the services to be performed. Service authorizations must be within the scope, period, and maximum value of the agreement. Each authorization must contain the following information:
- a. Name of the person placing the order,
  - b. Date of the authorization,
  - c. Contact number and authorization number,
  - d. A description of the work to be performed and the associated cost or unit rate,
  - e. Delivery or performance rate,
  - f. Place of delivery or performance,
  - g. Any other pertinent information.



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## **7.0 Associated Documents**

(Revised 9/10)

**Contract Review Checklist**  
**Business-Related Travel Sample Contract Language**  
**Judicial Branch Travel Guidelines**

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**Contract Review Checklist** The checklist is presented as a minimal listing of requirements only. Each court may expand the listing as a job aid to their staff.

<b>Scope of Work</b>	<b>Yes</b>	<b>No</b>
<ol style="list-style-type: none"> <li>1. Are the trial court's standard contract terms and conditions applicable to the scope of work?</li> <li>2. Is the scope of work clearly defined for the price and performance?</li> <li>3. Are the criteria for the contractor's completion of work or the trial court's acceptance of work clearly defined?</li> <li>4. Is the contract type (e.g., lump sum, time and materials, fixed price, unit price, etc.) appropriate to the scope of work?</li> <li>5. Are each party's responsibilities clearly defined?</li> <li>6. Are the contract's expected results (e.g., deliverables) defined?</li> <li>7. Is the changes clause reasonable and appropriate?</li> </ol> <p>Required action:</p>		
<b>Pricing</b>		
<ol style="list-style-type: none"> <li>1. Check documentation that contractor's pricing is reasonable and appropriate.</li> <li>2. Have applicable taxes been identified and included in the price?</li> <li>3. On multi-year contracts, has the contractor built in any price escalation? If so, is this acceptable?</li> <li>4. Does the contractor's price include any items that may not be allowable by the court?</li> <li>5. If payment is tied to a deliverable or completion of a task, is the deliverable/task clearly stated?</li> </ol> <p>Required action:</p>		

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**The checklist is presented as a minimal listing of requirements only. Each court may expand the listing as a job aid to their staff.**

<b>Payment</b>	<b>Yes</b>	<b>No</b>
1. Is the contractor's invoicing schedule acceptable?		
2. Is the contractor's invoice format acceptable?		
3. Does the contract require the contractor to comply with any special court invoicing or invoice documentation requirements?		
4. May the court withhold payment of any disputed portions of invoiced amounts?		
5. Are the terms of payment acceptable to the court?		
6. Is there a retainage on progress payments? If so, what is the retainage percentage? What are the criteria for releasing the retention?		
Required action:		
<b>Risk Evaluation</b>		
1. Is indemnification language acceptable to the court?		
2. Is the contractor's warranty appropriate to the scope of work?		
3. Does the contractor maintain the insurance levels of required by the contract?		
4. Is the contractor able to meet any special bonding requirements?		
5. Does the contract include a provision for liquidated damages? Are the damages appropriate to the scope of work? Has legal counsel been sought?		

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**The checklist is presented as a minimal listing of requirements only. Each court may expand the listing as a job aid to their staff.**

<b>Risk Evaluation (continued)</b>		
<p>6. Are limitations of liability included? If so, are they acceptable given what conduct they address, what remedies/damage they impact, and what the “caps” are?</p> <p>Required action:</p>		
<b>Miscellaneous</b>		
<p>1. Does the contract define the procedure for terminating the contract for cause, convenience, or lack of appropriation of funds?</p> <p>2. Are any small or disabled veteran business goals defined?</p> <p>Required action:</p>		

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## BUSINESS-RELATED TRAVEL SAMPLE CONTRACT LANGUAGE

### Compensation for Allowable Business-Related Travel Expenses

- A. **Reimbursable Travel Expenses:** Contractor must submit a travel plan to Court for review and written approval prior to incurring expenses for travel that may be required in performance of this Agreement. The travel plan must include the date(s) for travel, reason travel is required, and an estimate of the potential expense. Court must compensate Contractor for authorized travel expenses in accordance with the approved travel plan, or any authorized changes to the travel plan that have been approved by the Court in writing (e.g. letter, email, etc.), and the relevant sections of the *AOC Travel Guidelines*. A copy of the AOC Travel Guidelines are attached and incorporated into this Agreement.
  
- B. **Invoicing Requirements for Travel Reimbursement:** Contractor must provide copies of receipts and invoices for reimbursement of travel expenses that have been incurred in accordance with the travel plan that has been approved by the Court, or any authorized changes to the travel plan that have been approved by the Court in writing (e.g. letter, email, etc.). The Court must not pay travel expenses that have not been authorized in writing.
  
- C. **Total Travel Reimbursement Amount:** The total amount that Court must reimburse Contractor for travel related expenses, pursuant to this provision, must not exceed **\$XXX.00**, unless agreed to in a written amendment to this Agreement.

If the Court agrees to private vehicle ground transportation, the insurance requirements included in the contract should also include a requirement for appropriate automobile coverage. Additionally, headquarters should be assigned to determine compensation of the most direct route. It is also suggested that the Court include the last provision above with a “not to exceed amount” to assist the Court in budgeting for contract related travel expenses.

This sample language assumes that “Court”, “Contractor”, and “Agreement” are defined terms in the contract document. The current *AOC Travel Guidelines* are attached for reference. However, since the guidelines are updated from time to time, the Court should include in the contract whatever version of the guidelines is current at the time the contract is signed.

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## JUDICIAL BRANCH TRAVEL GUIDELINES

The Judicial branch's policy and limits on reimbursable travel-related expenses are listed below. To be eligible for lodging, incidentals, and meal reimbursement, expenses must be incurred in excess of 25 miles from headquarters. Lodging, incidentals, and travel meal costs reimbursed within 50 miles from headquarters are taxable and reportable income.

**Lodging – Receipts** are required and each day of lodging claimed must be listed separately on the reimbursement claim form. Maximum rates are listed below. Exceptions may be considered on a case-by-case basis, and for centrally booked conferences or meetings. Receipts for hotel lodging charges must be on a pre-printed bill head with a zero balance shown. **The hotel check-out or receipts from a third-party provider for lodging booked via the internet are not valid receipts.** In some instances, a hotel may decline to issue a receipt on their pre-printed bill head for lodging via the internet.

1. In-state - Actual costs are reimbursable up to a maximum of \$110 per day, plus tax and energy surcharge thereon. Within the counties of Alameda, San Francisco, San Mateo, and Santa Clara, the maximum rate is \$140, plus tax and energy surcharge thereon.
2. Out-of-state – Actual costs are reimbursable up to the federal lodging rate for that city per day, plus tax and surcharges thereon with appropriate prior approval. The federal lodging rates are accessible on the internet at:  
[http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=17943&contentType=GSA\\_BASIC](http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=17943&contentType=GSA_BASIC). (Click on chosen state.)

<http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/travel.htm>  
(click on Domestic Per Diem Rates).

Note: Because employees do not have control over where non-state-sponsored business is conducted, reimbursement of actual expenses, supported by receipts is authorized, without the approval of an Exception Request for Lodging form if the participant stays at the same location as the conference, convention, or meeting site for either in-state or out-of-state travel. In all instances, the traveler must attach substantiating documentation (such as a registration form or an agenda indicating meeting site lodging location) to the travel expense claim.

**Meals** – Actual costs are reimbursable up to the maximum limits stated below for continuous travel of more than 24 hours.

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1. Breakfast – Up to \$6.
2. Lunch – Up to \$10.
3. Dinner – Up to \$18.

Meal reimbursement for one-day trips is taxable and reportable income unless travel included an overnight stay. Lunch may not be claimed on trips of less than 24 hours. For continuous travel of less than 24 hours, actual expenses up to the above limits may be reimbursable if:

1. Travel begins one hour before normal work hours – Breakfast may be claimed.
2. Travel ends one hour after normal work hours – Dinner may be claimed.

**Incidental Expenses** – Actual costs are reimbursable Up to \$6 per day. Incidentals are not reimbursable for one-day trips; they may only be claimed after 24 hours.

**Transportation** – The actual cost of tickets for air, rail, bus, rental car, or other forms of public transportation is reimbursable. The lowest cost ticket available must be purchased. Receipts are required for rental cars and air travel. For ticket less travel, the traveler's itinerary may be submitted in lieu of a receipt.

1. The actual costs of cab fare, public parking, and tolls are reimbursable. Receipts are required for all **cab fare and public parking** expenses of \$3.50 or more. Receipts for bridge and road tolls are not required.
2. Mileage – Personal vehicle mileage is reimbursable the current federal mileage reimbursement rate established by the Internal Revenue Service that corresponds to the date/s of travel.
3. Privately owned aircraft – Reimbursement is \$.50 per statute mile. This reimbursement is taxable and reportable income.

**Other Business Expenses** – Actual cost is reimbursable. Receipts are required for all other business expenses, regardless of the amount claimed.

In the event receipts cannot be obtained or have been lost, a statement to that effect and the reason provided shall be noted in the expense account. In the absence of a satisfactory explanation, the amount involved shall not be allowed. Further, a statement explaining that a receipt has been lost shall not be accepted for lodging, airfare, rental car, or business expenses.

Receipts for telephone or telegraph charges related to court business of \$2.50 or less are not required. However, claims for phone calls must include the place and party called.



## **Judicial Council of California**

### **Administrative Office of the Courts**

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# **MEMORANDUMS OF UNDERSTANDING (MOUs), INTERAGENCY AGREEMENTS (IAs), and INTRA-BRANCH AGREEMENTS (IBAs)**

**POLICY NUMBER: AOC FIN 7.02**

Original Release Date:

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Revision Date:

February 10, 2009





## Memorandums of Understanding (MOUs), Interagency Agreements (IAs), and Intra-Branch Agreements (IBAs)

### **1.0 Table of Contents**

(Revised 9/10)

- 1.0 Table of Contents
- 2.0 Purpose
- 3.0 Policy Statement
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 MOU/IA/IBA Elements
  - 6.2 MOU/IA/IBA Negotiation
  - 6.3 Risk Evaluation
  - 6.4 MOU/IA/IBA Execution
  - 6.5 MOUs for County-Provided Services
- 7.0 Associated Documents

### **2.0 Purpose**

(Revised 9/10)

The purpose of this policy is to establish uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into interagency agreements (IAs) and memorandums of understanding (MOUs) between itself and other government entities as well as intra-branch agreements (IBAs) between the trial court and the AOC or another court.

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### **3.0 Policy Statement** (Revised 9/10)

Other than agreements utilizing funds from a grantor, a transaction between the court and another judicial branch entity should be memorialized in an IBA. A transaction between the court and any other government entity should be memorialized in an MOU. IBAs and MOUs are contracts, but they are usually simpler and contain fewer terms than contracts between the court and private entities. It is the responsibility of the PJ and every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court in entering into agreements with other government entities.

### **4.0 Application** (Revised 9/10)

This policy applies to all trial court officials and employees who are involved in developing and implementing MOUs, IAs and IBAs between the trial court and other government entities. This policy does not apply to facilities-related MOUs entered into with the AOC pursuant to Government Code section 86085(a).

### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Interagency Agreements (IAs)**  
**Intra-branch Agreements (IBAs)**  
**Memorandum of Understanding (MOU)**  
**Negotiate**  
**Rule 10.810**

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## 6.0 Text

(Revised 9/10)

1. MOUs, IAs and IBAs (“MOU/IA/IBA”) are written statements that specify the terms of an agreement or transaction. An MOU/IA/IBA contains the basic elements of a contract in that it discloses the parties, the nature and substance of the agreement, and the consideration. A MOU/IA/IBA must be signed by the parties to the agreement.
2. MOUs are often used to document agreements between government entities either as a precursor to a contract or as a contract itself. Because of the historical relationship between the trial court and counties, MOUs are commonly used to establish agreements between the two.
3. IBAs are agreements between the trial court and either the AOC or another trial court and don’t include provisions such as indemnification or insurance as both entities are part of the same branch of government.

### 6.1 MOU/IA/IBA Elements

(Revised 9/10)

1. Every MOU/IA/IBA must contain at least the four major elements of a contract: cost or other consideration, schedule, scope of work, and terms and conditions. Each major element must be clearly defined in every MOU/IA/IBA so that:
  - a. the court’s needs are met, and
  - b. MOU/IA/IBA parties clearly understand their obligations.
2. Cost. The cost that the trial court will pay or receive for services under a MOU/IA/IBA must be clearly stated. The cost may be expressed as a lump sum (i.e., one-time payment), firm fixed price, unit price, labor rate, basis for allocating costs, or other specific cost basis. If the court is contracting for labor, a schedule listing the hourly, daily, weekly, or monthly cost for each person or job classification must be incorporated into the MOU/IA/IBA. Lump sum

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and firm fixed price agreements should also include billing rates schedules where the schedule may be used as the basis for establishing the cost of additional work authorized under the contract. If costs are allocated to the court based on a specific methodology, the supporting documentation for the allocation basis, as well as the total costs being allocated must be provided.

3. **Schedule.** Time is usually a critical element in every agreement. The schedule of when work must start and be completed must be included in the MOU/IA/IBA. When applicable, estimated dates for the completion of non-critical tasks or milestones of the MOU/IA/IBA should also be stated. The term of the MOU/IA/IBA must be clearly stated.
4. **Scope of Work.** The MOU/IA/IBA must specifically describe the services to be performed, deliverables to be completed or other contract obligations. Any inclusions or exclusions should be listed. Details such as supervision, labor, equipment or materials that are to be supplied by either party should also be specified. Additional descriptive information may be attached to the MOU/IA/IBA as an exhibit to help define the scope of work.
5. **Terms and Conditions.** MOU/IA/IBA terms and conditions can be somewhat flexible to suit the needs of the court and the specific circumstances of the agreement. It is the responsibility of the PJ and the authorized trial court employees to assure that terms and conditions are appropriate to the work of the MOU/IA/IBA that is being negotiated. Additional language may be necessary to incorporate “special” conditions and protect the court’s interests. Examples of terms and conditions that may be included are:
  - a. Contract schedule, specifications, and quantities.
  - b. Delivery, milestone or completion dates.
  - c. Contract type (e.g., lump sum, firm fixed price, cost plus fixed fee, time and materials, etc.).

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- d. Payment terms and frequency.
- e. Withholding of payments (i.e., retention).
- f. Warranty.
- g. Allowable vs. unallowable costs (e.g., profit or markups on materials and subcontracts).
- h. Audit rights.
- i. Remedies.
- j. Inspection requirements.
- k. Labor documentation (e.g., timesheets).
- l. Cost documentation.
- m. Termination clauses.
- n. Contract changes clauses.
- o. Dispute resolution.
- p. Options.
- q. Escalation or increases in rates.
- r. Indemnification (for MOUs or IAs but not for IBAs)
- s. Insurance requirements (for MOUs or IAs, but not for IBAs)
- t. Waiver of per capita risk allocation (as set forth in Government Code section 895.6).<sup>1</sup>

## **6.1 MOU/IA/IBA Negotiation**

(Revised 9/10)

1. Only the PJ or court employees who are authorized to commit the court with respect to the subject matter and financial obligations of an

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<sup>1</sup> The following is a sample waiver: "The parties waive the per capita risk allocation set forth in Government Code section 895.6. Instead, they agree if one of them is held liable upon any judgment for damages caused by a negligent or wrongful act or omission occurring in the performance of this [MOU], the parties' respective pro rata shares in satisfaction of the judgment will be determined by applying principles of comparative fault."

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MOU/IA/IBA shall conduct the negotiation of the prospective agreement.

2. Prior to beginning negotiations, the trial court shall develop a negotiation strategy that addresses the critical points of the MOU/IA/IBA.
3. At the conclusion of negotiations, a memorandum shall be prepared summarizing the results of the negotiations and the final agreements on cost, scope of work, schedule, and terms and conditions. The memorandum will serve as the record of negotiations for the MOU/IA/IBA file.

## **6.2 Risk Evaluation**

(Original 8/01)

1. The trial court shall conduct its business in a way that minimizes financial risk and avoids unnecessary liability.
2. There may be instances when prospective MOU/IA/IBA parties insist on contract terms, payment schedules, work schedules, restrictive scopes of work or other conditions that are unacceptable to the court. After examination of all the issues, the trial court may elect to terminate negotiation of the MOU/IA/IBA or limit the scope of the MOU/IA/IBA to the specific areas in which the other party's conditions are acceptable and beneficial to the court.
3. Prior to execution, an authorized and knowledgeable employee shall review each MOU/IA/IBA for conformance with the court's requirements and any negotiations that have occurred. The scope, schedule, cost, terms and conditions, and items that may affect the liability exposure or insurance must be reviewed and approved before the MOU/IA/IBA is executed.

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### 6.3 MOU/IA/IBA Execution

(Revised 9/10)

1. MOU/IA/IBAs must be executed only by the PJ or authorized court employees acting within the scope and authorization level (e.g., dollar amount) of their official duties.
2. Services covered under the scope of work of a MOU/IA/IBA shall not be provided until the MOU/IA/IBA has been fully executed (signed by both parties).
3. The trial court's files shall contain an **original, fully executed copy of every** MOU/IA/IBA it enters into.
4. MOU/IA/IBA files shall be retained according to the requirements established for contracts in Policy No. FIN 12.01 Record Retention.

### 6.5 MOUs for County-Provided Services

(Revised 10/03)

#### 6.5.1 Requirements

1. GC 77212 requires the trial court to enter into a contract with the county to define the services the court desires to receive from the county and the services the county agrees to provide to the court. An MOU may serve as the contract between the county and trial court.
2. The requirement for a contract between the trial court and the county became effective with the beginning of fiscal year 1999 – 2000 and continues thereafter [GC 77212 (d)(2)].
3. The trial court's MOU with the county must *"identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service"* [GC 77212 (d)(1)]. AB 1935 also states that county services *"shall be provided to the*

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*court at a rate that shall not exceed the costs of providing similar services to county departments or special districts.”*

(Revised 9/10)

4. Services provided to the court may be discontinued by either party giving written notice to the other no later than 90 days before the end of the fiscal year (i.e., prior to April 1); some MOUs may require earlier notice. Service discontinuation only becomes effective at the beginning of the new fiscal year (July 1) [GC 77212 (b) and (c)].
5. Under California Rule of Court 10.805, if the trial court receives or issues a notice regarding the discontinuation of county-provided services under GC 77212, a copy of the notice must be provided to the AOC Director of Finance within 10 days of the notice issue or receipt date.

### **6.5.2 Key Elements of MOUs for County-Provided Services**

(Revised 10/03)

1. At a minimum, all MOUs must include the basic contract elements and must meet the requirements provided by GC 77212. In addition, the trial court should also consider the following important issues in negotiating MOUs with the county:
  - a. **Rule 10.810 of the California Rules of Court** – This rule defines the division of responsibility between the state and county for funding the trial court. In negotiating MOU agreements and reviewing and approving payments to the county, the court should review the Rule 10.810 list of allowable and unallowable costs with respect to items that the county may charge the court. The table at the end of this section lists the types of costs that are allowable and unallowable under Rule 10.810.



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2. **Trial Court Audit Rights** – Under GC 77212 (a), the county must provide agreed upon services to the court at rates that do not exceed those charged to county departments or special districts for similar services. The trial court should verify that:
    - a. Charges for direct and indirect services are appropriately based on the cost computation method known as the Office of Management and Budget (OMB) A-87 Cost Allocation Plan. The Cost Allocation Plan details the actual expenditures of departments that provide indirect services to county departments, and identifies the specific cost allocation methods that are used to distribute those costs. The trial court should be permitted to review the specific charges in the Cost Allocation Plan including the data elements provided by each county department that were used to complete the plan.
    - b. For MOUs entered into after January 1, 2002, GC 77212 (d) provides that the amount of any indirect or overhead costs shall be individually stated together with the method of calculation of the indirect or overhead costs. This amount shall not contain items that are not otherwise allowable court operations. The Judicial Council may audit the county figures to ensure compliance with this requirement and determine the reasonableness of the indirect or overhead costs charged to the trial court.
  3. **County loans to cover temporary cash flow shortages** – On occasion, the trial court may experience cash flow shortages. The trial court may arrange with the county for short-term loans to cover temporary cash flow needs so that it may meet its financial obligations in a timely manner.
- (Revised 09/10)
4. The trial court may seek a loan from the county only after receiving prior approval from the Judicial Council.

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### 6.5.3 Comprehensive vs. Separate Agreements (Original 8/01)

MOU agreements for county services entered into by the trial court may be either comprehensive or limited in scope. The trial court may elect to enter into one comprehensive agreement that covers all the services it will receive from the county. Alternatively, the court may decide to enter into separate agreements with the county, with each agreement addressing a specific service or group of related services.

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## 7.0 Associated Documents

(Revised 9/10)

### Summary of Rule 10.810 Allowable and Costs not Reported in a Given Function

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## Summary of Rule 10.810 Allowable and Costs not Reported<sup>2</sup>

Allowable Costs	Costs not Reported in this Function Include:
<b>Judicial Officers (Function 1)</b>	
<ol style="list-style-type: none"> <li>1. Salaries and state benefits of Judges</li> <li>2. Full- or part-time court commissioners</li> <li>3. Full- or part-time court referees</li> <li>4. Assigned judges' in-county travel expense</li> </ol>	<ol style="list-style-type: none"> <li>1. County benefits of judicial officers (Function 10)</li> <li>2. Juvenile traffic hearing officers (Function 10)</li> <li>3. Mental health hearing officers (Function 10)</li> <li>4. Pro tem hearing officers (Function 10)</li> <li>5. Commissioner and referee positions specifically excluded by statute from state trial court funding (unallowable)</li> <li>6. Related data processing (Function 9)</li> <li>7. Any other related services, supplies, and equipment (Function 10)</li> </ol>
<b>Jury Services (Function 2)</b>	
<ol style="list-style-type: none"> <li>1. Juror expenses of per diem fees and mileage</li> <li>2. Meals and lodging for sequestered jurors</li> <li>3. Salaries, wages, and benefits of jury commissioner and jury services staff (including selection of grand jury)</li> <li>4. Contractual jury services</li> <li>5. Jury-related office expenses (other than information technology)</li> <li>6. Jury-related communications, including "on call" services</li> </ol>	<ol style="list-style-type: none"> <li>1. Juror parking</li> <li>2. Civil and criminal grand jury costs</li> <li>3. Jury-related information systems (Function 9)</li> </ol>

<sup>2</sup> Source: [http://www.courtinfo.ca.gov/rules/index.cfm?title=ten&linkid=rule10\\_810](http://www.courtinfo.ca.gov/rules/index.cfm?title=ten&linkid=rule10_810)

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### Summary of Rule 10.810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
<b>Verbatim Reporting (Function 3)</b>	
<ol style="list-style-type: none"> <li>1. Salaries, wages, and benefits of court reporters who are court employees</li> <li>2. Salaries, wages, and benefits of electronic monitors and support staff</li> <li>3. Salaries, wages, and benefits of verbatim reporting coordinators and clerical support staff</li> <li>4. Contractual court reporters and monitors</li> <li>5. Transcripts for use by appellate or trial courts, or as otherwise required by law</li> <li>6. Related office expenses and equipment (purchased, leased, or rented) used to record court proceedings, except as specified in Government Code §68073, e.g., notepaper, pens, and pencils, ER equipment and supplies</li> </ol>	<ol style="list-style-type: none"> <li>1. Office expenses and equipment for use by reporters to prepare transcripts (unallowable)</li> <li>2. Expenses specified in Government Code §68073</li> <li>3. Space use charges for court reporters</li> </ol>
<b>Interpreter Services (Function 4)</b>	
<ol style="list-style-type: none"> <li>1. Salaries, wages, and benefits of courtroom interpreters and interpreter coordinators</li> <li>2. Per diem and contractual courtroom interpreters, including contractual transportation and travel allowances</li> </ol>	<ol style="list-style-type: none"> <li>1. Related data processing (Function 9)</li> <li>2. Any other related services, supplies, and equipment (Function 10)</li> </ol>

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### Summary of Rule 10.810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
<b>Collections Enhancement (Function 5)</b>	
<ol style="list-style-type: none"> <li>1. Salaries, wages, and benefits of collection employees of the court (e.g., financial hearing officers, evaluation officers collection staff)</li> <li>2. Contract collections costs</li> <li>3. County charges for collection services provided to the court by county agencies</li> <li>4. Related services, supplies, and equipment (except data processing, Function 9)</li> </ol>	<ol style="list-style-type: none"> <li>1. Staff whose principal involvement is in collecting "forthwith" payments (e.g., counter clerks, cashiers, Function 10)</li> </ol>
<b>Dispute Resolution Programs (Function 6)</b>	
<ol style="list-style-type: none"> <li>1. Arbitrators' fees in mandatory judicial arbitration programs</li> <li>2. Salaries, wages, and benefits of court staff providing child custody and visitation mediation and related investigation services, e.g., Director of Family Court Services mediators, conciliators, investigators, clerical support staff</li> <li>3. Contract mediators providing child custody and visitation mediation services</li> <li>4. Salaries, wages, benefits, fees, and contract costs for other arbitration and mediation programs (programs not mandated by statute), such as arbitration administrators, clerical support staff, arbitrators' fees and expenses</li> </ol>	<ol style="list-style-type: none"> <li>1. Related data processing (Function 9)</li> <li>2. Any other related services, supplies, and equipment (Function 10)</li> </ol>

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### Summary of Rule 10.810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
Court-Appointed Counsel - Noncriminal (Function 7)	
1. Expenses for court-appointed counsel as specified in Government Code §77003	
Court Security (Function 8)	
<p>As of January 1, 2003, Function 8 has been replaced by the Superior Court Law Enforcement Act of 2002, Government Code 69920 - 69927. See Policy No. FIN 7.04, Court Security, for more information regarding allowable and unallowable costs and other court security requirements.</p>	

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### Summary of Rule 810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
<b>Information Technology (Function 9)</b>	
<ol style="list-style-type: none"> <li>Salaries, wages, and benefits of court employees who plan, implement, and maintain court data processing and information technologies, e.g., programmers analysts</li> <li>Contract and consulting services associated with court information/data processing needs and systems</li> <li>County Information Systems/Data Processing Department charges made to court for court systems, e.g., jury-related systems court and case management, including courts' share of a criminal justice information system accounts receivable/collections systems</li> <li>Related services, supplies, and equipment, e.g., software purchases and leases maintenance of automation equipment training associated with data processing systems' development</li> </ol>	<ol style="list-style-type: none"> <li>Information technology services not provided directly to the courts (i.e., services used by other budget units)</li> <li>Data processing for county general services, e.g., payroll, accounts payable (Function 11)</li> </ol>
<b>All Other Court Operations (Function 10)</b>	
<ol style="list-style-type: none"> <li>Salaries, wages, and benefits (including any pay differentials and overtime) of court staff <ol style="list-style-type: none"> <li>Not reported in Functions 2-9 above, or</li> <li>Whose time cannot be allocated to Functions 2-9 in increments of at least 25 percent time (.25 FTE)</li> </ol> </li> <li>Judicial benefits, county-paid</li> </ol>	<ol style="list-style-type: none"> <li>Any of the staff listed in column 1 not employed by the court</li> <li>Service and supply costs not reported include: <ol style="list-style-type: none"> <li>Civic association dues</li> <li>Facility damages insurance</li> <li>County central service department charges not appropriated in the court budget</li> </ol> </li> </ol>



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### Summary of Rule 810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
All Other Court Operations (Function 10) (continued)	
<p>3. Allowable costs not reported in Functions 2-9 above</p> <p>4. (Nonjudicial staff) Cost items may include, for example, juvenile traffic hearing officer, mental health hearing officer, court-appointed hearing officer (pro tem), executive officer, court administrator, clerk of the court, administrative assistant, personnel staff, legal research personnel; staff attorney; planning and research staff, secretary, courtroom clerk, clerical support staff, calendar clerk, deputy clerk, accountant, cashier, counter clerk, microfilming staff, management analyst, probate conservatorship and guardianship investigators, probate examiner, training staff employed by the court</p> <p>5. Cost items may include, for example, office supplies, printing, postage, communications, publications and legal notices by the court, miscellaneous departmental expenses, books, publications, training fees, and materials for court personnel (judicial and nonjudicial), travel and transportation (judicial and nonjudicial), professional dues, memberships and subscriptions, statutory multidistrict judges' association expenses, research, planning, and program coordination expenses, small claims advisor program costs, court-appointed expert witness fees (for the court's needs), court-ordered forensic evaluations and other professional services (for the court's own use), pro tem judge's expenses, micrographics</p>	

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### Summary of Rule 810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
All Other Court Operations (Function 10) (continued)	
<p>expenses, public information services, vehicle use, including automobile insurance, equipment (leased, rented, or purchased) and furnishings, including interior painting, replacement/ maintenance of flooring, and furniture repair, maintenance of office equipment, janitorial services, legal services for allowable court operations (County Counsel and contractual), fidelity and faithful performance insurance (bonding and personal liability insurance on judges and court employees), insurance on cash money and securities (hold-up and burglary), general liability/comprehensive insurance for other than faulty maintenance or design of facility (e.g., "slip and fall", other injury, theft and damage of court equipment, slander, discrimination), risk management services related to allowable insurance, space rental for court records, county records retention/destruction services, county messenger/mail service, court audits mandated under Government Code 7183</p>	
County General Services - "Indirect Costs" (Function 11)	
<p>1. Cost items within the meaning of Rule 810(a)(7) and the county departments often performing the service may include, for example:</p> <p><b>County Administrator:</b> Budget development and administration, interdepartmental budget unit administration and operations, personnel (labor) relations and administration</p>	<p>1. Unallowable court-related costs are those:</p> <ul style="list-style-type: none"> <li>a. In support of county operations</li> <li>b. Expressly prohibited by statute</li> <li>c. Facility-related</li> </ul>

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## Summary of Rule 810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
County General Services - "Indirect Costs" (Function 11) (continued)	
<p><b>Auditor-Controller:</b> Payroll, financial audits, warrant processing, fixed asset accounting, departmental accounting for courts (e.g., fines, fees, forfeitures, restitutions, penalties, and assessments); accounting for the Trial Court Special Revenue Fund, accounts payable, grant accounting, management reporting, banking</p> <p><b>Personnel:</b> Recruitment and examination of applicants, maintenance and certification of eligible lists, position classification, salary surveys, leave accounting, employment physicals, handling of appeals</p> <p><b>Treasurer/Tax Collector:</b> Warrant processing, bank reconciliation, retirement system administration, receiving, safeguarding, investing, and disbursing court funds</p> <p><b>Purchasing Agent:</b> Process departmental requisitions, issue and analyze bids, make contracts and agreements for the purchase or rental of personal property, store surplus property and facilitate public auctions</p>	<p>d. Exceptions of the nature referenced in Functions 1-11</p> <p>2. Unallowable cost items, including any related data processing costs, are not reported in Functions 1-11 and may include, for example:</p> <p><b>Communications:</b> Central communication control and maintenance for county emergency and general government radio equipment)</p> <p><b>Central Collections:</b> Processing accounts receivable for county departments (not courts)</p> <p><b>County Administrator:</b> Legislative analysis and activities, preparation and operation of general directives and operating procedures responses to questions from the Board, outside agencies, and the public</p> <p><b>Executive Functions:</b> Board of Supervisors, county advisory councils</p> <p><b>Treasurer/Tax Collector:</b> Property tax determination, collection, etc.</p> <p><b>General Services:</b> Rental and utilities support, coordinate county's emergency services</p>

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### Summary of Rule 810 Allowable and Costs not Reported

Allowable Costs	Costs not Reported in this Function Include:
County General Services - "Indirect Costs" (Function 11) (continued)	
	<p><b>Property Management:</b> Negotiations for the acquisition, sale, or lease of property, except for space rented for storage of court records, making appraisals negotiating utility relocations assisting County Counsel in condemnation actions, preparing deeds, leases, licenses, easements, collecting rents, building lease management services (except for storage of court records)</p> <p><b>Facility-Related:</b> Construction services, right-of-way and easement services, purchase of land and buildings, construction, depreciation of buildings/use allowance, space rental/building rent (except for storage of court records), building maintenance and repairs (except interior painting and to replace/repair flooring), purchase, installation, and maintenance of H/V/A/C equipment, maintenance and repair of utilities, utility use charges (e.g., heat, light, water), elevator purchase and maintenance, alterations/ remodeling, landscaping and grounds maintenance services, exterior lighting and security, insurance on building damages (e.g., fire, juror parking earthquake, flood, boiler and machinery), grounds' liability insurance, parking lot or facility maintenance, juror parking</p>



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **CONTRACT ADMINISTRATION**

**POLICY NUMBER: AOC FIN 7.03**

Original Release Date:

April 1, 2002

Effective Date:

September 1, 2010

Revision Date:

June 15, 2010

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## Contract Administration

### 1.0 Table of Contents

(Original 8/02)

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  - 6.3 Contractor Performance and Payment
  - 6.4 Contract Modifications, Disputes and Terminations
  - 6.5 Warranties
  - 6.6 Contract Closeout
  - 6.7 Reporting
- 7.0 Associated Documents

### 2.0 Purpose

(Revised 7/06)

The purpose of this policy is to convey the trial court's Policies and Procedures for contract administration. The policy addresses the documentation and actions required to protect the trial court's interests and ensure supplier and contractor performance.

### 3.0 Policy Statement

(Revised 9/10)

The trial court must ensure that:

- The procurement of goods and services is appropriately documented;
- Suppliers and contractors comply with the terms of their purchase orders or contracts; as well as applicable laws, rules, and regulations;

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- Performance progresses satisfactorily;
- Problems are identified that may threaten performance and
- Contractual disputes are addressed and settled according to sound administrative practice and business judgment.

#### **4.0 Application** (Original 8/02)

This policy applies to all trial court officials and employees who are involved in the procurement of goods and services and who are responsible for the monitoring and administration of supplier and contractor performance.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Change Order(s)**

**Contract**

**Contract Administration**

**Contract Amendment**

**Contract Claim**

**Contract Dispute**

**Contract Modification**

**Cure Notice**

**Force Majeure**

**Notice of Default**

**Purchase Order (P.O.)**

**Termination**

**Termination for Convenience**

**Termination for Default or Termination for Cause**

**Warranty**

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## **6.0 Text**

### **6.1 Introduction**

(Revised 9/10)

1. In simple terms, contract administration is the communication between the trial court and its suppliers and contractors that conveys the trial court's expectations specified in a purchase order or contract, protects its contractual interests, and documents the activities associated with the contract including payment, contract compliance, disputes, etc. Contract administration is also intended to form relationships with suppliers and contractors to maximize the value of goods and services received by the trial court in terms of quality, delivery, price, and performance.
2. In general, trial court employees who perform contract administration activities are responsible for the following:
  - a. Acting only within the limits of their authority.
  - b. Authorizing contractual actions that are within authorized budgets or available funding.
  - c. Ensuring contractor and trial court compliance with the terms of the contract.
  - d. Safeguarding the trial court's interests in its contractual relationships.
  - e. Ensuring that contractors receive impartial, fair, and equitable treatment.

### **6.2 Files and File Integrity**

(Revised 9/10)

#### **6.2.1 Supplier/Contractor Lists**

1. The trial court may develop a list of potential suppliers and contractors that have expressed an interest in receiving



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solicitations. Over time and after repetitive procurements for the same items or services, the list for some items may stabilize and few new names may be added or deleted, even after an aggressive and comprehensive set of solicitations. However, if a trial court intends to keep such a list, it is important to continue to “manage” that list, ensure it is kept current, and add firms that express an interest in participating in upcoming procurements. The trial court must ensure that a supplier or contractor is qualified prior to including it on a bidder’s list or making a contract award.

2. For every firm on the trial court’s supplier/contractor list, the following information should be included:
  - a. Firm name.
  - b. Tax identification number.
  - c. Firm address.
  - d. Point of contact information including telephone and fax numbers, and email addresses, etc.
  - e. The firm’s valid Seller’s Permit Number, if applicable.
  - f. Type of business (corporation, partnership, sole proprietorship, joint venture, parent company or subsidiary, etc.
  - g. Types of goods or services offered.
  - h. Firm’s status as a disabled veteran business enterprise (DVBE).
  - i. Year the firm was established.
  - j. The annual gross receipts of the firm.
  
3. The trial court should maintain an up-to-date file and mailing list of contractors as follows:
  - a. Files must contain each firm’s data and any other information submitted, and trial court evaluation reports on delivered goods or completed work.

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- b. The pool of firms should be reviewed, updated, and/or renewed at least once each year.

### **6.2.2 File Integrity**

1. Files must be established and maintained for every procurement action. This requirement applies to the supplier or contractor selection process (pre-award) and to post-award contract administration, maintenance, and contract close-out. The requirement to maintain contract files is based on three standards of sound contract administration:
  - a. A contract administration system must ensure that contractors perform according to the terms, conditions, and specifications of their contracts or purchase orders.
  - b. Sound business judgment must be exercised in settling all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation and the administration of protests, changes, amendments, disputes, and claims.
  - c. Documentation of a fair and competitive procurement.
2. Contract files should be readily available to protect and support the trial court's best interests in the event of future claims, litigation, audits, reviews, or investigations.
3. The following practices will ensure the integrity of trial court contract files:
  - a. Files will be maintained in a safe and secure area.
  - b. Access to files should be on a "need to know" basis only, to minimize the potential for documents to be lost or misplaced.
  - c. Original files should not leave the building where they are filed under any circumstances until the contract work is completed. After completion and a holding period of six months, files may be sent to off-site storage. Policy No. FIN 12.01 Record

Retention, addresses the period of time that contract records will be retained.

- d. A procedure for making copies and releasing files to the public should be in place and consistently practiced to avoid losing files and records.
  - e. A system such as the use of “out cards” should be set up to control accountability and mark the locations of files removed from the filing area. The assignment of a file administrator who has sole responsibility to pull files and file out cards is recommended.
  - f. Original file folders should be returned to their designated file locations at the end of the workday. An assigned file administrator should be responsible for assuring that files that leave the designated area are retrieved within a reasonable time.
  - g. Duplicate files and working papers should be discarded.
4. The trial court should develop a filing method to facilitate the location of essential documents through the use of a consistent file format. One method of organizing contract files into distinct sections is presented below. Documents should be filed in reverse chronological order within each of the following file sections:
- a. Correspondence (with sub-sections for contractor [incoming], and trial court [outgoing]).
  - b. Pre-Award/Solicitation (includes bid RFP/IFB package, an abstract of all responses, etc.).
  - c. Selection and Award (includes all management input and approvals, notice of award, etc.).
  - d. Contract (with sub-sections for Amendments, Change Orders, and Notices, as appropriate).
  - e. Reports, Progress Reviews, Schedules and Payment Requests/Invoices

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- f. Internal Documents (memos, emails, records of meetings and telephone conversations, etc.).
  - g. Miscellaneous (price lists, resumes, brochures, etc.).
5. File set-up and maintenance is the responsibility of the trial court employee assigned to conduct the procurement.
  6. The trial court should conduct reviews to assure its compliance with established file integrity requirements. It is recommended that these reviews be conducted on an annual basis. If necessary, a corrective action plan should be developed to address any unsatisfactory or non-conforming practices found during a review.

### **6.2.3 Supplier and Contractor Insurance**

1. Prior to commencing work, contractors that provide services must be required to furnish certificates of insurance to evidence their compliance with the insurance requirements of the trial court's contract. The certificates must be of a form and content that meets the requirements of the trial court's contract.
2. Insurance carried by trial court contractors should be issued by an insurance company that is acceptable to the court; this requirement should be clearly stated in the court's contract.
3. The trial court must require that Certificates of Insurance include a provision that provides 15 days written notice to the court in the event that insurance coverage is cancelled or materially changed. Additionally, the court should require that the trial court, its officers, agents, employees, and servants are endorsed as additional insured for commercial general liability and automobile liability insurance policies, but only with respect to the work performed or items purchased for the trial court under the contract.

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4. The trial court should assure that all required contractor certificates of insurance are current. Contractors that have current contracts with the trial court should provide new certificates on or before the expiration date of any certificates that are on file.
5. The trial court's contract should state that no payments will be made to the contractor until all required current and complete certificates of insurance are properly endorsed and on file with the trial court.

### **6.3 Contractor Performance and Payment** (Revised 9/10)

#### **6.3.1 Performance and Delivery Control**

1. It is essential that the trial court monitor contractor performance to assure that the value of the goods or services it receives is in compliance with the contract price and meets prescribed acceptance criteria and contract milestone dates. The trial court employee responsible for contract administration, with feedback from the employee who requested the goods or services, must ensure that the contractor's delivery or performance meets the court's contract requirements. See Section 6.4, Contract Modifications, Disputes and Terminations for procedures related to unacceptable contractor performance.
2. The person responsible for contract administration must ensure that the goods and services procured under each contract conform to quality, safety, quantity, and any other measures associated with quality assurance (e.g., warranties) specified in the contract as follows:
  - a. Monitoring contractor performance, quality, and warranty obligations when appropriate and necessary to protect the trial court's interests.
  - b. Ensuring that nonconforming supplies or services are rejected.

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3. Monitoring contractor performance can be facilitated by the following suggested practices:
  - a. Conducting status reviews of contractor compliance at regularly scheduled project meetings (if required by the contract).
  - b. Requiring written monthly or quarterly reviews of the contractor's performance in meeting goals.
  - c. Requiring the contractor to propose and implement plans to cure unsatisfactory performance when contract goals are not met.
  - d. Performing a contractor evaluation at the conclusion of the contract and retaining the evaluation for future reference.

### **6.3.2 Contractor Payment**

1. Invoices must be paid according to the terms and conditions set forth in the contract (e.g., net 30 days) as long as the supplier or contractor's performance meets contract requirements. Some contracts may call for payments at the completion of certain tasks or milestone events. It is the responsibility of the contract administrator to assure that invoices are:
  - a. Processed properly.
  - b. Not for duplicate payment.
  - c. For true obligations of the trial court.
  - d. For work that has been satisfactorily completed.
2. Some suppliers and contractors may offer discounts for prompt payment. The trial court may elect to accept these payment terms when it is in the best interests of the court, all financial and contractor performance factors considered.
3. Every effort should be made to pay suppliers and contractors for goods provided and services rendered in a timely manner

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according to the terms of the purchase order or contract. Unresolved payment problems can put the court in breach of contract, or may damage contractor relationships and lead to unnecessary administrative costs. Payment issues that cannot be resolved quickly and informally should be elevated to an appropriate level of trial court management before they lead to disputed claims or litigation. Contractors should be kept aware of the effort to remedy the payment issue until a final resolution is reached.

4. In no case should an undisputed portion of an invoice be withheld pending resolution of a disputed amount. If a portion of an invoice is in dispute, only the disputed portion of the invoice may be withheld from payment. The trial court must pay the undisputed portions promptly. All correspondence related to a payment dispute should be kept in the procurement file including a description of the problem and efforts made toward resolution.

## **6.4 Contract Modifications, Disputes, and Terminations**

(Revised 9/10)

### **6.4.1 Contract Modifications and Amendments**

1. A contract modification is any **written alteration** to an existing contract's specifications, delivery point, rate of delivery, contract period, price, quantity, or other provision. Modifications, especially those that affect pricing or the overall contract dollar amount, should be accomplished bilaterally and include actions such as contract amendments, change orders, or notices exercising an option. [Note: A contract amendment must be made if exercising a contract option including an extension of time or an increase or decrease in the contract value].
2. Contract modifications must be authorized and signed by trial court officers and employees acting within the limits of their authority,

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the terms of the contract and applicable laws, rules, and regulations.

3. It is important to direct all correspondence regarding contract modifications and amendments, as well as disputes and terminations to the person or persons designated in the notices section of the contract. Failure to provide notice to the appropriate person in a timely fashion may result in the loss of rights or claims under the contract terms and conditions.
4. Most contract modifications are issued in the form of contract amendments. Most contract amendments are bilateral (i.e., they are mutually agreed to by the trial court and the contractor). Contract amendments most frequently deal with changes to the work to be performed, time extensions, compensation for delays, and changes in the contract price due to any or all of the above.
5. A request for a contract amendment may be initiated by the trial court or the contractor. A contractor that requests a contract amendment should do so in writing on a timely basis according to the terms of the contract. The contractor should be able to support its entitlement to the contract amendment by documenting the factors that merit the change. Bilateral amendments must be executed on behalf of the contractor by a duly authorized officer.
6. In some instances the trial court may consider issuing a unilateral change amendment (i.e., a change amendment that does not require the acceptance or signature of the contractor or supplier) if a contract allows such an amendment. Unilateral amendments have the full force and effect of a contract amendment, but do not prejudice or limit any of the contractor's rights to make claims or appeal disputes under other provisions of the contract. Therefore, the trial court should only issue a unilateral amendment with the concurrence of legal counsel, which could include the Administrative Office of the Courts' Office of General Counsel.



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7. Failure by the trial court and the contractor to agree to the terms and conditions of a requested contract amendment should be resolved according to the terms of the contract and/or the procedures for disputes and claims.

#### **6.4.2 Contract Amendment Administration**

1. The trial court may issue a written amendment when a change can be accomplished within the provisions and scope of the underlying contract. After an amendment is signed by authorized individuals on behalf of the trial court and contractor, the contractor will continue performance of the contract as changed.
2. The trial court should include a “changes” clause in each solicitation and contract to accomplish the following:
  - a. Specify the types of contract changes that may be made within the scope of the contract by written contract amendment and those that are immaterial and may be made by written change order. A dispute may arise over whether certain changes are material or immaterial, so use of written change orders should be minimized.
  - b. Include provisions for adjustments in contract price, delivery schedules, and other contract terms that are appropriate to the type of contract.
  - c. Identify the person or persons who are authorized to approve contract modifications (i.e., the trial court officer or employee authorized to sign contract amendments and the project manager authorized to sign contract change orders).
3. After the trial court requests a change to the work, or if the contractor requests a change, the contractor should support its requested entitlement through the submittal of a timely proposal as follows:

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- a. The proposal should incorporate the appropriate billing rates and factors outlined in the contract for changes, extras, or delays (if applicable).
- b. Contract amendments for consulting services are sometimes based on the contractor's fee schedule that is included in the contract.
- c. On unit price or fixed-price line item contracts, the consideration for reductions in quantity must be at the stated contract price. Proposed increases in fixed contract line item prices or labor rates must be supported to the satisfaction of the trial court.

In some cases (e.g., the addition of hours to a time and materials contract or a simple time extension) it may be appropriate for the court to prepare the contract change without a proposal from the contractor. The trial court must exercise its judgment and discretion in determining when a proposal from the contractor is needed.

4. The contractor should submit a request for a change to a contract within the time frame specified in the contract, or within a mutually agreed upon time if the contract does not specify such a time.
5. Some of the following steps may be applicable to the negotiation of changes in the contract cost, schedule, and/or other contract terms:
  - a. **Written Pre-negotiation Objectives.** The trial court may require that written pre-negotiation objectives be established for contract modifications. This is a useful step that establishes the trial court's goals and any limitation associated with the upcoming negotiation and assures that the negotiations are conducted to achieve the trial court's objectives regarding the contract scope, cost, schedule, and terms and conditions. The pre negotiation objectives are for internal trial court purposes

only. They are not shared with the prospective contractor or incorporated into the contract itself.

- b. **Written Memorandum of Negotiations.** A written memorandum should be prepared by the contract administrator to record the results of negotiations. The memorandum is a summary of negotiations that sets forth the agreement between the parties on major issues (e.g., price, delivery, performance time, payment terms and any special provisions to be included in the contract). The memorandum should explain the differences, if any, between the negotiated price adjustment and the pre-negotiation position. When there are numerous differences involving significant sums, a tabular format should be used to show the price differences, and the differences should be explained in the narrative accompanying the tabulation. For small purchases, the reconciliation can be handwritten on the requisition or other suitable file document.
  - c. **Lock in the Settlement.** To avoid subsequent controversies that may result from an amendment:
    - i. Ensure that all elements of the modification have been presented and resolved.
    - ii. If recommended\_ by legal counsel, include a release statement in the modification, in which the contractor releases the trial court from any liability for further modifications attributable to the facts or claims giving rise to the contractor's proposal for adjustment, unless specific exceptions are expressly set forth in the release statement. This should be done under the guidance of legal counsel.
6. No modification requested by the contractor should be allowed if it is not within the original scope, fully justified to the trial court's satisfaction, reasonably priced, and in compliance with the terms of the contract.

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7. Failure of the trial court and any supplier or contractor to agree on the terms of a change modification should be resolved according to the terms of the contract and/or the procedures for disputes and claims.

### **6.4.3 Contract Disputes**

1. Contract disputes generally arise when the trial court and the supplier or contractor disagree about the interpretation of contract language, scope of work, specifications, schedule, price, or other issues that impact performance, completion, payment, amendments, claims, or other contract terms.
2. Minimizing and settling disputes before they become claims is one goal of contract administration. Trial court employees responsible for contract administration should anticipate and minimize potential unresolved disputes and claims that can disrupt operations and overrun budgets. The trial court should work with its contractors and suppliers and communicate effectively to develop a clear understanding of the contract's performance requirements.
3. The best forum for dispute resolution is often an informal meeting, conducted between the parties who are most knowledgeable of the facts and who have the authority to make decisions. These meetings should be conducted whenever the trial court denies a significant contractor request for a modification or has expressed a contrary view of the contract requirements. Resolving contractual issues by mutual agreement at the lowest appropriate level of authority is a worthwhile goal.
4. Although two-way communication is essential to developing a mutual understanding of the issues, all contractor-requested modifications or expressed differences in the interpretation of contract terms and requirements should be submitted in writing. The trial court must not compromise on issues of integrity or clear

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entitlement under the contract documents. However, there is often a middle ground that is fair and equitable to both parties.

#### **6.4.4 Contract Claims**

1. If a dispute cannot be resolved to the satisfaction of the parties informally as discussed above in Sub-section 6.4.3, the contractor can submit a formal written claim. A claim is a written demand that may result from the trial court's denial of the contractor's modification request or invoice, unilateral contract amendment, rejection of work, or the failure of good faith efforts to resolve disputed issues through informal communication or meetings. Claims seek the payment of money, a time extension, adjustment or interpretation of the contract terms, or other appropriate relief. A claim may or may not be allowed, depending on the provisions of the contract (e.g., if the dispute resolution provision directs that disputes be submitted to mediation as a next step.)
2. Contractor claims should be submitted to the trial court on or before the date of final payment. All claims must be submitted in writing, follow the general format established by the contract, and include the narrative description and documents necessary to substantiate the contractor's position. Contractors should always consult the contract, follow the specific guidelines, and use the referenced forms provided therein (if any).
3. The processing, review and research of contractor claims, along with participation in the dispute resolution process, is primarily the responsibility of the trial court employee to whom contract administration duties are assigned.
4. The trial court must respond in writing to all properly filed contractor claims within the time limits established by contract or as mutually agreed by the court and contractor.

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5. The trial court must seek to resolve all claims in a fair and equitable manner by the most expeditious and cost-effective means possible. The trial court must first seek a remedy by reviewing the contract and all applicable documents to find an equitable solution within the scope of the contract. If the claim has merit, the contract administrator should prepare a negotiation settlement memorandum. The authorization process is the same as for a contract modification (i.e., a contract amendment is issued). Proper approvals are required before a formal written response can be made offering the contractor a monetary settlement or other remedy.
6. The trial court must make a written determination as to the merit and entitlement of the contractor's claim and submit the response to the contractor within the time specified in the contract or as mutually agreed.
7. Unless otherwise noted in the contract, if the contractor disputes the trial court's written response, the court (with guidance from legal counsel) must inform the contractor that it may petition the appropriate court and it may wish to consult an attorney.
8. Any settlement of a claim will include a release statement in which the contractor releases the trial court from any liability with respect to the settled claim unless specific exceptions are expressly set forth in the release statement.
9. The trial court may have reason and contractual authority, either during contract performance or the warranty period, to initiate claims against a contractor. The court must attempt to informally settle all claims against the contractor. If informal efforts are unsuccessful, the trial court must give the contractor written notice of its complaint and an opportunity to take corrective action, as follows (unless otherwise directed in the contract):

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- a. The written notice to the contractor detailing the complaint and asking the contractor to comply with the contract is called a Cure Notice. The Cure Notice informs the contractor that it is deficient with respect to one or more contractual obligations. The contractor is further advised that if the deficiency is not cured within the prescribed time frame, the trial court may initiate specific remedies up to and including issuing a notice of termination for cause.
- b. If the contractor fails to meet the demands of the Cure Notice after a reasonable time, or take corrective steps leading to the necessary corrections, the trial court must take appropriate action.
- c. If the court takes action to correct the failures of the contractor, appropriate back-charges must be assessed against the contractor. If available, offsets against amounts owed to the contractor should be taken from pending payments.
- d. Most contracts should include warranty provisions that give the trial court the right, after giving the contractor due notice of a defect and reasonable time to correct it, to replace, repair, or otherwise remedy the defect at the contractor's expense. All demands against the contractor must be in compliance with the applicable contract terms and the contractor's contractual obligations.

#### **6.4.5 Contract Terminations**

Each trial court contract will contain provisions that address the potential for termination, how terminations are accomplished, and the basis for termination. Trial courts should seek legal counsel when terminating any contract.

#### **6.4.5.1 Termination for Convenience**

1. All trial court contracts should contain provisions that allow the court to terminate the contractor's performance for the convenience of the court. A contract's "termination for convenience" clause allows the trial court, at its sole option and discretion, to terminate the contract in whole or in part, without any liability other than payment for work already performed, up to the date of termination. Contracts should be terminated for convenience only when such a termination is found to be in the trial court's best interests.
2. Trial court contracts should set forth the method for compensating the contractor for work already performed upon termination for convenience.
3. Written notice to the contractor is necessary to terminate (all or part of) a contract for convenience. Such notice must state that the contract is being terminated pursuant to the termination for convenience provision of the contract, the effective date of the termination, the extent of termination, and instructions to the contractor to cease performance under the contract.
4. Trial court contracts should not allow a termination for convenience by a contractor.

#### **6.4.5.2 Termination Due to Non-Availability of Funds**

1. All trial court contracts must contain a clause allowing termination in the case of non-availability of funds if the contract does not contain a termination for convenience clause. The trial court must be allowed to terminate the contract if expected or actual funding is withdrawn, reduced, or limited in any way prior to the expiration of the contract. The contractor must be provided written notice of such a termination.



2. In the event of a termination in whole or in part due to the non-availability of funds, the contractor will be paid for services satisfactorily rendered up to the effective date of termination. The contractor will also be released from any further obligation under the contract with respect to the cancelled portion of the contract.
3. Contracts that extend beyond the current fiscal year should specify that the contract is conditioned upon the appropriation of sufficient funds by the applicable legislative authority. If sufficient funds are not appropriated, this type of contract is subject to termination at the conclusion of the fiscal year through which funds are available.

#### **6.4.5.3 Termination for Cause**

1. Trial court contracts must contain a Termination for Cause clause to protect the court in the event of a contractor or supplier default.
2. Contractors must be provided with a reasonable written notice of any termination for cause. The contractor must also be provided an opportunity to be heard.
3. If required by the contract, or allowed by the contract and deemed reasonable by the court, the contractor must be notified by a written Cure Notice of the cause or causes of the deficiency and advised that if the deficiency is not “cured” within the time prescribed in the contract, the trial court must immediately initiate the contract termination process and hold the contractor and its sureties liable for associated costs and liquidated damages (if applicable).
4. If a contractor fails to:
  - a. respond in a timely manner, or
  - b. fails to satisfactorily cure the default,the trial court must issue a notice of default to the contractor.

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5. If included as a provision to the contract, and a contractor's right to proceed in performing the contract is terminated for cause, the trial court may take over and complete the work or cause it to be completed by other appropriate means to protect the court's interests. The trial court's contract should specify that the contractor is liable to the trial court for any increased costs incurred by the trial court associated with completing the work. In addition, the contractor may be liable for actual or liquidated damages, depending on the terms of the contract.

#### **6.4.6 Contract Work Suspensions** (Original 8/02)

1. If a temporary delay is a possibility, a Suspension of Work provision should be included in the contract. In accordance with the contract terms, and as the need arises, the trial court may issue a written order to the supplier or contractor to suspend, delay, or interrupt all or any part of the work for the period of time that the trial court determines appropriate.<sup>1</sup>
2. If the performance of all or any part of the work of the contract is delayed or interrupted (i) by an act of the trial court in the administration of the contract that is not implied or expressly authorized by the contract, (ii) by a failure of the trial court to act within the time specified in the contract (outside of a force majeure), or (iii) within a reasonable time if not specified, an adjustment should be made for an increase in the cost and time of performance of the contract caused by the delay or interruption and the contract should be modified accordingly.
3. The Suspension of Work provision should state that the trial court is not liable for the contractor's loss of anticipated profits in the event of a suspension of work.

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<sup>1</sup> Suspensions should include a time limit, after which the provisions of the suspension clause should be clear that the work will either resume or one of the termination clauses will go into effect.

## **6.5 Warranties**

(Revised 9/10)

1. A warranty is a contractual obligation that protects the trial court from product defects and poor quality services. The trial court should obtain warranties for the goods and services it procures in most circumstances.
2. The trial court should take advantage of commercial warranties where appropriate and in the court's best interests for the repair and/or replacement of commercial items.
3. When acquiring a warranty, the trial court should consider the following factors:
  - a. The nature and use of the supplies and services may include:
    - i. Complexity and function.
    - ii. Stage of development and technological advancement.
    - iii. End use.
    - iv. Expected useful life.
    - v. Difficulty in detecting defects before acceptance.
    - vi. Potential harm to the court if the item is defective.
  - b. Cost. Warranties for durations in excess of a standard period are sometimes offered at additional cost.
  - c. Administration and enforcement. The trial court's ability to track and enforce warranty provisions is essential to warranty effectiveness. If the court is unable to enforce warranties systematically, warranty coverage beyond customary trade practice should be scrutinized.
  - d. Trade practice. In many cases, warranties are included as part of the basic price of an item. If there is no price difference, the court should obtain the warranty. If there is a price difference, the court should assess the financial risk of not having a warranty.

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4. To facilitate pricing evaluations and enforcement, the trial court should ensure that warranties clearly state:
  - a. The exact nature of the product or services that the contractor warrants,
  - b. The extent of the contractor's warranty, including the specific duration, and
  - c. The specific remedies available to the court in the event of a defect.

## **6.6 Contract Closeout**

(Revised 9/10)

1. The trial court must properly close out all purchase order and contract files.
2. Closing out routine purchase orders and contracts for commodities and other commercial products should be straightforward. The trial court employee responsible for contract administration must ensure that goods and services have been accepted and conform to the purchase order or contract specifications. Delivery and acceptance should be documented in the file, which should also include any descriptive literature or warranty documentation. There should also be documentation confirming final payment by the accounts payable department.
3. Upon the authorization of final payment, contract files may be closed-out. Closing out contract files may consist of, but is not limited to, assuring that all pertinent documentation is included in the file, disencumbering any remaining funds (if appropriate), completing any required contractor performance evaluation, and sending the file for appropriate storage and retention. Files should be maintained onsite for six months after contract closeout, after which they may be sent for offsite storage and retention.

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## 6.7 Reporting

(Original 8/02)

1. The trial court should track its purchasing and contracting activities and prepare summary reports that enable the court to monitor procurement activity, identify trends, and track progress against goals and objectives.
2. The trial court should maintain a data base that allows the retrieval of procurement information that may include but is not limited to:
  - a. The total number of requisitions processed.
  - b. The total dollar amount expended on purchase orders and contracts.
  - c. The average dollar amount per purchase order or contract.
  - d. The dollar amount spent with particular contractors or suppliers.
  - e. The total dollar amount spent and the number of procurements placed with DVBEs.
  - f. The total dollar amount spent and the number of procurements placed for consulting services.

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## 7.0 Associated Documents

(Original 8/02)

**None**



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **VENDOR INVOICE PROCESSING**

**POLICY NUMBER: AOC FIN 8.01**

Original Release Date:

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Effective Date:

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October 7, 2009

# Vendor Invoice Processing

## **1.0 Table of Contents**

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- 2.0 Policy
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## **2.0 Purpose**

(Revised 9/10)

The purpose of this policy and the following procedures is to provide uniform guidelines for the trial court to process vendor invoices for payment.

## **3.0 Policy Statement**

(Revised 9/10)

All trial court vendor, supplier, consultant and contractor invoices shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall process the invoices in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices must be matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.



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## **4.0 Application**

(Revised 9/10)

The policies and procedures described in this section apply to all trial court employees and third parties who participate in the requisition, approval, purchase, receipt, or payment for goods and services required by the court.

## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Accounts Payable**  
**Accounts Payable Provider**  
**Check**  
**Invoice**  
**Purchase Order (PO)**  
**Vendor**

## **6.0 Text**

### **6.1 Vendor Records**

(Revised 9/10)

1. A completed vendor form (Payee Data Record, see 7.0 Associated Documents) is required of all vendors doing business with any trial court. Before any vendor's invoice can be paid, the trial court accounts payable department must request the accounts payable provider to establish a vendor file, if one does not already exist, that includes at least the following information:

(Original 8/01)

- a. The vendor's name, address, and telephone number.

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- b. Name and address of vendor representative to whom payments are to be sent if different from the above.
- c. Name, title and telephone number of the person to contact in case of an incomplete or incorrect invoice.
- d. Description of goods provided or services performed.
- e. Taxpayer identification number.

(Revised 8/02)

- f. California resale permit (if applicable)

(Original 8/01)

- 2. Employees who set up vendor files or have access to change vendor data shall not be permitted to approve or process invoices for payment.
- 3. No invoice shall be processed for payment without a vendor tax identification number.

(Revised 9/10)

- 4. In compliance with Internal Revenue Service rules and regulations, the trial court shall ensure that a Form 1099 MISC is issued to all non-employees who meet the criteria for independent contractors established by the IRS. In general, payments that meet the following conditions must be reported:
  - a. Payment is made to someone who is not an employee.
  - b. Payment is made for services in the course of trade or business, including professional services.
  - c. Payment is made to an individual, partnership, estate, or in some cases, a corporation.
  - d. Payments made that total at least \$600 during the year, including jurors.

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- e. Payment for legal services (including not-for profit legal organizations and professional legal corporations) require the issuance of a Form 1099-MISC. This rule applies whether or not the attorney is the exclusive payee or whether or not the legal services are provided to the payer.
- f. Forms must be issued to each qualifying independent contractor by January 31 of each year following the payments and a copy must be sent to the IRS by February 28 of each year following the payments if filing paper forms and March 31 if filing electronic forms.

(Revised 9/10)

- 5. If the court is doing business with a vendor that does not have a presence in California or does not have a resale certificate, the court is required to report and pay the amount of use tax due, as required by the California State Board of Equalization (BOE). Additional information can be obtained through the BOE website.<sup>1</sup>

## 6.2 Document Routing

### 6.2.1 Routing of Vendor Invoices

(Revised 9/10)

- 1. The trial court shall direct all vendors and contractors to submit invoices to one central location for processing. For the majority of the trial courts, this would be the trial court accounts payable department.
- 2. For trial courts with larger organizations or larger territories to cover, there may be several regional accounts payable processing offices. Vendors may be directed to submit their invoices to these locations for preliminary review of documents.

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<sup>1</sup> <http://www.boe.ca.gov/>

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3. The Court Executive Officer or an authorized representative must approve all invoices for payment.
4. Original invoices must also be retained in compliance with Policy No. FIN 12.01, Record Retention.
5. Payments may be issued by the accounts payable provider or the trial court's revolving fund (for appropriate transactions).

### **6.2.2 Routing of Related Documents**

(Revised 9/10)

1. As they are generated, other pertinent documents must also be routed to the trial court accounts payable department. Original copies of purchase orders, blanket purchase order releases, contracts, order forms, approved requisitions, purchase card ordering logs, receipts, packing slips, and all other appropriate documentation related to the acquisition of goods and services for court related business must be provided to the trial court accounts payable department.
2. The accounts payable department will maintain these documents in a central file to be matched against the related vendor invoices and claims.
3. This information may also be maintained in electronic form and accessible through an on-line purchasing system. Accounts payable staff may utilize on-line information to process invoices. However, original documents are still required as supporting evidence when invoices are submitted for approval. Original documents must also be retained in compliance with Policy No. FIN 12.01, Record Retention.

### **6.2.3 Payment Authorization**

(Original 8/01)

1. The trial court shall establish and maintain an authorization matrix that lists employees who are permitted to commit court resources and approve invoices for payment.
2. The authorization matrix shall list the dollar limits and scope of authority of each authorized employee. For example, only certain court officials will be allowed to approve transactions such as the acquisition of fixed assets, hiring of consultants, etc. The authorization matrix should indicate such conditions.
3. The authorization matrix shall be updated on an annual basis or as required by changes in personnel.

(Revised 9/10)

4. Copies of the authorization matrix shall be provided to the trial court accounts payable department and to the accounts payable department of the outside accounting service provider.

## **6.3 Invoice Processing**

### **6.3.1 Preparing Invoices for Processing**

(Original 8/01)

1. Upon receiving the vendor invoices, the trial court accounts payable department will immediately stamp the documents with the current date.
2. Invoices will be sorted by their payment due dates and maintained in a special file for processing.

### **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 description of goods and services ordered, quantities invoiced, 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 description of 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 (for example there is no evidence of receipt of goods and services), the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

### **6.3.3 Review for Accuracy of Invoice**

1. Calculations and price extensions shown on the invoices shall be audited to ensure their accuracy.

(Revised 9/10)

2. Vendor name, address, billing address, vendor number, federal ID number and all other pertinent information shall be reviewed against the information set up in the vendor master file. All discrepancies shall be reported to the appropriate buyer and the court employee who authorized the transaction.
3. To ensure that payments are made according to contract specifications, terms of applicable contracts or purchase agreements shall be compared to the invoice for accuracy.
4. If a trial court finds a potential error in the financial system's vendor master file information, it must be reported to the accounts payable provider in writing. The accounts payable provider must correct the error or respond in writing noting the reason for not correcting the error.

#### **6.3.4 Problem Resolution**

1. Discrepancies between vendor invoices and trial court purchase orders or contracts may arise due to:
  - a. Vendor invoicing errors.
  - b. Vendor invoice format that does not allow accounts payable to make a match between the invoice and the purchase authorization.
  - c. Data entry errors made at the time the purchase information was entered into the purchasing system.
  - d. Changes in the purchase information approved by the trial court but not documented in the system or not reflected by a change order.
2. When discrepancies are detected, an invoice will not be processed for payment. The accounts payable department or accounts

Trial Court Financial Policies and Procedures	<b>Vendor Invoice Processing</b>	Policy No. <b>FIN 8.01</b> Page: 10 of 17
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payable provider shall report the errors to the appropriate buyer as well as the requestor of the goods and services.

3. Accounts payable personnel shall not contact vendors directly to resolve invoicing problems, negotiate settlements, etc. Accounts payable personnel may only provide factual information regarding payment status to vendors or contact vendors to verify unclear information provided on invoices or obtain missing information (e.g., tax identification number).
4. The trial court shall designate the person responsible for investigating discrepancies and making necessary corrections prior to invoice payment. This may be the individual who performed the buying activities, the person who originally requested the goods or services, or another party. Coordination of corrective actions will be required between with the court employee requesting the goods or services, the court employee approving the purchase, accounts payable, and the vendor.
5. Problems that cannot be quickly corrected should be referred to the Court Executive Officer or Fiscal Manager for resolution.

### **6.3.5 Account Coding**

1. It is important that all expenditures are recorded in the appropriate accounts. To ensure that transactions are recorded correctly, account codes shall be entered on the purchase requisitions that initiate transactions and be included in the resulting procurement documents. Invoice transactions that are not supported by procurement documents (travel expense claims, check requests, etc.) must have the account code noted on the document requesting payment.
2. If there is any question regarding the assignment of an account code, the accounts payable department or accounts payable



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provider will contact the person who initiated the purchase requisition to confirm that the correct account is being charged.

#### **6.4 Payment Approval**

(Revised 9/10)

1. Designated court officials with payment approval authority shall review all invoices for:
  - a. Appropriateness of the transactions.
  - b. Accuracy of the records submitted.
  - c. Reasonableness of the expenditures.

(Original 8/01)

2. Designated court officials shall act within the scope of their authority when approving invoices for payment. If the dollar amount or nature of a purchase exceeds an individual's authority, the next level of authority shall be consulted and appropriate approval secured before releasing the invoice for payment.
3. Court officials authorized to approve invoices shall not approve payment of their own purchases. Another level of approval will be required.

(Revised 9/10)

4. Designated court officials shall ensure that there is both sufficient cash and available balances in the appropriate fund to issue payment.
5. Invoices that have been properly processed and approved according to the applicable criteria shall be forwarded to the trial court accounts payable department or accounts payable provider for payment.

## **6.5 Types of Payment**

(Original 8/01)

1. The following list shows the various types of payments that the trial court may authorize:
  - a. Final payments are made for completed and accepted goods and services.
  - b. Partial payments are made for completed and accepted supplies or services that are only a portion of the total required deliveries (e.g., orders with items on back orders, missing components of an assembly, etc.).
  - c. Progress payments are made to a vendor as work progresses under a purchase order or contract.
  - d. Milestone payments are made to the vendor after the completion of specific tasks agreed to and set forth in the contract between the vendor and the trial court (e.g., long term information services contract with specific deliverables and timetables, consultant engagements, etc.).
  - e. Advance payments are made to a vendor prior to performance of a purchase order or contract (e.g., registration fees for a conference, education programs, etc.). Advance payments are only made in unusual circumstances and are not permitted for time and materials service contracts or for the purchase of goods.

(Revised 9/10)

- i. The prepayment was for event registration, the registered employee must submit evidence to accounts payable that he or she attended the event in order to close the advance. Courts should, subject to any obligation to meet and confer, include language in their personnel policies that provide that, if an employee does not attend the event for which registration was pre-paid, he or she must repay the amount of the advance

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payment as soon as practicable. The policy should provide for any exceptions.

- ii. Advance payments for event registration must only be issued within thirty (30) days of the event, or as reasonably necessary to obtain a discount, but in no event more than sixty (60) days before the event. Advance payments must be approved by the court executive officer or his or her written designee.

## 6.6 Payments

(Revised 8/02)

1. Under current state regulations, the Trial Court Operations Fund may be established either: (1) in the county treasury, or (2) outside the county treasury with Judicial Council approval.<sup>2</sup> The procedures used by the trial court to issue payments depend on how the Trial Court Operations Fund is established.

(Revised 9/10)

2. If the Trial Court Operations Fund was established in the county treasury, the county must issue payments at the trial court's direction. In this case, the trial court shall ensure that the county:
  - a. Issues payments on the court's behalf when directed by authorized court personnel. The trial court's authorization matrix shall be provided to the county for approval verification. All checks that exceed \$15,000 shall require two authorized signatures unless they are made payable to the State Treasurer or another state agency. The trial court may establish more restrictive signature requirements at its discretion.
  - b. Has a method of accounting for all payments issued on behalf of the court. The court should require the county or its service provider to

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<sup>2</sup> Government Code (GC) 77009 (g) provides that the county shall establish the Trial Court Operations Fund in the county treasury. Government Code 77009 (a) states that the Judicial Council may establish the Trial Court Operations Fund separate from the county treasury.

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provide reports such as check registers, bank reconciliation reports, etc., for reconciliation to court records.

- c. Immediately posts payments to the check register.
  - d. Has a method of accounting for voided or missing checks and for notifying the court accordingly.
3. After the county issues payments, the trial court accounts payable department shall reconcile the processed invoices to the corresponding items on the check register (on-line or hard copy). All discrepancies must be researched and cleared on a timely basis.
  4. If the Trial Court Operations Fund is established outside the county treasury, the requirements of Policy No. FIN 13.01 Banking Services; apply to all payments made by the trial court revolving fund or through the accounts payable provider.

## **6.7 Record Retention**

(Revised 9/10)

1. If the trial court uses an accounts payable provider to provide accounting services, the accounts payable provider may require the court to provide copies of invoices, purchase authorizations, and records of receipt when invoices are submitted for payment. It is expected that the accounts payable provider will retain this information along with the associated check documentation in its files as required by Policy No. FIN 12.01, Record Retention.
2. The trial court's objective should be to avoid maintaining unnecessary duplicate files. However, this policy recognizes that, for practical reasons, the trial court may elect to maintain duplicate sets of records

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## **7.0 Associated Documents**

(Revised 9/10)

**Payee Data Record** (in lieu of IRS W-9), two sided form

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PAYEE DATA RECORD (in lieu of IRS W-9)		
AOC PHOENIX Revised FY Updated 01/28/08 Form V1 (Required when receiving payments from the Judicial Council of California in lieu of IRS W-9)		
SECTION 1 THRU 6 TO BE COMPLETED BY VENDOR		
<b>1</b>  <b>Legal Name</b>	INSTRUCTIONS: Complete all information on this form. Sign, date, and return to court providing form. Prompt return of this fully completed form will prevent delays when processing payments. Information provided in this form will be used by State agencies to prepare Information returns(1099). See Page two for more information and Privacy Statement.	
	PAYEE'S LEGAL NAME - AS SHOWN ON FEDERAL INCOME TAX RETURN	
	BUSINESS NAME - IF DIFFERENT FROM ABOVE	E-MAIL ADDRESS
	MAILING ADDRESS	BUSINESS ADDRESS
	CITY, STATE, ZIP CODE	CITY, STATE, ZIP CODE
<b>2</b>  <b>Payee Entity Type</b>	PLEASE CHECK APPROPRIATE BOX	
	<input type="checkbox"/> INDIVIDUAL/SOLE PROPRIETOR	<input type="checkbox"/> PARTNERSHIP
	<input type="checkbox"/> CORPORATION	<input type="checkbox"/> LIMITED LIABILITY COMPANY
	<input type="checkbox"/> CORPORATION - LEGAL	<input type="checkbox"/> EXEMPT
	<input type="checkbox"/> CORPORATION - MEDICAL	<input type="checkbox"/> OTHER _____
<b>3</b>  <b>Check One Box Only</b>	EMPLOYER IDENTIFICATION NUMBER	
	SOCIAL SECURITY NUMBER	
<b>4</b>  <b>Resident Status</b>	<input type="checkbox"/> California Resident - Qualified to do business in California or maintains place of business	
	<input type="checkbox"/> California Nonresident - Payments to nonresidence for services may be subject to State Income Tax	
	<input type="checkbox"/> No services performed in California	
	<input type="checkbox"/> Copy of Franchise Tax Board waiver of State Withholding attached	
<b>5</b>  <b>Optional</b>	Account Information for ACH Credit (Direct Deposit)	
	Name of Financial Institution _____	
	<input type="checkbox"/> Checking	<input type="checkbox"/> Savings
	9 Digit Routing # _____	Account # _____
	Re-enter Routing # _____	Re-enter Account # _____
<b>6</b>  <b>Signature</b>	I hereby certify under the penalty of perjury that the information provided on this document is true and correct. Should my information change, I will promptly notify the State agency below.	
	VENDOR REPRESENTATIVE'S NAME (Type or Print)	TITLE
	VENDOR SIGNATURE	DATE
		TELEPHONE
<b>7</b>	SECTION 7 TO BE COMPLETED BY COURT	
	Please choose from the AOC Vendor category below to help us expedite payment	
	<input type="checkbox"/> ARBITRATOR	<input type="checkbox"/> GENERAL (MISC)
	<input type="checkbox"/> CONTRACTOR	<input type="checkbox"/> GRAND JURY
	<input type="checkbox"/> COURT APPT. COUNCIL	<input type="checkbox"/> INTEREST PAYMENT ONLY
<input type="checkbox"/> COURT REPORTER	<input type="checkbox"/> INTERPRETER	
<input type="checkbox"/> EMPLOYEE	<input type="checkbox"/> MEDIATOR	
Court Contact Name _____		
Phone Number _____		
FOR AOC USE ONLY		
Vendor # _____		
Assigned By: _____		

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<b>Requirement to Complete Payee Data Record</b>	
	<p>A completed Payee Data Record (in lieu of the IRS W-9) is required for payments and will be kept on file at the Administrative Office of the Courts. Since each state agency with which you do business must have a separate Payee Data Record on file, it is possible for a payee to receive this form from various State Agencies.</p>
<b>SECTION 1 THRU 6 TO BE FILLED OUT BY VENDOR</b>	
1	Enter the payee's legal name. Sole proprietorships must also include the owner's full name. An individual must list his/her legal name as it appears on his/her Federal Income tax return. The mailing address should be the address at which the payee chooses to receive correspondence. The business address is the physical location of business, if different than mailing address.
2	Check the box that corresponds to the payee business type. Check only one box. Corporations must check the box that identifies the type of corporation.
3	<p>The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State provide their Taxpayer Identification Number (TIN). The TIN is required by the California Revenue and Taxation Code Section 18646 to facilitate tax compliance enforcement activities and the preparation of Form 1099 and other information returns as required by the Internal Revenue Code Section 6109(a).</p> <p>The TIN for individuals and sole proprietorships is the Social Security Number (SSN). Only partnerships, estates, trusts, and corporations will enter their Federal Employer Identification Number (FEIN).</p>
4	<p>Are you a California resident or nonresident?</p> <p>A corporation will be defined as a "resident" if it has a permanent place of business in California or is qualified through the Secretary of State to do business in California.</p> <p>A partnership is considered a resident partnership if it has a permanent place of business in California. An estate is a resident if the decedent was a California resident at time of death. A trust is a resident if at least one trustee is a California resident.</p> <p>For individuals and sole proprietors, the term "resident" includes every individual who is in California for other than a temporary or transitory purpose and any individual domiciled in California who is absent for a temporary or transitory purpose. Generally, an individual who comes to California for a purpose that will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident.</p> <p>Payments to all nonresidents may be subject to withholding. Nonresident payees performing services in California or receiving rent, lease, or royalty payments from property (real or personal) located in California will have 7% of their total payments withheld for State income taxes. However, no withholding is required if total payments to the payee are \$1,500 or less for the calendar year.</p> <p>For information on Nonresident Withholding, contact the Franchise Tax Board at the numbers listed below: Withholding Services and Compliance Section: 1-888-792-4900 E-mail address: wscs.gen@ftb.ca.gov For hearing impaired with TDD, call: 1-800-822-6268 Website: www.ftb.ca.gov</p>
5	If you wish to have the money electronically transferred via an ACH credit to your bank account, please provide the information in this box.
6	Provide the name, title, signature, and telephone number of the individual completing this form. Also, provide the date the form was completed.
<b>SECTION 7 TO BE FILLED OUT BY COURT</b>	
7	<p>Please check the box that best describe the type of business/work the vendor provides. This will assist us in processing payment. Include your name and contact information to assist with processing your request. Not including court contact information may delay processing vendor.</p>
	<p>Privacy Statement</p> <p>Section 7(b) of the Privacy Act of 1974 (Public Law 93-579) requires that any federal, State, or local governmental agency, which requests an individual to disclose their social security account number, shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it. It is mandatory to furnish the information requested. Federal law requires that payment for which the requested information is not provided is subject to federal backup withholding and State law imposes noncompliance penalties of up to \$20,000.</p> <p>You have the right to access records containing your personal information, such as your SSN. To exercise that right, please contact the business services unit or the accounts payable unit of the State agency(ies) with which you transact that business.</p>



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

Policy No.  
Page

**FIN 8.02**  
1 of 8

# **CLAIM PROCESSING**

**POLICY NUMBER: AOC FIN 8.02**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

November 21, 2008



# Claim Processing

## **1.0 Table of Contents**

(Original 8/01)

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- 2.0 Purpose
- 3.0 Policy Statement
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 Claims Payment Process
  - 6.2 Receipt of Claims
  - 6.3 Complete Claim Documentation
  - 6.4 Timely Submission of Claims
  - 6.5 Rates
  - 6.6 Costs
  - 6.7 Costs Exceeding Normal Rates
  - 6.8 Reconciliation of Claims
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 8/01)

1. The purpose of this policy and the following procedures is to provide uniform guidelines for payments to individuals and businesses that provide “in-court” services to the trial court. These services may include but are not limited to:
  - a. Court-appointed counsel
  - b. Court-appointed investigator
  - c. Verbatim reporting/transcripts
  - d. Courtroom interpreter
  - e. Court-appointed psychologist or psychiatrist

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f. Alternative dispute resolution

2. The implementation of these procedures will establish effective accounting control over trial court assets (cash), liabilities (accounts payable) and expenditures. Prompt payment of claims supported by appropriate documentation will foster good business relationships with the individuals and businesses that provide essential services to the trial court.

### **3.0 Policy Statement** (Original 8/01)

The trial court shall pay the claims of the individuals and businesses that provide “in-court” services in a timely fashion, according to the rules and limitations established by the court. All claims must be supported by appropriate documentation. All payments are subject to review by the trial court employee(s) who are authorized to approve such payments.

### **4.0 Application** (Original 8/01)

The policies and procedures described in this section apply to all trial court employees who participate in the requisition, approval, purchase, receipt, or payment for services required by the court such as those listed in 1.0, Table of Contents.

### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key term used in this policy.

**Accounts Payable**  
**Claim**  
**Service Provider**  
**Transaction**

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## 6.0 Text

### 6.1 Claims Payment Process

(Original 8/01)

#### 6.1.1 Introduction

1. The trial court regularly uses the services of a variety of skilled professionals in conducting its operations. The services of court appointed counsel, investigators, psychiatrists, psychologists, court reporters, interpreters, mediators, arbitrators, and others are needed on an ongoing basis. These service providers submit claims for payment to the trial court that must be processed through accounts payable.
2. The basis for a claim is created when the court authorizes services to be provided by an individual or business. The claims payment process assures that proper documentation accompanies each claim and that approval for payment is obtained from authorized staff. At the end of the process, three main functions of accounts payable are completed: 1) supporting documents are reviewed and approved, 2) warrants are issued, and 3) accounting entries are recorded.

#### 6.1.2 Similarity to Invoice Payment Process

(Revised 9/10)

In general, the process for receiving, approving, paying and recording claim transactions is very similar to the process employed to pay the invoices of other contractors and suppliers. This policy addresses the steps unique to processing claims. Steps that are not discussed in this policy are identical to those for processing invoices, which may be referenced in Policy No. FIN 8.01 Vendor Invoice Processing.

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## **6.2 Receipt of Claims**

(Original 8/01)

The trial court shall direct all individuals and businesses including but not limited to court-appointed counsel, experts, investigators, and interpreters to submit claims to a designated accounts payable location for processing.

## **6.3 Complete Claim Documentation**

(Original 8/01)

1. The documentation required to pay a claim consists of a court-approved claim form that includes at least the following information:
  - a. The name and address of the person or business submitting the claim.
  - b. The tax identification number of the person or business submitting the claim (If the tax identification number is on file with the court, it need not appear on every claim form).
  - c. The signature of the person making the claim or the person authorized to sign for the business making the claim.
  - d. The case number and name.
  - e. The amount of compensation claimed.
2. A copy of the court authorization issued to the individual or business that is making the claim must accompany the claim form. An itemized invoice describing the services provided and costs incurred is also required. The invoiced amount must match the amount shown on the claim form and may not exceed the amount authorized by the court authorization.

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## **6.4 Timely Submission of Claims**

(Original 8/01)

1. Individuals and businesses whose services are authorized by the trial court shall file claims on a timely basis.
2. The consistent failure of an individual or business to provide timely claims will be considered by the trial court in requesting additional services.

## **6.5 Rates**

(Original 8/01)

The rates paid by the trial court for some services are established by statute. In cases where statutory rules are not set, the trial court may set limits on the rates charged by service providers. The rates allowed shall be reasonable for the type of service performed and shall be consistent from vendor to vendor. The trial court reserves the right to adjust any claim it determines to be unreasonable.

## **6.6 Costs**

(Original 8/01)

Before incurring any unusual expense that exceeds a limit set by the court, service providers must obtain the court's authorization by submitting a written request. The request shall be supported by written justification setting forth the need for the cost and an itemized estimate of the proposed expenditure.

## **6.7 Costs Exceeding Normal Rates**

(Original 8/01)

1. In some instances, costs higher than the limits set by the trial court may be justified. Before incurring costs that exceed court-designated limits, service providers must obtain the court's authorization by

Trial Court Financial Policies and Procedures	<b>Claim Processing</b>	Policy No. <b>FIN 8.02</b> Page: 7 of 8
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submitting a written request. The request must be supported by written justification for the higher cost and an itemized estimate of the proposed expenditure. A copy of the court authorization approving the higher costs must be submitted with the claim for reimbursement.

2. In no event shall costs exceeding trial court limits be incurred without the prior written approval of the court.

## **6.8 Reconciliation of Claims**

(Original 8/01)

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

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## 7.0 Associated Documents

(Original 8/01)

**None**



# **Judicial Council of California**

## **Administrative Office of the Courts**

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**FIN 8.03**  
1 of 44

# **TRAVEL EXPENSE REIMBURSEMENT FOR TRIAL COURT JUDGES AND EMPLOYEES**

**POLICY NUMBER: AOC FIN 8.03**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

April 22, 2010



# Travel Expense Reimbursement for Trial Court Judges and Employees

## **1.0 Table of Contents**

(Original 8/01)

- 1.0 Table of Contents
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- 3.0 Policy Statement
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 Arranging for Travel
  - 6.2 State of California Motor Vehicle Liability Program Coverage
  - 6.3 Travel Procedures
  - 6.4 Travel Expense Reimbursement
  - 6.5 Travel Expense Restrictions
  - 6.6 Travel Expense Reimbursement of Non-Superior Court Employees (Pro-Bono Consultants)
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 8/01)

The purpose of this policy and the procedures that follow is to define the rules and limits that must be observed when arranging, engaging in, or claiming reimbursement for travel on court business.

## **3.0 Policy Statement**

(Revised 9/10)

1. Trial court judges and employees may be required to travel in the course of performing their official duties. The trial court should reimburse its judges and employees for reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial

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court's maximum reimbursement guidelines. Under Government Code section 69505, the AOC's Travel Guidelines must be used. All exceptions to the Judicial Branch Travel Guidelines, including any terms of an executed memorandum of understanding agreement by and between a recognized employee organization and a trial court, must be submitted in writing and have prior approval in accordance with alternative procedures guidelines established in Policy No. FIN 1.01 Trial Court Organization, Section 6.4, Paragraph 4.

2. On an annual basis, the Administrative Director of the Courts shall recommend policies and schedules for reimbursing travel expenses, and procedures for processing reimbursement requests.<sup>1</sup> These policies, schedules and procedures shall be approved by the Judicial Council and followed by the trial court.

#### **4.0 Application** (Original 8/01)

This policy applies to all trial court judges, officials and employees for all in-state, out-of-state, and international travel on court business.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Headquarters**  
**Receipt(s)**  
**Travel Expense Claim (TEC)**

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<sup>1</sup> Government Code (GC) 69505 (a)

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## **6.0 Text**

### **6.1 Approval to Travel**

(Revised 7/06)

The trial court is responsible for developing and implementing a system for the submittal and approval of travel expense claims that is impartial and appropriate, and that complies with the policies, schedules and procedures approved by the Judicial Council.<sup>2</sup> The minimum standards for travel expense reimbursement are provided below.

1. All travel required for trial court business shall be approved by the traveler's appropriate approval level prior to making travel arrangements.
2. Trial courts may decide to allow judges and employees to make their own travel arrangements, provided they are to the economic or other benefit of the trial court. This procedure must be documented at the individual courts that make this decision.

#### **6.1.1 Arranging for Travel**

Judges and employees who need to travel on court business shall, depending on internal court policies, either obtain written approval from their appropriate approving authority or notify them. Travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Out-of-state or international travel requires the approval of the Presiding Judge or written designee.

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<sup>2</sup> GC 69505 (b)

### **6.1.2 Travel Reservations**

Trial court judges and employees may travel by plane, train, bus, private or trial court–owned vehicles, rented car, taxi, or other means, whichever most economically and advantageously suits the needs of the trial court. Travel reservations should be made through a travel planner designated by the trial court. Arrangements for business travel involving airfare and car rentals should be made through the court-designated travel planner. Judges and employees may elect to make their own hotel reservations or may use the court travel planner.

### **6.1.3 Use of Trial Court and Personal Vehicles**

(Revised 9/10)

1. Anyone who operates a vehicle on court business must hold a valid California driver's license, a good driving record, and have an approved Annual Certification for Driving on Official Court Business on file. Additional information regarding the Certification for Driving on Official Court Business is provided in Sub-section 6.2.7 of this policy. The traveler's appropriate approval level determines the most economical method of transportation. Prior to authorizing the use of a personal vehicle, the approver will ensure personal liability insurance requirements have been satisfied. However, unless it is a condition of employment, employees are not required to use their personal vehicle for business purposes. Requests for the use of trial court-owned vehicles should be submitted immediately after approval of a travel request requiring a vehicle.
  - a. Fines and Tickets –Travelers are personally responsible for any fines incurred as a result of toll, traffic, or parking violations while driving on court business. Furthermore, no traveler is permitted, under any circumstances to operate a rental car or

court owned vehicle when any impairment causes the traveler to not be able to drive safely. Note: This policy applies as well to judges and subordinate judicial officers.

(Original 8/01)

2. To determine if a driver has a valid license and a good driving record, courts should request drivers' records from the Department of Motor Vehicles (DMV) at time of hire for employees who are expected to travel on court business and regular intervals thereafter (e.g., annually).
3. Information about the DMV Employer Pull Notice (EPN) program is available on-line at [www.dmv.ca.gov](http://www.dmv.ca.gov). Questions on this program may be directed to the DMV Information Services' Account Processing Unit at (916) 657-5564.
4. The Department of General Services, Office of Risk and Insurance Management (ORIM) recommends frequent drivers attend and successfully complete an approved defensive driver-training course at least once every four years.
5. Information about the State of California's Defensive Driver-Training courses is available on-line at <http://www.orim.dgs.ca.gov>. Questions on this program may be directed to ORIM at (916) 376-5311 or email: [ddt@dgs.ca.gov](mailto:ddt@dgs.ca.gov).

#### **6.1.4 Commercial Vehicle Rental Policy**

(Revised 9/10)

1. The State of California contracts with commercial vehicle rental companies, which participates in the American Express Business Travel Account program (BTA). The website to locate the current State car rental contract providers and the American Express BTA account contact is: [www.travel.dgs.ca.gov](http://www.travel.dgs.ca.gov) (Click on the Car Rental

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- tab). The State contracts include \$250,000 automobile liability insurance and full collision waivers for rented vehicles.
2. It is essential that court officers and employees receive authorization from the appropriate approval level prior to traveling. Trial court policy is to use one of the commercial vehicle contractors whenever vehicle rental is authorized, unless circumstances as outlined within these procedures prevent it.
    - a. Judges, employees, or agents (pro bono consultants, committee members, or volunteers) of the court who are 21 years of age or older may rent and operate vehicles under the commercial vehicle rental contractor agreements when on official court business with approval by the traveler's appropriate approval level.
    - b. Business-related travel by a contractor or agency temporary help for vehicle usage must be addressed in a written agreement between the contractors or agency and the trial court refer to Sub-section 6.1.8. Contractors or temporary agency employees must not drive court owned, leased, or rented vehicles.
  3. Upon authorization of commercial vehicle rental, travelers are required to use the primary commercial vehicle contractors first. Should the primary contractor be unable to provide service, travelers are required to use the secondary commercial contractor.
  4. Should the primary and secondary commercial vehicle contractors be unable to provide service, travelers may use a non-contracted commercial vehicle contractor. The use of a non-contracted vendor must be pre-approved in writing by the traveler's appropriate approval level and requires written justification attached to the travel expense claim if necessary.

5. In the event that a traveler finds a rate less than that offered through the State contract, the State contract and State rate must still be used since the lesser rate will not include the \$250,000 automobile liability insurance, or automatic collision waivers provided under the terms of the State contract.
6. Substantiation for Upgrade
  - a. A traveler must rent a compact vehicle unless there is a reason for a larger vehicle - such as four or more travelers commuting together, or a need for extra luggage space to transport equipment, conference materials or the like. In such a case, an upgrade for another type or size of vehicle (such as an intermediate-size car, mini-van, or a cargo van) may be utilized, with prior approval of the traveler's appropriate approval level.
  - b. If a larger or upgraded vehicle is necessary, written substantiation for the rental must be attached to the traveler's request for reimbursement.
7. The contractor provided automobile liability insurance and automatic collision waivers will not be activated unless one of these acceptable methods of payment is used:
  - a. An American Express Business Travel Account or
  - b. An American Express Government Card clearly marked "State of California".
8. When renting a vehicle from any of the State commercial vehicle rental companies, it is unnecessary for travelers to sign up for collision insurance (Collision Damage Waiver (CDW)), Loss Damage Waiver (LDW), or medical insurance (called "personal accident insurance").
9. On those rare occasions when it is necessary to rent a vehicle from a non-contracted vendor (i.e., when no car is available or the

type or the size of vehicle needed is unavailable from the vehicle rental company with the State contract), the traveler must not sign up for automobile liability insurance, but depending on the Court's ability to pay for physical damage to the rented vehicle, he or she may want to accept the collision waiver option. The state's Motor Vehicle Liability Program provides automobile liability insurance coverage to court employees on official court business. In the event of an accident, the commercial vehicle rental company and/or the State's Motor Vehicle Liability Program will cover any costs arising from an accident in the rented vehicle so long as it is being operated by a court employee working within the scope of employment. However, the State's Motor Vehicle Liability Program will **not cover** damage to the rented vehicle and such costs will be the responsibility of the traveler's court. If the rented vehicle is being operated by a non-employee working within the scope of service to the court the limitations regarding non-salaried drivers in Section 6.2, State of California Motor Vehicle Liability Program Coverage will apply. If the process as detailed in Sub-section 6.1.4 is not followed, the automobile liability insurance is not applicable and any accident related expenses will be the responsibility of the traveler's court.

10. All out-of-state and international travel requires pre-approval in writing from the Presiding Judge or his/her designee. ORIM recommends buying liability insurance coverage for international travel and will assist in obtaining it in accordance with the laws of the foreign country.
11. Contract rental vehicles are to be used only for conducting official court business. A traveler who wishes to extend the rental of a vehicle for personal use must arrange it with the commercial vehicle rental contractor when making reservations and before picking up the vehicle.



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- a. At the end of court business, the traveler must close out the court contract rental agreement (either at the original vendor location or another mutually agreed upon location) and have a new rental agreement drawn for the term of personal travel.
  - b. The rate charged by the vendor for the term of personal travel is between the traveler and the commercial vehicle rental company, does not include the insurance benefit identified above, and must be completely separate and apart from the court contract.
  - c. If personal travel is interrupted by official court business, the traveler may be reimbursed for the court business mileage at the authorized personal vehicle mileage rate or have a new rental agreement drawn for the term of the official court business (whichever is less costly).
12. Vehicle rental contractors charge for vehicles returned with less than full gas tanks. Travelers should refuel vehicles before returning them to the vendor, since the vendor's refueling charge is usually higher than regular gas station rates. Travelers may submit the refueling cost for reimbursement on their TEC, with original receipt attached. If it becomes necessary to use the vehicle rental company for refueling, resulting in a rate higher than at a regular gas station, the traveler must submit a written explanation with the TEC as to why the vehicle was not refueled prior to its return. In the absence of a satisfactory explanation, the amount involved will be disallowed and will be considered a non-reimbursable personal expense.

### **6.1.5 Discount Airfares for Official Business** (Revised 9/10)

1. The State of California contracts for city pairs with domestic airlines. These contracts provide discounted airfares, referred to

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as YCAL and VCAL fares, for travel between various California city pairs and numerous out-of-state destinations. Cost savings may be achieved through these contracted fares as they are unrestricted and not subject to limited seating.

2. Discounted fares are available to trial court employees traveling on official court business when ordering directly from an airline or from an authorized travel agent. Acceptable methods of payment include:
  - a. An American Express Business Travel Account; and
  - b. An American Express Government Card clearly marked "State of California."
3. The YCAL and VCAL fares are available online at:  
<http://www.travel.dgs.ca.gov/Airlines/default.htm> (Click on State Contracted Air Fares.)

#### **6.1.6 Exception Request for Lodging**

1. A request for a lodging exception is allowed for business travel when lodging above the maximum rate is the only lodging available, or when it is cost-effective.
2. An Exception Request for Lodging form and supporting documentation must be submitted in advance of travel and must be approved by the appointing power designee (Presiding Judge or designee). Under no circumstances may an appointing power designee approve his or her own Exception Request for Lodging form.
  - a. Pertaining to In-State-Travel and Out-of-State-Travel. Because employees do not have control over where non-state-sponsored business is conducted, reimbursement of actual expenses, supported by receipts is authorized, without the

approval of an Exception Request for Lodging form if the participant stays at the conference, convention, or meeting site. In all instances, the traveler must attach substantiating documentation (such as a registration form or an agenda) to the TEC.

3. Exception Request Criteria. The following criteria have been established for use in the consideration of exception requests:
  - a. Alternative lodging. The judicial branch requires a good faith effort to locate establishments within the identified maximum rates. Attach a list of at least three moderately priced establishments contacted, the dates of the contacts, phone numbers, contact persons, rates available, and any other results of the contacts.
  - b. Transportation to and from alternative lodging. Either the cost or the loss of productive time required by travel between the work location and a less expensive lodging establishment can justify exceeding the rate difference (explain efforts to obtain transportation, and provide a cost comparison analysis).
  - c. State business conducted at a designated lodging establishment (attach an agenda and supporting documentation). Address the availability of alternative lodging, as identified above.
  - d. Required attendance. An exception can be authorized when attendance is required at a state conference, convention, business meeting, or training where the contracted facility exceeds the maximum daily lodging allowance (provide specific facts, including confirmation related to this criterion).
  - e. Attendance at a non-state-sponsored function. An exception can be authorized when a participant in a non-state-sponsored function cannot stay at the designated function site. Explain the circumstances; provide specific facts that prevent on-site

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lodging. Please note that an exception will not be authorized solely for the convenience of the traveler.

4. Request an exception in advance of travel for lodging expenses that exceed the following maximum rates:
  - a. In-State. The rate of \$110, excluding tax and surcharges, for lodging during regular statewide travel in counties other than Alameda, San Francisco, San Mateo, and Santa Clara (includes State -sponsored and co-sponsored functions such as conferences, conventions, business meetings, and training classes).
  - b. In-State. The rate of \$140, excluding tax and surcharges, for lodging in the counties of Alameda, San Francisco, San Mateo, and Santa Clara (includes State -sponsored or co-sponsored functions such as conferences, conventions, business meetings, and training classes).
  - c. In-State. The rates of \$110 or \$140, whichever is applicable, excluding tax and surcharges, for non- State sponsored functions (conferences, conventions, business meetings, and training classes) if the participant does not stay at the conference, convention, or meeting site. An exception request for such an alternative site is rare and shall be authorized only in instances justified as a result of official state business (i.e., schedule conflicts due to multiple meetings at various sites, no room available, and so forth). Business meetings authorized under this section are meetings with formal agendas requested by outside entities at locations over which the employee has no control.

(Revised 9/10)

  - d. Out-of-State. The actual incurred costs up to the federal lodging rate, plus tax and surcharges, when substantiated by receipts. The federal lodging rates are accessible on the internet at:

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[http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=17943&contentType=GSA\\_BASIC](http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=17943&contentType=GSA_BASIC). (Click on chosen state.)

(Original 8/01)

5. The Department of General Services and American Express have joined together to provide an on-line lodging directory for state travelers, which may be accessed at [www.travelcsg.com](http://www.travelcsg.com).

The on-line directory does not contain a complete listing of all hotels, but may be used as a guide in locating hotels that offer the state-lodging rate.

6. It is the responsibility of the appropriate approval level to ensure reasonableness and completeness of the Exception Request for Lodging form. An incomplete form or a form with inadequate justification shall be returned unprocessed. If advance approval is not obtained, the traveler shall be reimbursed only for the specified maximum rate plus tax and surcharges.

(Revised 9/10)

7. A copy of the Exception Request for Lodging documentation must be attached to the respective Travel Claim on file in Accounting. See Policy No. FIN 12.01, Record Retention for the length of time documentation must be maintained.

#### **6.1.7 Hotel/Motel Transient Occupancy Tax Waiver**

1. Trial court employees qualify for the State of California Transient Occupancy Tax exemption. The Transient Occupancy Tax is a tax imposed by cities and counties on hotel and motel lodging rates within the State of California. This tax may be waived if proof is provided that the traveler is a representative or employee of the State Judicial Branch on official business.

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2. Trial court employees should attempt to have the Transient Occupancy Tax waived for all hotel/motel rooms they stay in while on State business. It is recommended that you inquire about this discount when making reservations. The “Hotel/Motel Transient Occupancy Tax Waiver” form (Std. 236) must be completed in order to qualify for the discount. A copy of the “Hotel/Motel Transient Occupancy Tax Waiver” form (Std. 236) is provided in 7.0, Associated Documents. However, the waiver of the tax is strictly voluntary at the option of the lodging establishment.

#### **6.1.8 Business-related Travel by a Contractor** (Revised 9/10)

Business-related travel by a contractor for items such as air transportation, lodging, meals, personal vehicle usage, rental vehicle usage, insurance requirements(including workers compensation insurance), etc. must be addressed in a written agreement between the contractor and the trial court, in accordance with the procurement and contracting guidelines established by the Policy No. FIN 6.0, Procurement. The contractor or temporary agency must go through his or her own travel agent for air and rental car reservations if those expenses are specified in his or her contract with the court. Contractors or temporary agency employees must not drive court owned, leased, or rented vehicles. The Judicial Branch Travel Guidelines approved annually by the Judicial Council provide specific information regarding the current limitations that apply to allowable travel expenses. The policy and limits listed in the Judicial Branch Travel Guidelines that are in effect at the time the agreement is signed must be the upper limits applied to trial court agreements for services involving business-related travel by a contractor. It is recommended that the court incorporate the negotiated travel guidelines and attach a copy of the guidelines to the agreement. Contractor, vendor, or temporary agency staff business travel must

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be billed to the court on a company invoice in accordance with the guidelines noted in the company's contract with the court.

## **6.2 State of California Motor Vehicle Liability Program Coverage** (Revised 9/10)

The state's Motor Vehicle Liability Program is a self-insurance program administered by the Office of Risk and Insurance Management. The program is not commercial insurance. There is no policy or policy limit for State and/or court employees. When a driver who is not a State or court employee, such as a pro bono consultant or volunteer, is involved in a motor vehicle accident while on court business, the self-insurance coverage will be limited to \$1 million per accident, regardless of ownership of the vehicle. The non-State or non-court employee driver's assigned court will be financially responsible for the payment of any claims, settlements, judgments or verdicts in excess of \$1 million. The program is funded through assessments charged to government entities, including courts that own vehicles and specified mobile equipment.

In order for the state's Motor Vehicle Liability Program to be in effect, courts must complete and submit an Annual Mobile Equipment Inventory form to the Department of General Services (DGS), Office of Risk and Insurance Management (ORIM) pursuant to ORIM instructions. Trial courts that own vehicles or mobile equipment will pay an annual assessment to DGS based on the information provided by the court on the Annual Equipment Inventory form.

1. **Court- Owned Vehicles.** First-dollar liability coverage is provided for judicial officers and court employees authorized to drive court-owned vehicles in the course and scope of employment. That is, if a judicial officer or court employee is authorized to drive a court-owned vehicle in the course and scope of their employment at the time of an accident, the state Motor Vehicle Liability Program provides full

protection against third-party claims arising out of that accident. The program does not cover damage to the court vehicle. Repairs for damage to court vehicles are arranged and paid for directly by the court. If a court-owned vehicle is damaged as a result of negligence by a third party, ORIM will initiate action to recover from that party the cost to repair or replace the damaged vehicle. A court can also obtain automobile physical damage insurance from ORIM at additional cost from that paid for the Motor Vehicle Liability Program.

2. **State Vehicles.** The Department of General Services, Office of Fleet & Asset Management (OFAM) operates five state garages where courts may obtain state vehicles, either on a daily or month-to-month basis. These garages are located in:

- Fresno
- Los Angeles
- Oakland
- Sacramento
- San Diego

First-dollar liability coverage is provided for judicial officers and court employees authorized to drive state vehicles in the course and scope of their employment. In addition to insurance, OFAM rates include fuel, oil, maintenance, vehicle repair costs, and roadside assistance. At no additional cost, a fuel card is also provided for each vehicle. The court should be aware that it may be billed for damage to the vehicle caused by operator misuse, abuse, failure to perform maintenance (for month-to-month leases), negligence, or damage caused to the vehicle while operated by a person other than a court employee.

3. **State Commercial Vehicle Contractors.** To obtain the benefit of \$250,000 liability coverage and automatic collision waivers when driving on court business, travelers should rent vehicles for short-term use only from the state-contracted companies, unless circumstances



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as outlined within this policy prevent it. In addition the liability insurance will not be activated unless the traveler uses the state negotiated rental car rate and one of the recognized methods of payment. Refer to Sub-section 6.1.4, Commercial Vehicle Rental Policy for recognized methods of payment.

4. **Non-Contract Commercial Vehicle Company.** If the use of a non-contract company is justified, the liability insurance offered through the state's Motor Vehicle Liability Program will provide automobile liability coverage for court travelers on official business. However, the program does not cover damage to the rental vehicle. Repairs for such damage are paid for directly by the court. If the accident is a result of negligence on the part of a third party, ORIM will initiate action to recover from that party the cost to repair or replace the damaged vehicle. If the use of the vendor is not justified, however, the state's Motor Vehicle Liability Program is not applicable and all expenses will be charged to the traveler's court. Should any liability claim arising from the operations of a rented vehicle not be covered by ORIM, the full particulars of the accident and the claim should be sent to AOC's Office of the General Counsel (OGC), which will work with the court to resolve the claim.
  
5. **Privately Owned Vehicles.** Judicial officers and court employees authorized to drive their own vehicle in the course and scope of employment should be aware that, in case of an accident, their own personal vehicle liability insurance provides the primary protection up to the policy limit. Should a settlement or judgment arising out of that accident exhaust the personal vehicle policy limit, then the state's Motor Vehicle Liability Program provides unlimited excess coverage. In the event of an accident, the employee should pay his/her deductible. The deductible is part of the cost of insurance covered by the vehicle mileage reimbursement rate.

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6. Out-of-State and International Vehicle Coverage. The state's Motor Vehicle Liability Program provides coverage as referenced above for court employees renting vehicles from state commercial vehicle contractors or an approved non-contract commercial vehicle company, whichever is applicable. ORIM recommends buying liability insurance coverage for international travel and will assist in obtaining it in accordance with the laws of the foreign country.
  
7. Annual Certification for Driving on Official Court Business. The court determines which judicial officers and court employees are authorized to drive in the scope and course of their duties. Each judicial officer and employee authorized to drive any vehicle must complete an Annual Certification for Driving on Official Court Business. The Annual Certification for Driving on Official Court Business serves the following purposes:
  - a. It provides the conditions under which judicial officers or court employees are authorized to drive any vehicle on official court business;
  - b. It provides the proper procedure for reporting accidents while using any vehicle on official court business;
  - c. Acknowledgement of insurance coverage limitations for non-judiciary passengers.
  - d. It is the employee's responsibility to inform his or her individual supervisor of any personal automobile liability coverage changes during the year.
  - e. The mechanism to request approval to use a privately-owned vehicle on official court business, verifying that the judicial officer or court employee has personal automobile liability coverage in

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force on the personal vehicle, with a minimum protection of \$15,000 per person and \$30,000 for all persons.

The Annual Certification for Driving on Official Court Business will be verified and signed by each authorized judicial officer and employee, and his or her appropriate approval level. The approver must retain the original form on file. A new certification is required to be submitted during the year if the judicial officer or court employee will be driving a different privately owned vehicle on official court business. Unless it is a condition of employment, employees are not required to use their personal vehicle for business purposes.

It is the employee's responsibility to immediately inform his or her supervisor in writing if he or she receives a moving violation, has his or her driving license suspended or revoked, or fails to carry the minimum personal liability insurance coverage on the personal vehicle. When warranted, it is the approver's responsibility to suspend or revoke the permission of a judicial officer or court employee to drive in the scope and course of his or her duties.

8. Coverage for Judicial Officers/Court Employees. The state's Motor Vehicle Liability Program does not provide coverage for medical costs resulting from an injury to a judicial officer, employee, or occupants of a court-operated vehicle. In the event of an accident, an injury to a judicial officer or an employee of the court is handled through workers' compensation.
9. Insurance Coverage Limitations for Passengers. Transporting any persons other than those directly involved in official court business is prohibited unless written permission has been obtained in advance for each trip by the employee's appropriate approval level. In those limited situations when advance approval has been obtained, neither the state's Motor Vehicle Liability Program nor the workers' compensation system will pay for any loss or expense, including;

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medical expenses, of a non-judiciary passenger, including a family member, resulting from any injury or accident in a court-operated vehicle. The non-judiciary passenger or family member is responsible for all such costs and expenses. Typically, the non-judiciary passenger or family member's health insurance provider would cover these expenses.

10. Motor Vehicle Accidents and Reporting. All motor vehicle accidents involving any vehicle being used on court business must be reported within 48 hours to:

ORIM  
707 Third Street, 1st Floor  
West Sacramento, CA 95605

To accomplish this, travelers must complete a Vehicle Accident Report, Standard Form 270, as soon as possible and forward it to their supervisor.

- a. The supervisor will:
  - i. Review the form,
  - ii. Investigate the circumstances surrounding the accident,
  - iii. Verify that the employee was on official court business, and
  - iv. Complete the Supervisor's Review of Motor Vehicle Accident, Standard Form 274 then mail or fax both forms to:

Trial Court Vehicle Accident Report  
c/o Business Services Unit  
Administrative Office of the Courts  
455 Golden Gate Avenue  
San Francisco, CA 94102-3688  
Telephone: 415-865-7988  
Fax: 415-865-4326

- b. Business Services will:
  - i. Review the form for consistency;
  - ii. Acquire clarifying information, if necessary, and
  - iii. Send the forms to ORIM.
- c. If the accident resulted in bodily injury or significant property damage to a non-court party, the accident must be reported directly to ORIM by telephone during normal working hours at 916-376-5302 or by a preliminary copy of the Standard Form 270, sent by fax to 916-376-5277. This preliminary report by telephone or fax does not replace the requirement of sending or faxing the Standard Form 270 to the AOC's Business Services Unit as soon as possible.
- d. At the accident scene, do not admit fault or make any promises that the court will pay for damages. ORIM handles all decisions on accident claims. If a claimant contacts you, refer the claimant directly to ORIM at 916-322-0459 to expedite the handling of the claim.
- e. A Vehicle Accident Report, Standard Form 270, and an Accident Identification Card must be placed in the glove compartment of all court-owned or -leased vehicles. The Accident Identification Card serves as evidence of financial responsibility and states: "This vehicle is owned or leased by a superior court of the State of California, a public entity, and operated by judicial officers or employees of the court. California Vehicle Code sections 16000, 16021, et seq. state that ownership or lease of a vehicle by a public entity establishes evidence of financial responsibility." This card should be completed at the scene of an accident and provided to the other driver.
- f. Copies of the Vehicle Accident Report, Standard Form 270, may be acquired online from the ORIM Web site at <http://www.orim.dgs.ca.gov>.

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## 11. State of California Smog Check Program

The Bureau of Automotive Repair administers the Smog Check Program in California. The goal of the program is to reduce air pollution produced by vehicles. Trial courts that own and operate vehicles are required to obtain a smog check with the same frequency as is required for vehicles subject to annual renewal of registration. However, a smog check is not required on all vehicles. Some vehicles only need a smog check when they are being sold or registered in California after previously being registered in another state. The type of vehicle, model-year, and area in which the vehicle is registered determines whether a smog check is required.

Pursuant to Health and Safety Code 44019 (a), trial courts affected by Smog Check Program requirements will smog test vehicles in accordance with an established schedule and report the results to the Bureau of Automotive Repair. Each trial court affected by the Smog Check Program is required to complete a Government Fleet Smog Check Program Letter of Response (form 79-19) and submit it to the Bureau of Automotive Repair. A revised Government Fleet Smog Check Program Letter of Response form should be submitted for any changes in vehicle inventory, responsible managing employee, phone numbers, addresses or status of ownership. In addition, trial courts affected by the Smog Check Program are required to report vehicle smog testing results to the Bureau of Automotive Repair on the Government Fleet Smog Check Program Annual Reporting Transmittal (form 79-21). Additional information regarding the Smog Check Program may be acquired online from the Bureau of Automotive Repair's Web site at [www.smogcheck.ca.gov](http://www.smogcheck.ca.gov).

### 6.3 Travel Procedures (Revised 9/10)

1. It is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation

and other miscellaneous items. In limited circumstances, a receipt not on pre-printed bill head may be acceptable. Receipts not on pre-printed bill head must be signed by the vendor or person furnishing the goods or services. Every receipt must be properly itemized. Original receipts are needed to claim reimbursement for:

- a. Airfare for ticket-less travel, the airfare itinerary is a valid receipt.
- b. Rental cars.
- c. Other forms of transportation including buses, trains, taxis, etc. of \$3.50 or more. (Receipts for bridge and road tolls need not be submitted to the court.)
- d. Parking of \$3.50 or more.
- e. Seminar registration.
- f. Hotel lodging. Receipts for hotel lodging charges must be on a pre-printed bill head with a zero balance shown. The hotel express check-out or receipts from a third-party provider for lodging booked via the internet are not valid receipts. In some instances, a hotel may decline to issue a receipt on their pre-printed billing head for lodging booked via the internet.
- g. Meals. (Receipts for meals need not be submitted to the court. However, meal receipts should be retained by the traveler for IRS documentation purposes.)
- h. Incidentals. (Receipts for incidentals need not be submitted to the court. However, receipts for incidental expenses should be retained by the traveler for IRS documentation purposes.)
- i. Conferences and training classes. In addition to the receipt, a proof of attendance or certification of completion must be submitted with the claim. Agenda materials distributed at the conference will suffice as proof of attendance.
- j. Telephone or fax charges of \$2.50 or more. All telephone or fax expenses claimed must be related to court business and show the date, place, and party called.

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In cases where receipts cannot be obtained or have been lost, a written explanation to that effect and the reason provided must be noted on the TEC. Lodging, airfare, and car rental receipts cannot be certified as lost or waived and will not be reimbursed without the submission of a valid original receipt.

### **6.3.1 Trial Court Vehicle Use**

For travel in trial court-owned vehicles, original receipts documenting expenses for gasoline, oil, parking, and any other necessary costs are required for reimbursement.

### **6.3.2 Personal Vehicle Mileage**

1. When the use of a personal vehicle is approved for trial court business, a TEC form must be completed for reimbursement. The TEC must contain a description of the trip including the date of travel, destination, and total miles driven for business purposes.
2. Trial court judges and employees submitting claims for reimbursement for personal vehicle use should note the following:
  - a. Travel between home and a judge's or employee's regular place of work is not reimbursable.
  - b. When travel commences from home, and the traveler is authorized to use his/her personal vehicle to travel to a business destination other than the traveler's regular place of work, reimbursed mileage will be calculated from the traveler's designated headquarters or home, whichever results in the lesser distance, to the business destination. If the traveler departs from the last business destination directly to the traveler's home, mileage reimbursement will be calculated from the last business destination to the traveler's designated headquarters or home, whichever results in the lesser distance.



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If the first or last business destination is closer to home than the regular place of work, no mileage reimbursement will be allowed.

- c. Travel between court locations is reimbursable.
  - d. If the traveler is driven to a common carrier, he/she can claim double the rate authorized for a one-way trip to and from the common carrier, if no parking is claimed. If the traveler departs or returns to a common carrier on his/her day off or one hour before or one hour after the normal workday, actual miles driven may be claimed.
2. Prior to authorizing the use of a personal vehicle, the approver will ensure personal liability insurance requirements have been satisfied. However, unless it is a condition of employment, employees are not required to use their personal vehicle for business purposes. It is the employee's responsibility to inform his or her appropriate approval level of any personal automobile liability coverage changes during the year.

#### **6.4 Travel Expense Reimbursement** (Revised 7/06)

- 1. Reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting the official business of the trial court and the limits established in the published AOC's Travel Guidelines. Trial court Travel Expense Claims shall be processed and paid at least monthly.
- 2. Travel expense reimbursements shall be paid from the Trial Court Operations Fund.<sup>3</sup>

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<sup>3</sup> GC 69505 (c)

### **6.4.1 Submittal of Travel Expense Claims (TEC)**

1. Judges and employees who incur reimbursable business travel costs must submit a completed TEC form, which:
  - a. Is approved and signed by the judge's or employee's appropriate approval level.
  - b. Includes only allowable expenses paid by the judge or employee.
  - c. Is supported by receipts for airline tickets, lodging, car rentals, and any other expenses (refer to Section 6.3, Travel Procedures for additional information). Receipts should be arranged in chronological order, taped onto an 8 1/2" x 11" sheet of paper, and attached to the TEC. Each receipt must be itemized on a pre-printed bill head showing the date, quantity, cost, and nature of expense. Receipts not on pre-printed bill head must be signed by the vendor or person furnishing the goods or services.
  - d. Provides written justification for any unusual expenses.
  - e. Notes the business purpose of the trip.
  - f. The AOC has developed an electronic TEC form that maybe used to provide a simple and convenient means of documenting travel expenses for reimbursement purposes. Use of the electronic form is recommended and it is included in the Associated Documents at the end of this procedure.

### **6.4.2 Allowable Expenses**

1. The following types of expenses are allowable and reimbursable for trial court business travel:
  - a. Airfare. Air travel should be obtained at the lowest convenient airfare. Only the cost of coach class air travel is allowable.

- b. **Surface Transportation.** The cost of surface transportation by train, bus, taxi, and rented vehicle, private or trial court-owned vehicle is allowable. If surface transportation is chosen in lieu of available commercial air travel, the total reimbursement cannot exceed the total cost for travel had the services of a commercial airline been used. A cost comparison should be prepared calculating the amounts for both modes of transportation and related expenses prior to approving surface travel so the traveler knows in advance the estimated amount eligible for reimbursement.
- c. **Mileage.** Personal vehicle mileage is reimbursable at the current federal mileage reimbursement rate established by the Internal Revenue Service that corresponds to the date/s of travel. Parking and toll charges are also reimbursable.
- d. **Lodging.** Actual costs incurred for overnight lodging are allowable up to the maximum rate established by the Judicial Branch Travel Guidelines or approved lodging exception request rate.
- e. **Meals.** Trial court judges and employees may be reimbursed for meals consumed during business travel. Meals to be reimbursed should be itemized as breakfast, lunch or dinner. The maximum allowable reimbursement for each meal is established by the Judicial Branch Travel Guidelines. Meals provided by a sponsoring organization will not be reimbursed if the traveler chooses to forego the provided meals. It is the traveler's responsibility to communicate any dietary restrictions to a sponsoring organization.

According to the Internal Revenue Code, meal costs for same-day travel, even if reimbursed by the employer, are a personal expense, not a "business expense," which means meal costs

for same-day travel are subject to taxation, except as noted below:

Meal reimbursements for travel less than 24 hours are non-taxable and non-reportable when:

- i. Travel includes an overnight stay
  - ii. Meals provided to attendees are included as part of a conference curriculum or business meeting and must be documented with date, duration, place, attendees' names and purpose of the meeting.
- f. **Personal Services Charges/Incidentals.** Incidental expenses including fees and tips for persons providing services, such as: luggage handlers, parking attendants, and hotel housekeeping, and transportation costs to get to meals. Actual amounts paid as incidentals for services are allowable up to the not-to-exceed maximum costs established by the Judicial Branch Travel Guidelines.
- g. **Expenses of Other Judges and Employees.** Trial court judges and employees may be reimbursed for business expenses incurred for other judges and employees provided the specific business reason for the expense is indicated along with the names and affiliations of the others involved. This is intended for common business travel situations where it is practical for one individual to pay for an expense rather than divide it among several individuals (e.g., a restaurant bill for a group of judges and/or employees traveling together).
2. The Judicial Branch Travel Guidelines approved annually by the Judicial Council provide specific information regarding the current limitations that apply to allowable travel expenses. The Judicial Branch Travel Guidelines may be downloaded from the Serranus website at <http://serranus.courtinfo.ca.gov>.

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### **6.4.3 Unallowable Expenses**

1. Expenses incurred for the sole benefit of a trial court judge or employee shall not be allowed as reimbursable travel expenses. Examples of unallowable expenses include any type of insurance, travel loan finance charges, personal credit card fees or dues, newspapers, magazines, and other like charges.
  - a. Alcoholic Beverages. The purchase of alcoholic beverages is not allowed as a reimbursable travel expense.
  - b. Personal Telephone Charges. Personal telephone charges that are not court business related are not allowed as reimbursable travel expense.
  - c. Surface Transportation in Lieu of Air Travel. The excess costs of meals, lodging, or other travel expenses incurred as a result of choosing surface transportation instead of air travel are not allowable. As stated above in Sub-section 6.4.2, Paragraph 1, Item b, the total travel costs reimbursed must not exceed the amount had the services of a commercial airline been used if available.
  - d. Meal Provided at Meeting/Conference. If a business meal (at a meeting/conference, etc.) is provided and paid for on the traveler's behalf, reimbursement must not be processed for the same meal if claimed by the traveler on a TEC, regardless of whether the traveler chose to forgo the provided meal and eat at another venue.

## **6.5 Travel Expense Restrictions** (Revised 7/06)

To protect the resources allocated to components of the judicial branch that support the basic constitutionally and statutorily required operations of the branch, all judges, subordinate judicial officers, and

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those trial court employees who are not represented by a recognized employee organization and who earn more than \$100,000 per year will not be reimbursed for professional association dues that are due or owing on or after January 1, 2004. This restriction does not affect reimbursement of the costs of licenses that are a requirement of the position (e.g., State Bar licenses).

## **6.6 Travel Expense Reimbursement of Non-Superior Court Employees (Pro-Bono Consultants)**

(Revised 7/06)

Pro-bono consultants are individuals serving as experts in specialized areas who receive no salary. Since their expertise is needed for limited periods a written contract may not be required. Headquarters should be established, listed on each TEC, and kept on file by the appropriate approval level. Pro-bono consultants are eligible for reimbursement of actual travel expenses supported by a receipt up to the maximum rates identified in the published AOC's Travel Guidelines.

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## **7.0 Associated Documents**

(Revised 9/10)

**State of California Travel Expense Claim (TEC) form and instructions**  
**Hotel/Motel Transient Occupancy Tax Waiver**  
**Judicial Branch Travel Guidelines**  
**State of California Annual Certification for Driving on Official Court  
Business to Use Privately Owned Vehicles**  
**Exception Request for Lodging Form**  
**Out-of-State Travel Request Form**

STATE OF CALIFORNIA <b>TRAVEL EXPENSE CLAIM</b> (AOC - TC Electronic) Revised 10/02														See Instructions and Privacy Statement* in Tabs 2 and 3				Page <u>1</u> of <u>    </u>	
CLAIMANT'S NAME						SSN OR EMPLOYEE NUMBER *				COURT									
POSITION/TITLE						OFFICE				E-MAIL ADDRESS									
RESIDENCE ADDRESS						HEADQUARTERS ADDRESS				TELEPHONE NUMBER									
CITY		STATE		ZIP CODE		CITY		STATE		ZIP CODE									
(1) MONTH/YEAR		(3) LOCATION WHERE EXPENSES WERE INCURRED	(4) LODGING	(5) MEALS			(6) INCIDENTALS	(7) TRANSPORTATION				(8) BUSINESS EXPENSE	(9) TOTAL EXPENSES FOR DAY						
(2) DATE	(2) TIME			BREAK-FAST	LUNCH	DINNER		(A) COST OF TRANS.	(B) TYPE USED	(C) CARFARE TOLLS PARKING	(D) PRIVATE CAR USE MILES AMOUNT								
1													1						
2													2						
3													3						
4													4						
5													5						
6													6						
7													7						
8													8						
9													9						
10													10						
11													11						
12													12						
13													13						
(10) SUBTOTALS																			
COLUMN CODE (ACCTG USE ONLY)																			
<b>CLAIM TOTAL</b>																			
(11) PURPOSE OF TRIP, REMARKS, AND DETAILS (Attach receipts/vouchers when required)												<b>ACCOUNTING OFFICE USE ONLY</b>							
(12) NORMAL WORK HOURS			(13) PRIVATE VEHICLE LICENSE NUMBER			(14) MILEAGE RATE CLAIMED						ACCOUNT #							
(15) I HEREBY CERTIFY that the above statement is a true statement of the travel expenses incurred by me in accordance with the State of California travel reimbursement policy and guidelines as included in the Trial Court Financial Policies and Procedures Manual.												PAID BY REVOLVING FUND CHECK NUMBER							
CLAIMANT'S SIGNATURE				DATE		(16) SIGNATURE, OFFICER APPROVING TRAVEL AND PAYMENT				DATE									



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STATE OF CALIFORNIA  
TRAVEL EXPENSE CLAIM (*TEC*) FORM

## GENERAL *TEC* INSTRUCTIONS

All *TEC*'s must be completed in ink (other than black), unless electronically printed. Completion of the upper portion of the form in its entirety is required. "**Headquarters**" is defined as the traveler's primary place of assigned employment. Submit the signed original and two copies with supporting documentation within 30 days of travel. **Receipts** should be arranged in chronological order and taped onto an 8 1/2 x 11 sheet of paper.

1. **MONTH/YEAR** – Enter numerical designation of calendar month and four digit year which expenses were incurred. Example: 8 – 2002 (August 2002).
2. **DATE & TIME** – Enter numeric day of the month. **Time of departure and return must be entered using a 24-hour clock, example: 1700 = 5:00 p.m.** If departure and return are same date, enter departure time above and return time below on the same line. Otherwise, use two lines to enter activity.
3. **LOCATION** – Enter the location where the expenses were incurred. To be eligible for lodging and/or meal reimbursement, expenses must be incurred in excess of 25 miles from **headquarters**.
4. **LODGING** – Enter the actual cost of lodging not to exceed the maximum authorized rate, plus tax per day. Each day of lodging must be listed separately on the form. **An itemized receipt is mandatory.**
5. **MEALS** – **Actual amounts** not to exceed **\$6 for breakfast, \$10 for lunch, and \$18 for dinner**. One day trips: breakfast may be claimed for actual cost up to \$6 if travel begins one hour before normal work hours; dinner may be claimed for actual cost up to \$18 if travel ends one hour after normal work hours; lunch may not be claimed or reimbursed. Note: all meal reimbursement for one day trips are taxable and reportable income unless the travel included an overnight stay.
6. **INCIDENTALS** – **Actual amount up to \$6** for each full 24-hour period. Incidentals may not be claimed or reimbursed for travel of less than 24 hours or fractional days.
7. **TRANSPORTATION** – The most efficient and least costly mode of transportation shall be reimbursed.
  - o Enter the cost of transportation. Enter "BSA" for billed to state (court), "C" for cash, "CC" for credit card, and "SCC" for state (court) credit card.
  - o Enter the method of transportation used. Enter "A" for commercial airlines, "B" for bus, airport shuttle, light rail or BART, "PC" for privately owned vehicle, "R" for railway, "RA" for rental aircraft, "RC" for rental vehicle, "SC" for state vehicle, and "T" for taxi.
  - o Enter carfare, bridge tolls, and parking charges. Enter "C" for carfare, "P" for parking, and "T" for tolls.

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Original **receipts** are mandatory for all taxi fares, shuttle fares, public ground transportation fares, and parking fees of more than \$3.50. In cases where **receipts** cannot be obtained or have been lost, a statement to that effect shall be made in the expense account and the reason given. A statement as to a lost **receipt** will not be accepted for lodging, airfare, rental car, and/or business expenses. For a ticketless flight, submit the itinerary. The itinerary includes the same information that would be found on a ticket.

**Also, the airfare itinerary and the car rental agreement must be attached to the TEC even when these items are booked and paid through the court.**

8. **BUSINESS EXPENSE – Receipts** are mandatory for all business expenses, except telephone charges of \$2.50 or less. However, all telephone calls must include a statement of the party called, place, and business purpose of the call. Record business meals/business lodging in this column.
9. **TOTAL EXPENSES FOR DAY** – Daily total must be entered.
10. **SUBTOTALS/TOTAL** – Enter column totals (claim should be in balance).
11. **PURPOSE OF TRIP, REMARKS AND DETAILS** – Explain the need (purpose) for travel and any unusual expenses. Enter details or explanation of items included in above columns. The budgetary account code is mandatory and must be included on the form.
12. **NORMAL WORK HOURS** – Mandatory for meal reimbursement.
13. **PRIVATE VEHICLE LICENSE NUMBER** – Mandatory for mileage reimbursement.
14. **MILEAGE RATE CLAIMED** – Mandatory for personal car mileage reimbursement.
15. **CLAIMANT'S CERTIFICATION, SIGNATURE AND DATE** – **Mandatory.**
16. **SIGNATURE AND DATE OF APPROVING OFFICER** – **Mandatory.** (Each employee must have a legitimate and reasonable need to travel before the appropriate approval level gives his or her approval. It is inappropriate for an employee to travel without this approval. The most reasonable mode of transportation and/or lodging must be acquired when traveling. It is the approving officers responsibility to ascertain the accuracy, necessity and reasonableness of the expenses for which reimbursement is claimed.) Print and sign the form and forward the required number of copies to the approving authority.

**In Serranus under Trial Court Travel Guidelines there is a TEC form for you convenience,**  
<http://serranus.courtinfo.ca.gov/programs/finance/tctravel.htm>

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## PRIVACY STATEMENT

The information Practices Act of 1977 (Civil Code Section 1798.17) and the Federal Privacy Act (Public Law 93-579) require that the following notice be provided when collecting personal information from individuals.

**AGENCY NAME:** Appointing powers, the Administrative Office of the Courts, and Superior Courts of California.

**UNITS RESPONSIBLE FOR REVIEW:** The accounting office within each appointing power and the Internal Audit Unit of the Administrative Office of the Courts.

**AUTHORITY:** The reimbursement of travel expenses is governed by the Victim Compensation & Government Claims Board. The Victim Compensation & Government Claims Board is authorized to adopt the rules and regulations that define the amount, time, and place that expenses and allowances may be paid to State judicial branch officers and employees while on State business per Government Code Section 13920.

**PURPOSE:** The information you furnish will allow the above-named agencies to reimburse you for expenses you incur while on official State business.

**OTHER INFORMATION:** While your social security number (SSN) and home address are voluntary information under Civil Code Section 1798.17, the absence of this information may cause payment of your claim to be delayed or rejected. You should contact your department's Accounting Office to determine the necessity for this information. Please note: Your social security number is required for reportable, taxable benefits (i.e., meal reimbursement when no overnight lodging occurs, relocation reimbursement, etc.).

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## ELECTRONIC WORKBOOK INSTRUCTIONS

1. This Excel workbook is modeled after the STD. 262 on the website of the Office of State Publishing.
2. Excel has a feature called AutoComplete in which Excel anticipates cell data entry based on the first few characters typed, and then imposes a suggested completion for the finished cell entry. Some users find this feature disruptive to smooth data entry. To disable AutoComplete, click on the Tools menu, select Options, select the Edit tab, and unselect "Enable AutoComplete."
3. Yellow help screens will appear with many cells in the money data entry section of the worksheet. If these help screens get in the way of data entry, they can be easily moved out of the way. Simply move the mouse pointer onto the offending help screen, hold down the mouse left click, and drag the help screen out of the way.
4. Concerning header information in rows 7 through 13 (claimant's name, SSN, position, residence address, etc.) the user completes this information in its entirety. If more than one page is needed, retain header information and change page number.
5. Cells in column 7(A) [COST OF TRANS] and in column 8 [BUSINESS EXPENSE] are split vertically to allow a brief description in the upper half and the claim amount in the lower half.
6. Cells in column 7(C) [CARFARE, TOLLS, PARKING] are split both vertically and horizontally to allow two pairs of entries, with a letter code on the left and the amount on the immediate right.
7. Certain cells contain Excel droplists to assist the data entry. These cells are the MONTH/YEAR, 7(A) COST OF TRANS, 7(B) [TYPE USED], and 7(C) [CARFARE, TOLLS, PARKING].
8. All money amount data entry cells are validated to assure that amounts entered do not carry more than two decimal places (i.e. fractions of a cent).
9. The worksheets are protected worksheets. The user has access only to data entry cells. Cells that contain headings and formulas (such as row totals and column totals) are protected.
10. Cells are color coded per: informational data entry = indigo; number of miles data entry = teal; money amount data entry = red; locked cells (headings and formulas) = black.
11. Use of the code "SC" (State Car) in column (7)(B) for any line will prevent any mileage entered on that line from yielding a dollar claim amount. Mileage on State Cars is not reimbursable.
12. The DATE portion of box (2) provides a droplist which allows entry of the numeric day of the month, or entry of the month names. For RT claims (i.e. mass transit incentives programs), use the month names from the drop list, and indicate the starting month in box (1) MONTH/YEAR.
13. Do NOT use the Excel COPY/PASTE sequence to replicate data entry. Unfortunately, even in a protected worksheet, the COPY/PASTE sequence can damage cell formats and validations.

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## HOTEL/MOTEL TRANSIENT OCCUPANCY TAX WAIVER

(EXEMPTION CERTIFICATE FOR STATE AGENCIES)

STD. 236 (NEW 9-91)

HOTEL/MOTEL OPERATOR: RETAIN THIS WAIVER FOR YOUR FILES TO  
SUBSTANTIATE YOUR REPORTS. PARTICIPATION BY  
OPERATORS IS STRICTLY VOLUNTARY

Date Executed:

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HOTEL / MOTEL NAME

**TO:** \_\_\_\_\_  
HOTEL / MOTEL ADDRESS (Number, Street, City, State, ZIP Code)

This is to certify that I, the undersigned traveler, am a representative or employee of the State agency indicated below; that the charges for the occupancy at the above establishment on the dates set forth below have been, or will be paid for by the State of California; and that such charges are incurred in the performance of my official duties as a representative or employee of the State of California.

OCCUPANCY DATE(S)	AMOUNT PAID
	\$

STATE AGENCY NAME  
**JUDICIAL BRANCH**

**HEADQUARTERS** ADDRESS

TRAVELER'S NAME (Printed or Typed)

**I hereby declare under the penalty of perjury that the foregoing statements are true and correct.**

<b>EXECUTED AT:</b> (City)	TRAVELER'S SIGNATURE	DATE SIGNED
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\_\_\_\_\_, **CALIFORNIA**

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## JUDICIAL BRANCH TRAVEL GUIDELINES

The Judicial branch's policy and limits on reimbursable travel-related expenses are listed below. To be eligible for lodging, incidentals, and meal reimbursement, expenses must be incurred in excess of 25 miles from headquarters. Lodging, incidentals, and travel meal costs reimbursed within 50 miles from headquarters are taxable and reportable income.

**Lodging – Receipts** are required and each day of lodging claimed must be listed separately on the reimbursement claim form. Maximum rates are listed below. Exceptions may be considered on a case-by-case basis, and for centrally booked conferences or meetings. Receipts for hotel lodging charges must be on a pre-printed bill head with a zero balance shown. **The hotel check-out or receipts from a third-party provider for lodging booked via the internet are not valid receipts.** In some instances, a hotel may decline to issue a receipt on their pre-printed bill head for lodging via the internet.

1. In-state - Actual costs are reimbursable up to a maximum of \$110 per day, plus tax and energy surcharge. Within the counties of Alameda, San Francisco, San Mateo, and Santa Clara, the maximum rate is \$140, plus tax and energy surcharge.
2. Out-of-state – Actual costs are reimbursable up to the federal lodging rate for that city per day, plus tax and surcharges thereon with appropriate prior approval. The federal lodging rates are accessible on the internet at:  
[http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=17943&contentType=GSA\\_BASIC](http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=17943&contentType=GSA_BASIC). (Click on chosen state.)

<http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/travel.htm>  
(Click on Domestic Per Diem Rates).

Note: Because employees do not have control over where non-state-sponsored business is conducted, reimbursement of actual expenses, supported by receipts is authorized, without the approval of an Exception Request for Lodging form if the participant stays at the same location as the conference, convention, or meeting site for either in-state or out-of-state travel. In all instances, the traveler must attach substantiating documentation (such as a registration form or an agenda indicating meeting site lodging location) to the travel expense claim.

**Meals** – Actual costs are reimbursable up to the maximum limits stated below for continuous travel of more than 24 hours.

1. Breakfast – Up to \$6.

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2. Lunch – Up to \$10.

3. Dinner – Up to \$18.

Meal reimbursement for one-day trips is taxable and reportable income unless travel included an overnight stay. Lunch may not be claimed on trips of less than 24 hours. For continuous travel of less than 24 hours, actual expenses up to the above limits may be reimbursable if:

1. Travel begins one hour before normal work hours – Breakfast may be claimed.
2. Travel ends one hour after normal work hours – Dinner may be claimed.

**Incidental Expenses** – Actual costs are reimbursable Up to \$6 per day. Incidentals are not reimbursable for one-day trips; they may only be claimed after 24 hours.

**Transportation** – The actual cost of tickets for air, rail, bus, rental car, or other forms of public transportation is reimbursable. The lowest cost ticket available must be purchased. Receipts are required for rental cars and air travel. For ticket less travel, the traveler's itinerary may be submitted in lieu of a receipt.

1. The actual costs of cab fare, public parking, and tolls are reimbursable. Receipts are required for all **cab fare and public parking** expenses of \$3.50 or more. Receipts for bridge and road tolls are not required.
2. Mileage – Personal vehicle mileage is reimbursable the current federal mileage reimbursement rate established by the Internal Revenue Service that corresponds to the date/s of travel.
3. Privately owned aircraft – Reimbursement is \$.50 per statute mile. This reimbursement is taxable and reportable income.

**Other Business Expenses** – Actual cost is reimbursable. Receipts are required for all other business expenses, regardless of the amount claimed.

In the event receipts cannot be obtained or have been lost, a statement to that effect and the reason provided shall be noted in the expense account. In the absence of a satisfactory explanation, the amount involved shall not be allowed. Further, a statement explaining that a receipt has been lost shall not be accepted for lodging, airfare, rental car, or business expenses.

Receipts for telephone or telegraph charges related to court business of \$2.50 or less are not required. However, claims for phone calls must include the place and party called.

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STATE OF CALIFORNIA

CERTIFICATION FOR DRIVING ON OFFICIAL COURT BUSINESS

Supervisor: Retain Original Copy

Section I. CERTIFICATION TO DRIVE ANY VEHICLE ON OFFICAL COURT BUSINESS

I hereby certify that, whenever I drive any vehicle on official court business, I will have a valid driver's license in my possession, a good driving record, and have an approved, up-to-date Certification for Driving on Official Court Business on file. Vehicle Code Section 16020 (effective July 1, 1985) requires all motorists to carry evidence of current automobile liability insurance in their vehicles. The Accident Identification Card placed in the glove compartment of all court-owned or leased vehicles serves as evidence of financial responsibility.

I further certify that, while using any vehicle on official court business, all accidents will be reported to the Office of Risk and Insurance Management within 48 hours. To accomplish this, judicial officers or employees of the court must complete a Vehicle Accident Report, Standard Form 270 as soon as possible and forward it to their supervisor. The supervisor will: (1) review the form, (2) investigate the circumstances surrounding the accident, (3) verify that the judicial officer or employee was on official court business, (4) complete the Supervisor's Review of Motor Vehicle Accident, Standard Form 274 and send or fax both forms to: Trial Court Vehicle Accident Report, c/o Business Services Unit, Administrative Office of the Courts, 455 Golden Gate Avenue, San Francisco, CA 94102-3688, FAX 415-865-4326.

I understand that permission to use a vehicle on court business is a privilege, which may be suspended or revoked at any time. I further understand that I must inform my supervisor in writing immediately if my driver's license is suspended or revoked, or if I receive a moving violation.

Section II. ACKNOWLEDGMENT OF INSURANCE COVERAGE LIMITATIONS FOR NON-JUDICIARY PASSENGERS

I understand transporting any persons other than those directly involved in official court business is prohibited unless I have obtained advance approval from my supervisor for the specific trip. In those limited situations when advance approval has been obtained, I understand neither the State's Motor Vehicle Liability Program nor the workers' compensation system will pay for any loss or expense, including medical expenses, of a passenger who is not a judicial officer or judicial branch employee (a "non-judiciary passenger"), including a family member, resulting from any injury or accident in a court-operated vehicle. The non-judiciary passenger is responsible for all such costs and expenses. Furthermore, I acknowledge and agree to inform all non-judiciary passengers that there is no medical coverage under the State program for non-judiciary passengers in the event of any injury or accident.

Section III. CERTIFICATION TO USE PRIVATELY-OWNED VEHICLE ON OFFICIAL COURT BUSINESS

In accordance with State Policy, approval is requested to use a privately-owned vehicle to conduct official court business. (Note: If judicial officer/employee will not be using privately-owned vehicle on court business indicate N/A in Section IV below.)

I hereby certify that, whenever I drive a privately-owned vehicle on official court business, I will have a valid driver's license and proof of liability insurance in my possession, a good driving record, an approved, up-to-date Certification for Driving on Official Court Business on file, and the vehicle must always be:

1. Covered by liability insurance for the minimum amount prescribed by State Law (\$15,000 for personal injury to, or death of, one person; \$30,000 for injury to, or death of, two or more persons in one accident; \$5,000 property damage). Vehicle Code Section 16020 (effective July 1, 1985) requires all motorists to carry evidence of current automobile liability insurance in their vehicles;
2. Adequate for the work to be performed;
3. Equipped with safety belts in operating condition; and
4. To the best of my knowledge, in safe mechanical condition as required by law.

I understand that the mileage rate I receive is full reimbursement for the cost of operating the vehicle on official court business including fuel, maintenance, repairs, and both liability and comprehensive insurance. If an accident occurs, I understand that my personal vehicle liability insurance provides the primary protection up to the policy limit. Should a settlement or judgment arising out of that accident exceed the policy limit, the State's Motor Vehicle Liability Program provides excess coverage. I further understand that I must notify my supervisor in writing immediately if I no longer have at least the minimum required liability insurance and that I



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must complete a new Certification for Driving on Official Court Business if I will be driving a different privately-owned vehicle or will no longer use my own vehicle(s) on official court business.

**Section IV. By signing below, I certify that I understand and will comply with the conditions set forth in Sections I, II, and, if applicable, III.**

DRIVER'S LICENSE NUMBER	STATE	EXPIRATION DATE
LICENSE NUMBER OF PRIVATELY-OWNED VEHICLE(S) (Indicate N/A if privately-owned vehicle(s) will not be used on official court business)		
JUDICIAL OFFICER/EMPLOYEE SIGNATURE	PRINT NAME	DATE SIGNED

**Section V. APPROVAL**

Use of a privately owned vehicle on Court business is approved.

APPROVING AUTHORITY SIGNATURE	TITLE	DATE APPROVED
-------------------------------	-------	---------------

**Section VI. SUSPENDED OR REVOKED PRIVILEGE TO USE VEHICLE ON OFFICIAL COURT BUSINESS**

DATE: SUSPENDED \_\_\_\_\_  
REVOKED \_\_\_\_\_

REASON:


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STATE OF CALIFORNIA <b>EXCEPTION REQUEST FOR LODGING</b> AOC (REV. 7/03)		JUDICIAL COUNCIL OF CALIFORNIA ADMINISTRATION OFFICE OF THE COURTS	
<b>INSTRUCTIONS:</b> Prior approval in advance of travel is required for amounts that exceed the maximum lodging rates, excluding tax and surcharges. Submit APPROVED request with Travel Expense Claim (TEC) ACCT 262. Please print or type all information.			
<input type="checkbox"/> Regular Statewide Travel over \$110.00, plus tax and surcharges, per night (Attach documentation)	<input type="checkbox"/> Designated High Cost Areas over \$140.00, plus tax and surcharges, per night (Attach documentation)	<input type="checkbox"/> Non-State Sponsored Conference/ Convention, did not stay at function site (Attach documentation)	<input type="checkbox"/> Out-of-State travel (Attach documentation)
CLAIMANT'S NAME		WORK PHONE NUMBER	HEADQUARTERS/CITY
CLAIMANT'S PRIMARY RESIDENCE STREET ADDRESS (Include city, state & zip code)			
DEPARTMENT		DIVISION/COURT	
TRAVEL DATE FROM (month/day/year)		TRAVEL DATE TO (month/day/year)	
POINT OF ORIGIN		DESTINATION	
REASON FOR TRIP			
LODGING ESTABLISHMENT NAME		ROOM RATE \$	
STREET ADDRESS (Include city, state & zip code)			
<b>REASON FOR HIGHER LODGING RATE (check which apply)</b>			
<input type="checkbox"/> Alternate lodging not available		<input type="checkbox"/> Required to stay at contracted lodging site	
<input type="checkbox"/> Cost of alternate lodging and/or transportation equal to or greater than amount requested (include cost comparison)		<input type="checkbox"/> Attendance at a non-State sponsored function, but participant will not stay at the designated function site.	
<input type="checkbox"/> State business will be conducted at designated lodging establishment (attach agenda and supporting documentation)		<input type="checkbox"/> Other (specify below	
EXPLAIN WHY THE ABOVE REASON(S) APPLY--LIST HOTELS SURVEYED (minimum of 3) AND RESULTS ( <i>Attach additional page(s) if necessary</i> ).			
(Attach copies of agenda, lodging requirements, registration, cost comparison analysis, comparable bids, etc.)			
<b>APPROVAL</b>			
CLAIMANT'S SIGNATURE		TITLE	DATE SIGNED
CONTACT/LIAISON (PRINT OR TYPE)		TITLE	CONTACT NO.
SUPERVISOR/PROJECT MANAGER AUTHORIZATION (SIGNATURE)		TITLE	DATE SIGNED
APPOINTING POWER DESIGNEE APPROVAL (SIGNATURE)		TITLE	DATE SIGNED

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## OUT-OF-STATE TRAVEL REQUEST

Name and Title	Today's Date
Location of Travel	Date of Travel
Origin of Request (Individual, Committee, etc.):	
Responsible Staff/Unit for Coordination	
Title/Description: <input type="checkbox"/> Conference/Workshop <input type="checkbox"/> Other	
Purpose/Explanation:                      (Briefly describe benefit and reason for trip; include information where appropriate about California's relationship to activity, other California participants, discussion on whether information can be obtained in California, and relation to achieving superior court goals on individual development. Attach additional pages, if necessary)	
Itinerary	
Estimated Costs (Attach additional pages, if necessary):                      Account Code:  Number of Travelers:  Names/Title (if known) or Positions:	
Requested By	Date

### FUNDING

To the best of my knowledge, I certify that there are sufficient funds available for the out-of-state travel shown above.
---

\_\_\_\_\_  
Supervisor/Manager

Date \_\_\_\_\_

AUTHORIZATION:                      ☐ Yes        ☐ No

\_\_\_\_\_  
Presiding Judge

Date \_\_\_\_\_

AUTHORIZATION: ☐ Yes    ☐ No



# **Judicial Council of California**

## **Administrative Office of the Courts**

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**FIN 8.04**  
1 of 11

# **PETTY CASH**

**POLICY NUMBER: AOC FIN 8.04**

Original Release Date:

April 1, 2003

Effective Date:

September 1, 2010

Revision Date:

February 24, 2010



# Petty Cash

## **1.0 Table of Contents**

(Original 10/03)

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- 6.0 Text
  - 6.1 Introduction
  - 6.2 Petty Cash Fund Custodian
  - 6.3 Establishment of a Petty Cash Fund
  - 6.4 Petty Cash Disbursements
  - 6.5 Restrictions on the Use of Petty Cash
  - 6.6 Petty Cash Fund Reimbursement
  - 6.7 Audit of Petty Cash Fund
  - 6.8 Change in Petty Cash Custodian
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 10/03)

The purpose of this policy is to establish guidelines for the trial court to use in establishing, drawing from, replenishing, and accounting for petty cash funds.

## **3.0 Policy Statement**

(Revised 9/10)

A petty cash fund may be established when the trial court finds it necessary to keep a small amount of cash on hand to purchase low value supplies and services that cannot be practically purchased by other means. The maximum petty cash purchase is \$100.00 unless advance approval from the Court Executive Officer, or documented designee is obtained.

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## **4.0 Application**

(Original 10/03)

This procedure applies to all trial court officers, managers, and employees who are responsible for authorizing, controlling, or reconciling petty cash funds or who may make purchases using petty cash.

## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

### **Petty Cash**

## **6.0 Text**

### **6.1 Introduction**

(Original 10/03)

1. A petty cash fund may be established when it can be demonstrated that a continuing cash advance should be kept on hand to permit the purchase of low-value supplies and services.
2. Whenever possible, standard procurement methods should be used instead of petty cash (refer to Policy No. FIN 6.01, Procurement). However, some supplies, such as stamps, postage for prepaid meters, parking, cab fare, and rapid transit tickets needed for official trial court business purposes, may be purchased using petty cash funds.
3. More than one petty cash fund may be established if the trial court can demonstrate a need based on factors such as the size of the court or the need for petty cash at multiple court locations. These procedures apply to each petty cash fund established by the trial court.

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## **6.2 Petty Cash Fund Custodian**

(Original 10/03)

1. The Court Executive Officer must appoint a custodian of the trial court petty cash fund. The custodian is personally responsible for the safekeeping, disbursement, and accounting for petty cash. A copy of this procedure shall be given to the custodian to ensure that he or she understands the requirements for using petty cash funds.
2. The petty cash custodian shall have no other cash handling responsibilities.
3. Petty cash funds should be kept separate from all other monies. The petty cash fund shall be kept in a locked drawer or cabinet with the key in the custodian's possession.

## **6.3 Establishment of a Petty Cash Fund**

(Original 10/03)

1. A check made payable to the custodian of the fund is written to establish the fund. Checks written to replenish the petty cash fund are also made payable to the custodian.
2. The petty cash fund should be kept to the lowest amount that is sufficient to meet the needs of the trial court. The authorized fund shall not exceed \$200, except that funds up to \$750 may be authorized where:
  - a. A fund of lesser size would normally require replenishment more often than once a month; and
  - b. A safe, vault, or money chest adequate to safeguard the petty cash fund is available.

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## **6.4 Petty Cash Disbursements**

(Revised 7/04)

1. The maximum petty cash disbursement is \$100 per transaction, exclusive of applicable sales tax.
2. Disbursements from a petty cash fund can only be made for authorized purposes. Each disbursement must be documented by a petty cash receipt, which should contain the following information:
  - a. Date of purchase or payment.
  - b. Name of vendor or other payee.
  - c. Amount paid.
  - d. Description of the goods purchased (entered by the vendor if a handwritten receipt is obtained, or by the purchaser if a cash register tape is issued) or of the services provided.
  - e. The trial court account the disbursement should be charged to.
  - f. Signature indicating receipt of purchases or services.

An example Petty Cash Receipt is provided in 7.0, Associated Documents.

3. The original vendor invoice, cash register receipt, or other evidence of the transaction for which petty cash is disbursed must be attached to the petty cash receipt.
4. The total receipts plus the cash on hand must equal the specified amount of the petty cash fund at all times.

## **6.5 Restrictions on the Use of Petty Cash**

(Revised 7/04)

Whenever possible, standard procurement methods should be used instead of petty cash (refer to Policy No. FIN 6.01, Procurement).



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The petty cash fund cannot be used to:

- a. Pay for expenditures greater than \$100 unless advance approval from the Court Executive Office or designee is obtained. If approval is not obtained, purchases greater than \$100 shall be made according to Policy No. FIN 6.01, Procurement.
- b. Purchase goods currently covered by a trial court contract or blanket purchase order.
- c. Pay personal services that would be considered either wages or independent contractor payments. All payments for personal services must be paid through either the payroll system as wages, or accounts payable, if payment is being made to an independent contractor.
- d. Pay travel expenditures, except for local travel (e.g., parking, cab fare, local public transit fares, etc.).
- e. Make personal loans, salary advances or to serve as a check cashing fund.

## **6.6 Petty Cash Fund Reimbursement**

(Original 10/03)

1. Reimbursements to the petty cash fund are made by check payable to the custodian. To receive reimbursement for petty cash expenditures, the custodian must submit a Reimbursement of Petty Cash form that is supported by purchase receipts. An example form is provided at the end of this procedure.
2. Reimbursement requests must be approved for payment by the Court Fiscal Officer or his or her designee. The trial court accounting department is responsible for reviewing the receipts submitted with reimbursement requests.

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3. Trial court executives, managers, and other employees are prohibited from authorizing petty cash reimbursements payable to cash or themselves.
4. Reimbursement should be requested as needed, but no less frequently than monthly. The fund shall be reimbursed prior to the close of the fiscal year.
5. Two people shall count and verify the amount in the petty cash fund periodically at the court's discretion. Any differences will be reported to the Court Executive Officer so that he or she can determine what action(s) should be taken.

### **6.7 Audit of Petty Cash Fund** (Original 10/03)

A representative of the trial court accounting department will count the petty cash fund according to the following schedule and report the count to the Court Financial Officer:

<b><u>Size of Fund</u></b>	<b><u>Frequency</u></b>
\$200 or less	Annually
\$200 to \$500	Quarterly
Over \$500	Monthly

### **6.8 Change in Petty Cash Custodian** (Original 10/03)

When custody of a petty cash fund is transferred to another custodian: (1) a personal review of the fund will be made by the employees directly concerned, and (2) a Petty Cash Change of Custodian Form (provided at the end of this procedure) should be completed for the approval of the Court Executive Officer. The purpose of this form is to document the change of custodian, that the total of the cash and the receipts equal the specified amount of the fund, and that the new custodian is aware of his or her specific responsibilities related to custody of the fund.

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## **7.0 Associated Documents**

(Revised 7/04)

**Suggested Petty Cash Receipt**  
**Suggested Reimbursement of Petty Cash Form**  
**Suggested Change of Petty Cash Custodian Form**

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## PETTY CASH RECEIPT

**\$100.00 limit per purchase**

**NOT VALID WITHOUT ORIGINAL RECEIPT ATTACHED**

**Receipts older than 30 days will not be reimbursed on this form**

**Vendor:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Description of purchased items and intended use:**

---



---



---

**Charge to Account No:** \_\_\_\_\_

**Purchased by:** \_\_\_\_\_ **Amount: \$** \_\_\_\_\_

**The above purchase was for official trial court purposes, and I have received, in cash, the amount shown above.**

\_\_\_\_\_  
**Signature of Purchaser**

\_\_\_\_\_  
**Date**







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**FIN 8.05**  
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# **BUSINESS MEAL EXPENSE GUIDELINES**

**POLICY NUMBER: AOC FIN 8.05**

Original Release Date:

May 1, 2006

Effective Date:

September 1, 2010

Revision Date:

February 10, 2009

# Business Meal Expense Guidelines

## **1.0 Table of Contents**

(Original 7/06)

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  - 6.1 Authorized Business Meals
  - 6.2 General Requirements for Court Payment of Business Meal Expenses
  - 6.3 Business Meal Reimbursement via a Travel Expense Claim (TEC)
  - 6.4 Group Business Meals
  - 6.5 Authorized Business Meal Timeframes
  - 6.6 Authorized Business Meal Rates
  - 6.7 Requests for Exceptions to Business Meal Expense Guidelines
  - 6.8 Unallowable Business Expenses
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 7/06)

The purpose of this policy and the procedures that follow is to define the rules and limits that must be observed when arranging or claiming reimbursement for meals connected to official court business.

## **3.0 Policy Statement**

(Original 7/06)

1. It is occasionally necessary for trial court judges and employees to conduct official court business during a meal. The trial court may pay vendors' invoices (e.g., caterer bills) or reimburse its judges and



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employees for the actual cost of business meals when the rules and limits described below are met.

#### **4.0 Application** (Original 7/06)

This policy applies to all trial court judges and employees.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

#### **Receipt Travel Expense Claim (TEC)**

#### **6.0 Text** (Revised 9/10)

The minimum standards for arranging and paying for business meals are provided below. The requirements of the travel expense program established in Policy No. FIN 8.03 Travel Expense Reimbursement for Trial Court Judges and Employees are separate and do not apply to business meal expenses as defined in this policy. Thus for example, the requirements of the travel expense program that meal expenses must be incurred in excess of 25 miles from headquarters does not apply to business meal expenses covered by this policy.

##### **6.1 Authorized Business Meals** (Original 7/06)

The Presiding Judge – or, if delegated in writing by the Presiding Judge, the Court Executive Officer or another judge – must determine in each instance that there is a business purpose to permit the business meal expenditure. Once that determination is made, business meal expense documents, travel expense claims (TEC), vendor invoices, etc.) will be processed and approved within budgetary constraints by assigned trial

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court staff. **These guidelines do not create an entitlement for payment or reimbursement for any business meal expense incurred without the written advance approval of the Presiding Judge or his or her authorized written delegate.** These guidelines apply to all business meal expenses regardless of the source of funds used to pay the expenses.

Business meals are meals or refreshments during which discussions of court business occurs or meals or refreshments associated with court conferences, meetings, and workshops, when there is a business need to keep participants together. Business meals include meals not authorized through the travel reimbursement program. A higher rate may be paid for such meals than is allowed for the same meals while on travel status.

When properly authorized, the actual cost of a reasonable business meal will be reimbursed or paid up to the maximum rate specified in the Section 6.6, Authorized Business Meal Rates. Business meals should support continuation of the meeting and not be the primary function of the meeting. Business meals will not be reimbursed or paid without the submission of a valid original receipt and supporting documentation. A notation explaining that a receipt has been lost will not be accepted.

Business meals may be taken on site, at a trial court worksite or government facility, or off site, at a conference site or restaurant. They may be paid through a vendor invoice when centrally booked in accordance with the procurement and contracting guidelines or to an individual through the travel expense claim process as referenced in Section 6.3, Business Meal Reimbursement via a Travel Expense Claim (TEC).

The business function that includes a group meal must have a minimum duration of three hours, except for judges' business meetings that cannot be conducted any time other than a meal period. Please reference Section 6.5, Authorized Business Meal Timeframes for these business meal timeframes. The three-hour duration requirement does not apply to meal expenses reimbursed through the TEC process; instead see the Section 6.3, Business Meal Reimbursement via a Travel Expense Claim (TEC).

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## **6.2 General Requirements for Court Payment of Business Meal Expenses**

(Original 7/06)

1. Trial court judges and employees are normally responsible for their own meals during the workday at their primary place of employment. With proper advance approval, business meal expenditures connected to trial court business are permissible and the court may reimburse or pay those expenses up to the applicable maximum rates specified in the Business Meal Rates section of this policy. All business meal expenditures must be supported by an original receipt, reflecting the actual costs incurred and a completed, approved business-related meal expense form (sample provided in 7.0, Associated Documents) or a memo or e-mail authorizing the expenditure in advance. In compliance with Internal Revenue Service regulations the business-related meal expense form, memo, or e-mail will include the following information:
  - a. Date of the business meal(s).
  - b. Scheduled start and end time of the meeting.
  - c. Statement explaining the business purpose of the meeting.
  - d. Category and duration of business meal. Example: Breakfast 8:00–8:30 (30 min.).
  - e. Location/place of the business meal.
  - f. Copy of the formal agenda, if applicable.
  - g. List of expected attendees, their titles and affiliations.
2. Business meals expenses not approved in advance by the Presiding Judge or his or her written delegate will be considered a personal expense and the court will not be reimbursed or paid them.
3. Business meals expenses are not authorized for informal meetings or meetings with existing or potential vendors. Court payment or reimbursement of a court vendor's business-related travel expenses (for example, meals) must be addressed in advance in a written agreement between the vendor and the trial court, in accordance with the procurement and contracting guidelines established in Policy No. FIN 6.01, Procurement.

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### **6.3 Business Meal Expense Reimbursement via a Travel Expense Claim (TEC)** (Original 7/06)

Individual business meal expense reimbursement must be shown on the TEC form in column 8. See 7.0, Associated Documents of Policy No. FIN 8.03 Travel Expense Reimbursement.

1. Reimbursement of the actual cost of business meal expenses, up to the applicable rates specified in Section 6.6, Authorized Business Meal Rates may be authorized in the following circumstances:
  - a. Trial court representative conducts court business during a meal period with a party who is not a court vendor representative. Business meal expense reimbursement will be authorized for the meals of both the external party and trial court representative.
  - b. As a follow-up to an interview process, a candidate for a court management position and the court interviewer meet during a meal period. Business meal expense reimbursement will be authorized for the meals of the candidate and the court interviewer.
2. Additionally, individuals representing the trial court during a business meal function at an outside organization may receive reimbursement for the actual cost of their business meals.

Note: If more than one trial court representative is present in any of the circumstances described above, the lead judge or staff typically should submit the reimbursements request for the entire authorized business meal cost. The three-hour meeting rule described in the Authorized Business Meal Timeframes section below does not apply to business meals being reimbursed through the travel expense claim process.

### **6.4 Group Business Meals** (Original 7/06)

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1. All group meals must be arranged in accordance with the procurement and contracting guidelines established in Policy No. FIN 6.01, Procurement. The court project manager or coordinator must complete a business-related meal expense form and attach a copy of the formal agenda for the event. The completed form and attachment should be submitted for approval to the Presiding Judge or his or her written delegate.
2. Within budgetary constraints, the Presiding Judge or his or her written designee may authorize group business meal expenditures for trial court judges and employees, consistent with the requirements established in Section 6.5, Authorized Business Meal Timeframes below, in the following circumstances:
  - a. Participation in a full-day court function on site or off site, if there is a business purpose necessitating keeping the group together during the meal period.
  - b. Participation, as part of their duties, in an employer-provided meal associated with a court business meeting or other official court function, if there is a business purpose necessitating keeping the group together during the meal period.
  - c. Participation in a conference, working group meeting, or other official function as a court representative, if there is a business purpose necessitating keeping the group together during the meal period.

Note: Trial court judges and employees, as part of their duties, may participate in an employer-provided meal associated with one of the above functions.
3. There must be a business reason to keep the group together during the meal period. The court project manager or coordinator must explain on the business-related meal expense form why trial court business must be conducted during the meal period and could not be accomplished at any other time.

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## **6.5 Authorized Business Meal Timeframes**

(Original 7/06)

The following provisions apply to group business meal expenses only. Payment for covered expenses should be sought using a business-related meal expense form (sample provided in 7.0, Associated Documents). All business meal expenses must be approved in writing in advance by the Presiding Judge or his or her delegate. Group business meals may not be scheduled to occur at the conclusion of a business function.

1. Breakfast: Permissible only if the actual business function starts at 8:30 a.m. or before and lasts at least three hours. Example: Breakfast meal period from 8:00 to 8:30 a.m., business function starts at 8:30 a.m. and concludes at 11:30 a.m.;

or

Breakfast: Permissible for court wide judges business meetings prior to workday that cannot be conducted any other time due to courtroom schedules. The three-hour meeting duration does not apply.

2. Morning Break Refreshment: Not allowable if breakfast is served. If breakfast is not served, morning break refreshment, typically coffee is permissible if a business function starts at 10:00 a.m. or before and only if there are three hours or more between the starting time of the function and the end of the function.
3. Lunch: Permissible during the noon hour for court wide functions that start no later than 11:00 a.m., have a business duration of at least three hours, and continue at least one hour after lunch. Example: Business function starts at 11:00 a.m., lunch is from 12:00 p.m. to 1:00 p.m., and business function concludes at 3:00 p.m.;

or

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Lunch: Permissible during the noon hour for judges' business meetings that cannot be conducted any other time due to courtroom schedules. The three-hour meeting duration does not apply.

4. Afternoon Break Refreshment: Permissible only if there are three hours between the beginning of the business function or the end of lunch and the end of the function.
5. Dinner: Permissible only if the business cannot be conducted at any other time, the business function continues after 6:00 p.m., and advance approval in writing is provided by the Presiding Judge or his or her delegate. The three-hour meeting duration does not apply.

## **6.6 Authorized Business Meal Rates**

(Original 7/06)

1. Business meals will be reimbursed only with the submission of a valid original receipt. A notation explaining that a receipt has been lost will not be accepted. The reimbursement rates authorized for business meals vary depending on the location of the meal and the method by which the meal is arranged. The maximum rates that trial courts may pay (directly or as reimbursement) for business meal expenses are provided below. The specified rates are intended to cover all expenses related to business meals, such as food, beverages (including water), service charge, tip, and taxes. Actual reimbursement or payment for meals other than those for individuals representing the trial court during a business meal function at an outside organization may not exceed the maximum rates below. Trial court judges and employees may purchase more expensive individual meals when requesting business meal expense reimbursement through the TEC process if they choose, but court reimbursement for such meals may not exceed the maximum rates listed below.
  - a. Group Meals Provided at Trial Court or Government Facility or Individual Reimbursement, through a TEC

Breakfast: Actual cost not to exceed \$6.00 per person

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Lunch: Actual cost not to exceed \$10.00 per person  
Dinner: Actual cost not to exceed \$18.00 per person  
Break: Actual cost up to \$4.00 per person (centrally planned in accordance with the procurement and contracting guidelines only; reimbursement is *not* allowed via individual TEC)

Note: "Government facility" above refers to city, county, state, federal, state university, and community college sites.

(Revised 9/10)

b. Group Meals Provided Off Site from Trial Court or Government Facility at a Conference Site

Breakfast: Actual cost not to exceed \$14 per person  
Lunch: Actual cost not to exceed \$28 per person  
Dinner: Actual cost not to exceed \$40 per person  
Break: Actual cost up to \$8 per person

Note: Conference sites typically charge separate room rental and/or set-up fees not included in the above rates. If properly itemized on the vendor invoice, these fees are permissible for events at hotels or conference sites. If the conference site engages an outside caterer, every effort should be made to negotiate the meal rate within the maximum allowable rate as listed in the Group Meals Provided at Trial Court or Government Facility section above.

c. Group Meals Provided Off Site From Trial Court or Government Facility at a Restaurant, Including Hotel Restaurant

Breakfast: Actual cost not to exceed \$12 per person  
Lunch: Actual cost not to exceed \$18 per person  
Dinner: Actual cost not to exceed \$40 per person  
Break: Actual cost up to \$6per person

Note: Meal charges at a restaurant must be itemized on the vendor invoice per meal. Court meetings do not pay a separate



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room rental charge at a restaurant, and set-up fees are also not permissible.

## **6.7 Requests for Exceptions to Business Meal Expense Guidelines** (Original 7/06)

Exceptions to the business meal expense guidelines will be considered only in extraordinary instances, justified as a result of official trial court business. When appropriate, exceptions may be authorized for business meal expenses and meetings not fulfilling the three hour duration requirement. No exceptions will be granted for missing receipts or for exceeding maximum meal rates. All exception requests must be fully documented and submitted in writing to the Presiding Judge or his or her written delegate for review and approval in writing.

## **6.8 Unallowable Business Meal Expenses** (Original 7/06)

1. The trial court may pay or reimburse the costs of a group meal that is intended to recognize an individual for his or her work-related accomplishments on behalf of the court or in connection with a purpose that is part of the court's mission. However, the court may not pay or reimburse the costs of a group meal that is intended to be part of a retirement event for a judge or court employee. The latter are considered personal expenses.
2. There must be no payment or reimbursement for the expenses of a spouse or guest who accompanies a trial court judge or employee. Costs for alcoholic beverages, daycare, and attendance at entertainment or sporting events will not be paid or reimbursed.
3. Costs of business meals in excess of the maximum rates identified in this policy will not be incurred or authorized.

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## 7.0 Associated Documents

(Original 7/06)

### Sample Business-Related Meal Form

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<b>SAMPLE</b> <b>BUSINESS-RELATED MEAL FORM</b>
--

Please attach a copy of the formal agenda for the event.

**Cost of the Business-Related Meal(s):** \$

**Account Code:**

**Meeting Title:**

**Date of Meeting:**

**Start Time of Meeting:**

**End Time of Meeting:**

**Service Rendered** (check all that apply):

☐ **Breakfast**   ☐ **AM Break**   ☐ **Lunch**   ☐ **PM Break**

**Meal Location** (specify):

**Purpose for the Business Meal(s)** (check all that apply):

☐ **Working through meal**                      ☐ **Other (briefly explain below)**

---

**Expected Attendees** (attach sheets if necessary):

\*\*\*\*\*

**Approved** (Project Manager/Coordinator - Authority to sign for Account Code)

**Print Name:**

Signature: \_\_\_\_\_ Date \_\_\_\_\_  
*(I certify that these business meals are within budget and for the benefit of the state.)*

\*\*\*\*\*

**Authorization to Incur a Business Expense** (Presiding Judge or his or her written delegate)

**Print Name:**

Signature: \_\_\_\_\_ Date \_\_\_\_\_

THIS FORM MUST BE COMPLETED WHENEVER STAFF IS REQUESTING PAYMENT OF CATERED OR GROUP MEALS RELATED TO A BUSINESS MEETING.
--

**Rev. 9/21/04**



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

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# **FIXED ASSET MANAGEMENT**

**POLICY NUMBER: AOC FIN 9.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009

# Fixed Asset Management

## **1.0 Table of Contents**

(Original 8/01)

- 1.0 Purpose
- 2.0 Policy Statement
- 3.0 Table of Contents
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 Background
  - 6.2 Asset Capitalization Policy
  - 6.3 Identification Tags
  - 6.4 Responsibility for Fixed Assets
  - 6.5 Equipment Utilization
  - 6.6 Physical Inventory
  - 6.7 Transfer and Disposal of Inventory Items and Fixed Assets
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 8/01)

The purpose of this policy and the following procedures is to provide uniform guidelines for the trial court to acquire, capitalize, monitor and dispose of fixed assets.

## **3.0 Policy Statement**

(Original 8/01)

1. The trial court shall establish and maintain a Fixed Asset Management System to record, control and report all court assets in accordance with this policy's uniform guidelines.

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2. Whether the Fixed Asset Management System is maintained and operated by the trial court or the county, the trial court's primary objectives shall be to:
  - a. Ensure that court assets are properly identified and recorded.
  - b. Ensure that court assets are effectively utilized.
  - c. Safeguard court assets against loss or misuse.

#### **4.0 Application** (Original 8/01)

This policy applies to all trial court officials and employees who are involved in the acquisition, custody, record processing, transfer or disposal of trial court fixed assets and equipment.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key term used in this policy.

**Asset(s)**  
**Court Personal Property**  
**Disposable Items**  
**Equipment**  
**Fixed Asset**  
**Identification Numbers & Register**  
**Inventory**  
**Inventory Item(s)**  
**Record of Physical Inventory**  
**Software**

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## 6.0 Text

### 6.1 Background (Original 8/01)

1. The passage of the Lockyer-Isenberg Trial Court Funding Act of 1997 (Assembly Bill 233), which became effective on January 1, 1998, fundamentally changed the trial court administrative structure and its longstanding relationship with the county. Under the new operating framework, the trial courts receive their funding from the State and are separate and distinct organizations from the counties. Each trial court is now responsible for its own “court operations” (Government Code 77003).
2. GC 68073.1 provided that all furniture, furnishings, and equipment used solely by a trial court on June 30, 1997, became the property of the court, unless the county was prohibited from transferring title by contract, agreement, covenant, or other provisions of the law. In addition, the county must continue to provide any other furniture, furnishings, or equipment made available to the court on June 30, 1997, unless otherwise agreed to by the court and the county. For anything transferred to the court, under GC 68073.1, the court assumed responsibility for any rental or lease obligation as well as repair, maintenance, and replacement.
3. Court facilities are not within the definition of “court operations”. The county is responsible for providing “necessary and suitable facilities for judicial and court support positions for judgeships created prior to July 1, 1996” [GC 68073 (b)]. Unless otherwise agreed by the court and county, the state is responsible for “suitable and necessary facilities for judicial officers and support staff for any judgeships authorized during the period from January 1, 1998 to June 30, 2001” [GC 77654 (i)].

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## 6.2 Asset Capitalization Policy

(Revised 9/10)

1. All court assets, excluding court facilities as defined above, that were either transferred from the county to the court on June 30, 1997, or purchased by the court on or after July 1, 1997, must be recorded and classified in one of the following categories described in Sub-sections:
  - a. 6.2.1 Disposable items
  - b. 6.2.2 Inventory items
  - c. 6.2.3 Software
  - d. 6.2.4 Fixed assets

### 6.2.1 Disposable items

(Original 8/01)

1. Disposable items are purchases with a value of ***less than \$500*** that are intended for one time use, or that have an anticipated useful life of less than one year. These purchases shall be recorded as an expense during the current fiscal year. Examples of disposable items are office supplies, courtroom supplies, consumables, etc.
2. The court is not required to record and track disposable items in the Fixed Asset Management System.

### 6.2.2 Inventory items

1. Individual items transferred from the county or purchased directly by the court with an individual value of **more than \$1,000 and less than \$5,000** and an anticipated useful life of more than one year, shall be classified as inventory items. In addition, property that is particularly subject to loss or theft that is valued at less than \$1,000 shall also be classified as inventory items. Examples



- include small office equipment, calculators, adding machines, cellular phones, small tools, printers, monitors, etc.
2. The trial court shall maintain a detailed and up-to-date inventory listing of these items showing the appropriate description and quantities.
  3. Periodic physical inventories shall be conducted to count the actual quantities on hand, determine the usefulness or obsolescence of the items and reconcile the accounting records. An annual inventory is recommended, an inventory must be performed no less than every three years.<sup>1</sup>

### **6.2.3 Software**

(Revised 8/02)

1. The trial court uses a number of commercially available and custom computer software programs in its daily operations. It shall be the responsibility of the court's information systems department or, where there is none, a written designee of the Court Executive Officer to maintain a current list of court-owned computer software.
2. Computer software developers typically impose limitations regarding the use of their products through licensing agreements. It shall be the responsibility of the court information systems department to assure compliance with the license conditions of software products used by the court (e.g., limitations on the number of users, number of copies in circulation, etc.).
3. The court information systems department will keep all software-related documentation, licenses, etc., in a designated location. Identification tags, if required, shall be placed in a file with the software license (see Section 6.3, Identification Tags).

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<sup>1</sup> This corresponds with the requirements for counties established in Government Code 24051.

#### **6.2.4 Fixed Assets**

(Revised 9/10)

1. Individual items transferred from the county or purchased directly by the court with a value of **\$5,000 or more** and with an anticipated useful life of more than one year shall be capitalized (classified as fixed assets) and tracked separately. Examples of fixed assets are vehicles, security equipment, verbatim reporting equipment, servers, copiers, etc.

(Original 8/01)

2. The trial court shall record all transactions associated with transferred or acquired fixed assets in the court's general ledger and sub-ledgers (such as a Fixed Asset Management System).
3. The following information shall be maintained in the Fixed Asset Management System:
  - a. Description of the fixed asset
  - b. Date of acquisition
  - c. Value of the fixed asset (based on acquisition cost or appraisal value at time of transfer)
  - d. Estimated useful life
  - e. Salvage value (if applicable)
  - f. Remaining balance (net book value), if applicable.
4. Fixed Assets shall be assigned to a responsible court unit using proper budgetary unit, program, department or organization codes.

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### **6.3 Identification Tags**

(Original 8/01)

1. Once the necessary information has been recorded in the Fixed Asset Management System, a unique identification number must be assigned to each fixed asset or inventory item.
2. An identification number must be affixed to each item in the form of a tag or decal that is not easily removed. The tag should be located on the item so that it is readily legible during physical inventories.
3. The tags or decals should be serially numbered. Unused decals should be kept in a secure place and an Identification Number Register should be maintained for accountability of the assets. The register serves as a means for controlling identification numbers, and aids in verifying that all fixed assets and inventory items have been included in the inventory.

### **6.4 Responsibility for Fixed Assets**

(Original 8/01)

1. All fixed assets shall be assigned to a particular court unit or location.
2. A fixed asset management and tracking system shall be used to establish and maintain a complete listing of all tagged items assigned to a particular unit or location.

(Revised 9/10)

3. Each court unit or location shall maintain a Record of Physical Inventory that lists the tagged assets assigned to it. A copy of the Record of Physical Inventory shall also be maintained by the Presiding Judge or a designated employee for control purposes.

## **6.5 Equipment Utilization**

(Original 8/01)

1. It is the responsibility of the Presiding Judge and all trial court employees responsible for court assets and equipment to:
  - a. Maintain control over assigned items.
  - b. Identify underutilized items.
  - c. Dispose of items that will not be used in the foreseeable future.
2. At a minimum, the court should make a periodic review of underutilized equipment to determine whether such equipment should be transferred or disposed.

## **6.6 Physical Inventory**

(Revised 8/02)

1. The trial court shall conduct a physical inventory of all court assets and equipment on a periodic basis. An annual inventory is recommended, an inventory must be performed no less than every three years.<sup>2</sup>
2. The inventory count recorded at each unit or location shall be reconciled against the asset records. Variances shall be investigated and resolved. Unexplained losses or missing items shall be reported to the Fiscal Officer or another designated employee.
3. Written approval must be obtained from the Fiscal Officer or other designated employee prior to adjusting any asset records.

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<sup>2</sup> This corresponds with the requirements for counties established in Government Code 24051.

## **6.7 Transfer and Disposal of Inventory Items and Fixed Assets** (Revised 8/02)

Over time, new assets or equipment may be acquired, obsolete items disposed of, or items may be transferred between locations. To protect the integrity of the Fixed Asset Management System, a record of Asset Transfer or Disposal shall be used.

### **6.7.1 Transfer of Inventory Items and Fixed Assets** (Revised 9/10)

1. A listing of assets for transfer/disposal shall be prepared to record the permanent transfer of a fixed asset or equipment between units or locations. The list must include the following information:
  - a. Serial number
  - b. Description
  - c. Purchase date and
  - d. Purchase amount
2. The asset transfer/disposal list shall be approved by an authorized court official acting within the scope of his or her authority.
3. Copies of these asset transfer/disposal lists shall be maintained by the Fiscal Officer, the unit or location from which the item is being transferred, and the receiving unit.

### **6.7.2 Disposal of Inventory Items and Fixed Assets** (Revised 9/10)

1. California Rule of Court 10.830 establishes the acceptable means of disposal for court personal property. The court may:

(Original 8/01)

- a. Sell personal property that is no longer needed for court use for fair market value.
  - b. Trade surplus personal property with another government or public agency if the property received in return is needed for court use.
  - c. Donate, sell at less than fair market value, or otherwise transfer personal property to another government or public agency if the court no longer needs the property for its own use.
  - d. Dispose of personal property that is no longer needed for court use and that has **negligible or no economic value** in a manner deemed appropriate by the court.
2. The Court Executive Officer or documented designee must approve the disposal of any asset or equipment.
  3. An asset transfer/disposal form shall be prepared to record the disposal of the fixed asset or equipment.
  4. Copies of the asset transfer/disposal form shall be maintained by the Court Executive Officer or documented designee and by the disposing unit or location.
  5. Trial court officers, managers or supervisors are prohibited from purchasing assets from the court in the disposition process.
  6. The proceeds resulting from any disposal of court personal property shall be deposited in the Trial Court Operations Fund.

### **6.7.3 Notice of Disposal** (Revised 9/10)

1. Rule of Court 10.830 also provides that the trial court must publicize its intention to transfer or dispose of court personal property. This must be accomplished at least one week prior to the transfer or disposal by placing a notice in at least one of the following:

(Original 8/01)

- a. In three public places.
  - b. On the court website.
  - c. In a newspaper of general circulation published in the county.
2. The notice of disposal requirement does not apply to property that is valued at less than \$500 or for transfers of property to another California court.

### **6.7.4 Disposal of Technology Equipment** (Revised 9/10)

1. Rule of Court 10.830 defines the practices for disposing of technology equipment acquired by the court on or after July 1, 2000.

(Original 8/01)

2. The court must provide a written description of the technology equipment to be disposed of to the Administrative Director of the Courts.
3. The Administrative Director shall have 60 days to determine whether another court is in need of the surplus technology equipment. If another court that needs the equipment is identified,

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the trial court that owns the technology equipment must donate it to the court in need.

(Revised 09/10)

4. Additionally, the court must list the technology equipment on the Trial Court Surplus Materials website<sup>3</sup>, where another trial court can claim the specific equipment it needs.
5. If no other court is identified within 60 days, the trial court may dispose of the surplus technology equipment as described in Sub-section 6.7.2 above.

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<sup>3</sup> Refer to Serranus for more information on the Trial Court Surplus Materials web site.



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## 7.0 **Associated Documents** (Original 8/01)

**None**



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## **Administrative Office of the Courts**

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# **REVENUE COLLECTION AND DISTRIBUTION**

**POLICY NUMBER: AOC FIN 10.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009

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# Revenue Collection and Distribution

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- 7.0 Associated Documents

## 2.0 Purpose

(Original 8/01)

The purpose of this policy is to establish uniform guidelines for the trial court to collect, process, and report all fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders.

## 3.0 Policy Statement

(Original 8/01)

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It is the policy of the trial court to collect and process revenue in a manner that protects the integrity of the court and its employees and promotes public confidence. The trial court shall institute procedures and internal controls that assure the safe and secure collection of revenue, prompt deposit of all revenues received, accurate accounting that creates an audit trail, and the generation of reports required for sound financial management.

#### **4.0 Application** (Revised 9/10)

This policy applies to all trial court officials and employees whose official job responsibilities involve any aspect of collecting or processing revenue whether received from the public either in-person, via internet website, by telephone or by mail.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key term used in this policy.

**Audit Trail**  
**Cash**  
**Cash Change Fund**  
**Cash Control**  
**Check(s)**  
**Collection Record**  
**Deposit**  
**Deposit Permit Request**  
**Internal Controls**  
**Monthly Cash Settlement Report**  
**Receipt**  
**Revenue**

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## 6.0 Text

### 6.1 Trial Court Collection Activities

(Revised 8/02)

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

(Revised 9/10)

3. Whenever the State is entitled to a portion of any fines, penalties, assessments, fees, restitutions, bail forfeitures, and parking surcharges, the trial court is required to deposit the State's portion of collections with the county treasurer as soon as practical and to provide the county auditor with a monthly record of the collections.<sup>1</sup>

The State Controller's Office is responsible for determining whether or not all collections remitted to the State Treasurer are complete, and is authorized to examine records maintained by any court for this purpose.<sup>2</sup>

4. The State Controller's Office provides on its website [www.sco.ca.gov](http://www.sco.ca.gov) eight distribution tables contained in Appendix C of the *Manual of Accounting and Audit Guidelines for Trial Courts*. Appendix C details

<sup>1</sup> Government Code (GC) section 68101. Note that this does not apply to UCF fees, that is, fees that are listed in GC 68085.1(a) and reported on the TC-145. (GC 68101(c).)

<sup>2</sup> GC sections 68103 and 68104

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guidelines on how trial courts and counties should distribute these collections to properly and uniformly account for them in order to comply with law.<sup>3</sup>

5. The Trial Court Revenue Distribution Manual may be obtained from the State Controller's Office. Distribution tables and other related material are available on the Controller's website at [www.sco.ca.gov](http://www.sco.ca.gov).
6. As discussed in Policy No. FIN 11.01 Audits, the State Controller's Office audits court revenues to ensure that the State and local agencies receive their proper shares of the various fees, fines, penalties, and forfeitures generated by the trial courts.
7. It is the responsibility of the trial court to assure the accurate distribution of the funds that it collects.

## **6.2 Case Management System**

(Revised 8/02)

1. The collection process starts with the setup of a case in the trial court case management system. The trial court shall employ a case management system that can maintain separate accountability for civil, criminal and traffic cases.
2. The case management system should be capable of assigning unique case numbers to be used to track the status of each case from inception to final judgment.
3. The trial court shall track and account for the payments it receives in one of the following ways:

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<sup>3</sup> GC 71380

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- a. The case management system should include a cash collection/receipting module that will allow the court to collect fees, fines, forfeitures, restitutions, penalties, civil trust, criminal bail trust, or assessments associated with the cases.
  - b. The collection/receipting module (if separate from the case management system) shall be integrated with the case management system so that each financial transaction can be tracked and reconciled with the applicable unique case number(s).
4. For control purposes, court employees assigned to set up new cases in the case management system shall not perform cash collection functions and/or accounts receivable functions as described in the following sections of this policy.

### 6.3 Enhanced Collections

(Revised 9/10)

1. According to Government Code (GC) 77003 (7)(b), court operations do not include collection enhancements as defined in California Rule of Court 10.810 as it read on July 1, 1996. Rule 10.810 defines collection enhancement as “Collections performed in the enforcement of court orders for fees, fines, forfeitures, restitutions, penalties, and assessments (beginning with the establishment of the accounts receivable record)”. Collection enhancements do not include forthwith payments made to counter clerks and cashiers.
2. The court and county may maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to by the court and county. The program may wholly or partially be staffed and operated either by the court itself, by the county, or by a third party contractor.<sup>4</sup>

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<sup>4</sup> Penal Code 1463.010

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3. The comprehensive collection program allows a county or court that meets program requirements to deduct its operating costs from eligible collections prior to the distribution of revenues to other governmental entities.<sup>5</sup> (Revised 09/10) However, the payment amount of all fines, forfeitures, restitution, penalties and assessments associated with traffic, or criminal cases must be recorded in the court's case management system in total, without deduction for any credit/debit card merchant fees, banking service fees or other collection expenses.
4. The trial court may employ court personnel, county or private collection agencies to pursue delinquent accounts. State trial court funding should not be used to fund these positions. Under all arrangements, the trial court shall ensure that its case management system is properly updated for all amounts collected or written off.
5. Outstanding balances from the case management system shall not be included in any accounts receivable account when the amount due to the trial court cannot be determined. A major portion of the outstanding balances will be distributed to other agencies. The portion of the outstanding balances that are state trial court funds are sent to the state and redistributed among all the trial courts.
6. Court employees who are assigned to maintain and update accounts receivable shall not have the ability to make adjustments in the general ledger system.

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<sup>5</sup> Penal Code 1463.007



## **6.4 Collections**

(Revised 10/03)

1. Cash control procedures are of primary importance to court managers in avoiding losses related to cash handling. The fundamental rules for controlling cash receipts include the following:
  - a. Designate specific responsibility for custody of cash funds during the workday and for securing cash in a safe, vault, or other secure storage place overnight.
  - b. Limit responsibility for receiving cash to as few employees as possible.
  - c. Separate cash handling from recordkeeping. Responsibilities for collection and deposit preparation should be segregated from those involving the recording of cash receipts and permanent court record entries.
  - d. Have bank reconciliations prepared by persons not responsible for handling cash.
  - e. Record cash receipts immediately if receiving cash by mail.
  - f. Secure cash receipts in a cash drawer, vault, safe or locked cabinet to which only specifically authorized personnel have access prior to deposit.
  - g. Deposit each day's cash receipts. Cash drawers and change funds shall be used for official court business only (i.e., the collection of fines, fees, penalties, etc.).
2. The court may be authorized to accept credit cards as a form of payment for criminal fees, fines, penalties and forfeitures. Under no circumstances should these credit card payments be commingled with cash deposits of operating monies. The trial court must coordinate with the county to establish a separate bank account linked to the credit card receipt mechanism prior to accepting credit

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card payments. Failure to observe this requirement may result in the withdrawal of authorization to accept credit card payments without notice, at the sole discretion of the Administrative Director of the Courts.

3. The court shall not be required to accept payment in coin.<sup>6</sup>
4. Court employees involved in collection activities are expected to conduct themselves professionally at all times in their contact with the public and in handling the payments received by the court. A high degree of personal responsibility and accountability is also expected.
5. To reduce the potential for losses due to errors or irregularities, court employees involved in collection activities (cashiers and supervisors) will observe the guidelines provided in this section and the more detailed procedures provided in Policy No. FIN 10.02, Cash Handling.

## **6.5 Uniform Civil Fee (UCF) Bank Accounts**

(Revised 9/10)

### **6.5.1 Uniform Civil Fee Depository Bank Account**

1. An individual UCF Depository Bank Account (UCF Depository) has been established by the AOC for each of the 58 trial courts for the deposit of Uniform Civil Fees (UCF ) pursuant to the Uniform Civil Fee and Standard Fee Schedule Act of 2005 (UCF Act). The UCF are those listed in GC 68085.1(a) and on the form TC-145.
  - a. The trial court executive office may request, that additional subsidiary UCF depository bank account (UCF Subsidiary Depository) be opened for each of the court's UCF depositing

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<sup>6</sup> GC 24353

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locations. These UCF Subsidiary Depositories will automatically concentrate daily deposits made by each branch location of a trial court into its UCF Depository. UCF Subsidiary Depositories provide the ability to individually monitor the activities of each UCF depositing location within a trial court.

- b. All UCF Depositories and UCF Subsidiary Depositories are to be used only for the deposit of UCF. The trial court does not have the ability, independent of the AOC, to withdraw funds from a UCF Depository or UCF Subsidiary Depository. The court must not deposit criminal fines, fees and penalties to any UCF Depository or UCF Subsidiary Depository.<sup>7</sup>
- c. The trial court will deposit into its UCF Depository the total amount of UCF collected in accordance with the UCF Act as soon as practicable but not later than the day agreed by the court and on file with the Trust and Treasury Services Unit per Section 6.13, Uniform Civil Fee Monthly Reporting, Paragraph 1, during the calendar month following the month in which the UCF were collected. The day agreed by the court and on file with the Trust and Treasury Services Unit per Sub-section 6.8.3, cannot be later than the 30th day during the calendar month following the month in which the UCF were collected.
- d. All UCF Depositories and UCF Subsidiary Depositories of each trial court will reconcile each calendar month the amount of UCF deposited to its UCF Depository that calendar month to the amount of UCF recorded in its case management system as UCF collected that calendar month.

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<sup>7</sup> For the benefit of the depositing trial court, the AOC will invest the balance on deposit in each trial court's UCF Depository and UCF Subsidiary Depositories. The AOC will periodically transfer to each trial court any investment earnings (which may consist primarily of interest and dividends) on the net deposits.

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### 6.5.2 Distribution Bank Account

1. Pursuant to GC 68085.9, the AOC may open a depository / disbursement bank account (“Distribution Bank Account”) through which a trial court receives deposits of money required to be deposited into a county’s treasury or with the county treasurer. A Distribution Bank Account may be opened only with the written consent of the affected county and the Administrative Director of the Courts. See Policy No. FIN. 13.01 Banking Services, Section 6.1, Authority for Trial Courts to Establish Bank Accounts, Paragraph 3 for detailed information about opening a Distribution Bank Account.<sup>8</sup>
2. After obtaining the required approvals, a trial court must (i) make deposits of cash receipts received by the trial court directly to the Distribution Bank Account, (ii) transfer UCF to its UCF Depository as soon as practicable, (iii) transfer Civil Trust and Criminal Bail Trust funds to its Trust Bank Account as soon as practicable, and (iv) distribute at least monthly to the county all monies required to be paid to the county treasury.
3. All Distribution Bank Accounts may be used only for the deposit of UCF, civil trust, criminal bail trust, criminal fines, fees and forfeitures.
4. Any withdrawals from a Distribution Bank Account will be completed by the Trust and Treasury Services Unit. The trial court may not, independent of the AOC withdraw funds from a Distribution Bank Account.

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<sup>8</sup> For the benefit of the depositing court, the AOC will invest the balance on deposit in the court’s Distribution Bank Account. The AOC will periodically transfer to each trial court and county, in proportion to their respective shares established by Court-County agreement, any investment earnings (which may consist primarily of interest and dividends) on the net deposits.

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5. The Distribution Bank Account will not be used (i) to pay criminal or civil bail refunds to individuals, or (ii) to make other refunds to individuals or vendors, either electronically or via check.
6. The trial court is responsible for reconciling on a monthly basis activity reflected in its Distribution Bank Account for that month to activity reflected in its case management system for that month.

### **6.5.3 Access to Uniform Civil Fee Bank Account Balance Reporting**

1. The Trust and Treasury Services Unit has on file each court's Schedule B – Bank Reporting Services Users and Electronic Funds Transfer Receiving Instructions (See 7.0, Associated Documents), which lists (i) the trial court employees who have access to the bank account balance reporting service, and (ii) the trial court's receiving bank instructions to be used for electronic transfer of funds by Trust and Treasury Services to the trial court.
2. The trial court must complete and submit to the Trust and Treasury Services Unit a new Schedule B if there is a change to (i) the court's employees who have access to the bank account balance reporting service or (ii) the receiving bank electronic funds transfer instructions.
3. The trial court will have at minimum the ability to access through the bank's proprietary information reporting system daily bank balance information and monthly bank statements for (i) the trial court's UCF Depository, (ii) its UCF Subsidiary Depositories, if any, and (iii) its Distribution Bank Account, if any.
4. Access to the bank's balance reporting and bank statement services should be limited to those individuals who require access

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to reconcile UCF bank deposit activity or otherwise to perform their normal job responsibilities.

- a. The trial court must resolve any reconciling items, including returned checks and other bank adjustments, for the current calendar month as soon as practicable but in no event later than the end of the succeeding calendar month.
5. The court should verify that it receives directly from the bank all correspondence necessary to reconcile bank activity to the court's case management system for any UCF Depository, UCF Subsidiary Depository, or Distribution Bank Account, including any returned checks.

## **6.6 Daily Balancing and Closeout**

(Original 8/01)

1. At the end of the workday, each cashier must balance his or her cash drawer or register. Cashiers may not leave the premises nor transact new business until daily balancing and closeout are complete.
2. Balancing and closeout include completing and signing the daily report; attaching a calculator tape for checks; turning in the report, money collected and cash change fund to the supervisor; and verifying the report with the supervisor.
3. After daily balancing and closeout are completed, the collections are prepared for deposit to the bank. If the daily collections are not deposited on the same day they are collected, they must be locked in a safe, vault, or secure cabinet overnight.

## **6.7 Deposits**

(Original 8/01)

1. The trial court shall prepare appropriate documentation to deposit funds in the county treasury or its bank account(s) or for pick-up by an armored transport service. Policy No. FIN 13.01 Banking Services, provides more detailed information regarding bank account deposits.
2. To deposit money in the county treasury, a deposit permit request must be prepared. This request, prepared in triplicate, must be supported by acceptable documentation such as duplicate receipts or a receipt listing.
3. The deposit permit request form and supporting documentation requirements shall be prescribed by the County Auditor/Controller.
4. Upon approval by the County Auditor/Controller, the deposit permit request and supporting documents, the permit request and money held for deposit shall be transmitted to the County Treasurer for deposit.

(Revised 9/10)

5. The trial court must obtain copies of all deposit permit requests receipted by the County Treasurer.
6. The County Treasurer shall deposit the money into the funds indicated on the deposit receipt (GC 26900-26903, 27008-27009).
7. The State's share of criminal fees, fines, forfeitures, and penalties must be remitted by the county auditor every month on a state remittance form (form TC-31). Submission of the TC-31 to the State is the county's responsibility. Instructions for the TC-31 can be found

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on the back of the form, which is available on the State Controller's website at [www.sco.ca.gov](http://www.sco.ca.gov).

## **6.8 Uniform Civil Fee Receipts and Deposits**

(Revised 9/10)

### **6.8.1 Uniform Civil Fee Bank Deposits Directly to the UCF Depository**

1. Daily, or as often as practicable, each trial court must deposit fees collected pursuant to the UCF Act into its UCF Depository.
2. A trial court must deposit UCF into its UCF Depository using the pre-printed bank account deposit slips supplied by the bank, which are encoded with the trial court's bank account number and cannot be used by any other trial court. If the trial court has one or more UCF Subsidiary Depositories, deposits into those bank accounts may be made only by the trial court locations for which those bank accounts were established. Each trial court location must only use the pre-printed deposit slips supplied by the bank and encoded with the bank account number assigned to the specific location.
3. Each trial court location that accepts credit card payments solely for UCF should direct the credit card processor to deposit all proceeds in the trial court location's UCF Depository.

### **6.8.2 Bank Deposits Directly to the County Treasurer or Distribution Bank Account**

1. If a trial court deposits UCF directly to its County Treasurer, the court must direct the County Treasurer to electronically transfer the UCF deposited from the county treasury to the trial court's UCF Depository bank account daily, or as often as practicable, but in no event less than once per month.



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2. If a trial court deposits UCF directly to its Distribution Bank Account, the court must direct Trust and Treasury Services to electronically transfer the UCF deposited from the UCF Depository to the trial court's UCF Depository bank account daily, or as often as practicable, but in no event less than once per month. A trial court must request the electronic transfer of funds from its Distribution Bank Account to its UCF Depository in writing by using Schedule C - Electronic Funds Transfer Form (See 7.0, Associated Documents).

### **6.8.3 Uniform Civil Fee General Depositing Instructions**

1. When funds are deposited in error to a UCF Depository, UCF Subsidiary Depository or Distribution Bank Account, the trial court must submit a request to the Trust and Treasury Services using Schedule C - Electronic Funds Transfer Form to have the funds returned to the trial court. Appropriate documentation should be attached to Schedule C.

### **6.9 Daily Reporting**

(Original 8/01)

1. All collections made by the court must be recorded in a collection record, which may be created manually or generated by an automated system. The receipts from all cashiers should be posted daily and reconciled with the daily deposit of funds.
2. The collection record should show in chronological sequence and by unique receipt number all amounts collected by the court and the nature of the money collected. At the end of the month, each column of the collection record should be added and the totals recorded. A duplicate copy of the collection record may be prepared and attached to the monthly cash settlement report as supporting documentation.

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## 6.10 Case Management System Revenue Distribution (Revised 8/02)

1. Each payment received by the trial court is ultimately distributed or disbursed according to a schedule established by the Legislature.
2. The court must assure that:
  - a. The state schedule for revenue disbursement is accurately entered in the court's case management system. Revenue distribution tables are available on the State Controller's website at [www.sco.ca.gov](http://www.sco.ca.gov).
  - b. The state schedule is consistently followed by every court location either through centralized input that serves all locations or by separately entering and verifying data entry for each location.
  - c. It is able to track revenues collected by case number and reimbursement code for accounting purposes.
3. Disbursement of funds is made from the county treasury after revenues collected by the courts have been accepted for deposit by the County Auditor/Controller. Disbursement is made using county warrants upon the order of the court, except where the distribution of revenue is otherwise provided by law (GC 24353, 68084, 68101).
4. The trial court shall pay into the county treasury all money collected that is due the treasury in timely manner and shall remit fee, fine, and forfeiture data within 35 days after the end of the month in which the money was collected. If the county auditor determines that the court is responsible for a delinquent penalty levied pursuant to GC 68085, the trial court shall reimburse the county general fund in an amount equal to the actual penalty.<sup>9</sup>

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<sup>9</sup> GC 24353 and 68085

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## **6.11 Uniform Civil Fee Distributions**

(Revised 9/10)

1. Upon receipt each trial court's TC-145 is uploaded to the UCF Distribution System operated by Trust and Treasury Services. Trust and Treasury Services calculates the authorized distribution to the various State and local programs ("Monthly Distribution") as required by law. On or before the 45th day after the TC-145 reported calendar month, the AOC will transfer the appropriate amount indicated on the trial court's TC-145 from the trial court's UCF Depository to the State Treasurer's Office ("STO") or other account, as applicable.
2. All monthly distributions of Local Program Distribution Types are sent to each trial court's County Treasurer.

However, the County may give written instructions to the AOC to distribute all small claims advisory and/or Dispute Resolution Program Act funds to a local program beneficiary other than the County. The written instructions must indicate that a written agreement exists under which the designated local program beneficiary is performing the local program service. The AOC will begin distributing the affected funds to the local program beneficiary as of the calendar month following receipt of the written instructions.

### **6.11.1 Interest Earned on UCF Balances**

1. Interest on UCF Depository Balances
  - a. Actual interest received on each trial court's UCF Depository will be distributed directly from each court's UCF Depository bank account to each court during the calendar month in which the interest is paid by the investment entity.

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- b. The interest will be paid to the bank account designated by the trial court on its Schedule B on file with Trust and Treasury Services, which must be the same bank account currently receiving the trial court's monthly Trial Court Trust Fund allocation
  - c. A statement of interest paid will be made available to each trial court.
- 2. Interest Earned on Distribution Bank Account Balances
  - a. Actual interest received on each trial court's Distribution Bank Account will be distributed per written instructions from the trial court directly from each trial court's Distribution Bank Account to that court and its county according to the trial court's agreement with its county.
  - b. A statement of interest paid will be made available to each trial court.

### **6.11.2 Electronic Funds Transfer Receiving Instructions**

The bank account listed on each trial court's Schedule B on file with Trust and Treasury Services will be used for the electronic transfer of funds by Trust and Treasury Services to the trial court. This includes transfers of interest earned on the investment of each trial court's UCF Depository balances.

The bank account listed in Schedule B must be the same bank account in which the Trial Court receives the deposit of its monthly allocation of operating funds from the Trial Court Trust Fund.

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## **6.12 Monthly Cash Settlement Reporting**

(Revised 9/10)

1. The proper accounting for or disposition of these collections is detailed in a monthly report to the county prepared by the trial court and filed with the County Auditor-Controller. An example of the detail needed to facilitate distribution includes:
  - a. Trial court cash on hand at the beginning of the month.
  - b. Collections during the month.
  - c. Payments received by credit card during the month.
  - d. Adjustments.
  - e. Deposits in the county treasury.
  - f. Trial court cash on hand at the end of the month.
  - g. The funds and accounts to which money deposited must be credited.
2. Proper development and maintenance of the collection record should provide the court with all the information necessary to prepare the Monthly Cash Settlement Report in an efficient, timely manner (GC 24352, 24353, 68101).
3. The Monthly Cash Settlement Report should be used as applicable to prepare the trial court's Quarterly Financial Statement (QFS) and Comprehensive Annual Financial Report (CAFR) information according to the requirements established by the Judicial Council.

## **6.13 Uniform Civil Fee Monthly Reporting**

(Revised 9/10)

1. All Uniform Civil Fees collections for a calendar month must be reported on the TC-145 and its supporting reconciling Schedules

D and F. The TC-145 and supporting schedules must be delivered electronically to Trust and Treasury Services by the “Reporting Delivery Date” on file with Trust and Treasury Services.

2. The TC-145 and supporting schedules must be submitted electronically to the Trust and Treasury Services’ “TC-145” e-mail box at “tc145@jud.ca.gov”, per the TC-145 instructions on Serranus at the following address:

[http://serranus.courtinfo.ca.gov/programs/finance/fees\\_tools.htm](http://serranus.courtinfo.ca.gov/programs/finance/fees_tools.htm)

The instructions for completing Schedules D and F are included in the TC-145 instructions on Serranus at the address indicated immediately above.

3. Failure to deliver a TC-145 with the reconciling Schedules D and F to Trust and Treasury Services by the Reporting Delivery Date may result in a penalty assessed on the delinquent trial court in accordance with GC Section 68085(h).
4. All TC-145’s must be certified by the trial court. The TC-145 certification process is described on the “Certification” included in the TC-145 instructions on Serranus at the address:

[http://serranus.courtinfo.ca.gov/programs/finance/fees\\_tools.htm](http://serranus.courtinfo.ca.gov/programs/finance/fees_tools.htm)

### **6.13.1 TC-145 Reporting**

1. The total amount reported by each trial court on its TC-145 for each calendar month must be greater than or equal to zero and must be equal to the amount deposited into the court’s UCF Depository for the calendar month reported.

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2. The amount of each UCF line item category reported by a trial court on a TC-145 must equal each fee line item category on the trial court's case management system for the calendar month reported.

### **6.13.2 Replacement TC-145**

A trial court's first monthly submission of a TC-145 is defined as an "Original" TC-145. Any revised TC-145 submitted after the Original TC-145 and on or before the court's Reporting Delivery Date is defined as a "Replacement TC-145".

### **6.13.3 Supplemental TC-145**

1. Supplemental TC-145 submission is required when a trial court has under-remitted UCF collected in a prior calendar month and is unable to submit a Replacement TC-145 prior to the court's Reporting Delivery Date. A Supplemental TC-145 may be subject to penalties based on the amount of UCF remitted after the remittance date to either the State or local program beneficiaries. The penalty due the State is calculated and invoiced by the State Controller's Office, and penalties due local program beneficiaries are calculated and invoiced by Trust and Treasury Services.
2. Trust and Treasury Services will make every effort to remit the distribution amounts per a Supplemental TC-145 to the STO and local program beneficiaries as quickly as possible to minimize penalties.

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## **7.0 Associated Documents**

(Revised 9/10)

**Schedule B – Bank Reporting Services Users and Electronic  
Funds Transfer Receiving Instructions**

**Schedule C - Electronic Funds Transfer Form**



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## **Schedule B – Bank Reporting Services Users and Electronic Funds Transfer Receiving Instructions**

Administrative Office of the Courts

Trial Court Treasury Services

Trial Court of California:

**PICK YOUR COURT FROM THIS LIST** ▼

### **Bank Reporting Services Users**

<b>User Name</b>	<b>User Title</b>	<b>User Phone Number</b>	<b>User E-mail Address</b>
1			
2			
3			
4			
5			

### **Trial Court Incoming Wire Instructions (Interest Payments Due to Trial Court)**

(Please provide wire instructions to the bank account that currently receives your monthly TCTF allocation)

<b>Bank Name:</b>	
<b>Bank Branch Address:</b>	
<b>Bank Contact Name:</b>	
<b>Contact Phone Number:</b>	
<b>Bank ABA Number:</b>	
<b>Bank Account Number:</b>	

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## SCHEDULE C

### TRIAL COURT OF CALIFORNIA

(Court Name)

(Court Address), (Court City, State, Zip), (Court Telephone and Fax Numbers)

**Select One Box Only:**

Federal Wire Transfer: ☐

Book Transfer: ☐

ACH : ☐

FT # : \_\_\_\_\_

(For TCAFS use only)

### ELECTRONIC FUNDS TRANSFER FORM

Transfer Amount :

Value Date :

**CHARGE ACCOUNT**

Transfer FROM (Debit) Acct # : \_\_\_\_\_

Account Name : \_\_\_\_\_

Routing Number : **121000358**

Bank Name : \_\_\_\_\_

**BENEFICIARY ACCOUNT**

Transfer TO (Credit) Acct # : \_\_\_\_\_

Account Name : \_\_\_\_\_

Bank Name : \_\_\_\_\_

Routing Number: : \_\_\_\_\_

Bank Address : \_\_\_\_\_

**Payment Description:**

**Special Instructions:** \_\_\_\_\_

Account Coding:	G/L	CC	FA	Fund	Amount
DR	_____	_____	_____	_____	_____
CR	_____	_____	_____	_____	_____

\_\_\_\_\_  
(Court Person)

Prepared By

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Court Approved Signer)

Authorized Signature

\_\_\_\_\_  
Date

**NOTE:** Please allow on day for TCAFS to process your requests.  
Kindly attach the necessary supporting documents for this fund  
transfer request. Thank you.

**Completed by:**

\_\_\_\_\_  
Name & Signature

\_\_\_\_\_  
Date of Completion



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

Policy No.  
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# **CASH HANDLING**

**POLICY NUMBER: AOC FIN 10.02**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

June 15, 2010



## Cash Handling

### **1.0 Table of Contents**

(Original 8/01)

- 1.0 Purpose
- 2.0 Policy Statement
- 3.0 Table of Contents
- 4.0 Application
- 5.0 Definitions
- 6.0 Text (Revised 09/10)
  - 6.1 Safekeeping of Cash
  - 6.2 Acceptable Forms of Payment
  - 6.3 Payments Made In-Person
  - 6.4 Payments Received Through the Mail
  - 6.5 Handling Counterfeit Currency
- 7.0 Associated Documents

### **2.0 Purpose**

(Revised 9/10)

The purpose of this policy is to establish uniform guidelines for trial court employees to use in receiving and accounting for payments from the public.

### **3.0 Policy Statement**

(Revised 9/10)

It is the policy of the trial court to collect and process payments received from the public in a manner that protects the integrity of the court and its employees and promotes public confidence. The trial court shall institute procedures and internal controls that assure the safe, secure collection, and accurate accounting of all payments.

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#### **4.0 Application** (Revised 9/10)

This policy applies to all trial court officials and employees whose official job responsibilities involve any aspect of collecting or processing payment received from the public either in-person, via internet website, telephone or by mail.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Audit Trail**  
**Cash**  
**Cash Control**  
**Cashier(s)**  
**Change Fund**  
**Check(s)**  
**Customer(s)**  
**Deposit(s)**  
**Internal Controls**  
**Receipt**  
**Revenue**  
**Two-party Checks**

#### **6.0 Text**

##### **6.1 Safekeeping of Cash** (Revised 9/10)

To reduce the potential for losses due to errors or irregularities, court employees involved in cash collection activities (including cashiers and supervisors) will observe the guidelines provided in this section.

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### **6.1.1 Use of Safes and Vaults**

1. The preferred method for securing Change Funds, unprocessed payments or other valuable documents when not in use is to house them in a safe or vault. During the day, collections shall be secured in a lockable cash drawer.
2. Safes that are moveable should be attached to the courthouse using a method that would prevent easy removal.
3. When using safes and vaults, the following procedures must be followed:
  - a. The combination will be distributed to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
  - b. The combination should be memorized by trial court employees and should not be kept in legible form. If it should be necessary to maintain the combination in legible form, it should not be kept in any written or electronic document that identifies it as the combination to the safe and should be maintained in a secure location not visible or accessible to anyone else. Only the Court Executive Officer or the Court Executive Officer's designee(s) are approved to maintain the combination to the safe in legible form that identifies it as such.
  - c. The combination will not be an easily guessable number like birthdays or dates of employment of trial court employees.
  - d. A record will be kept showing:
    - i. The date the combination was changed last and
    - ii. The names of persons knowing the present combination.
  - e. The combination should be changed when:
    - i. It becomes known to an excessive number of trial court employees,
    - ii. Any trial court employees having knowledge of the combination leaves the employ of the trial court,

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- iii. If any trial court employee no longer requires the combination in the performance of his or her duties, or
- iv. On a periodic basis defined by the trial court.

## **6.2 Acceptable Forms of Payment**

(Revised 9/10)

1. The trial court may accept the following forms of payment:
  - a. Cash.
  - b. Personal checks.
  - c. Bank checks or drafts.
  - d. Traveler's checks.
  - e. Money orders.
  - f. Credit cards (Subject to Judicial Council approval).
  - g. Debit cards (Subject to Judicial Council approval).
2. The court is not required to accept payment in coin.<sup>1</sup>
3. A court may accept or reject any check or money order based on California Rule of Court 10.821 and Government Code section (GC) 71386. Please refer to <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=71001-72000&file=71380-71386> for the relevant sections of GC 71386.
4. Acceptance of credit cards (and debit cards) is prescribed under GC 6159.

## **6.3 Payments Made In-Person**

(Revised 9/10)

### **6.3.1 Change Fund**

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<sup>1</sup> Government Code (GC) 24353.

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1. Trial courts may establish a Change Fund in each location that the trial court collects payments to provide Cashiers currency and coin in denominations and amounts necessary to permit the making of change in the day-to-day cash collecting operations of a trial court.
2. The Change Fund must not be co-mingled with the Petty Cash Fund or any other fund. The Change Fund must not be used for any other purpose other than making change for customers of the court tendering cash.
3. A trial court must not establish a Change Fund in excess of \$100 unless the trial court has a safe, vault or cash box that is adequate to safeguard the cash. A Change Fund in excess of \$500 will be stored in a safe or vault.
4. The Change Fund must be associated with a distinct sub-ledger account separate from the trial courts other cash accounts. There should be a separate sub-ledger accounting kept for each Change Fund established by the trial court.
5. The Court Executive Officer or his or her designee must appoint a custodian for each Change Fund when any Change Fund exceeds \$500 at any separately managed trial court location. The custodian is personally responsible for the safekeeping, replacement, disbursement, and accounting for the assigned Change Fund. A copy of this policy must be given to the custodian to ensure that he or she understands the requirements for the Change Fund.
  - a. The Change Fund custodian must have no other cash handling responsibilities.
  - b. The Change Fund custodian must keep detailed records to document:
    - i. The establishment and replenishment of the Change Fund.



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- ii. The amount and denomination of currency and coin held in the Change Fund.
  - iii. Exchanges made with a Cashier whereby the Cashier “sells” larger denomination currency to the Change Fund custodian for smaller denomination currency and coin.
  - iv. Exchanges whereby the Change Fund custodian “sells” larger denomination currency to the trial courts central accounting department or a bank for smaller denomination currency and coin.
- c. When custody of the Change Fund is transferred to another custodian:
  - i. A personal audit of the fund must be made by the trial court employees directly concerned; and
  - ii. A Change Fund Change of Custodian Form (provided in 7.0, Associated Documents) must be completed for the approval of the Court Executive Officer or designee.
- 6. At the end of each business day the Change Fund custodian must in the presence of a Court Manager or Supervisor verify that Change Fund monies at the end of the day are reconciled to the day’s beginning balance.
- 7. A trial court employee other than the Change Fund custodian should count the Change Fund in accordance with the following schedule and report the count to the Fiscal Officer.
 

• Size of Change Fund	Frequency of Count
• \$200.00 or less	Annually
• \$200.01 to \$500.00	Quarterly
• Over \$500.01	Monthly

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### 6.3.2 Beginning Daily Balance

At the beginning of each day, cashiers receive a nominal amount of money (e.g., \$30 in currency and coin) to enable them to return change on cash transactions. Trial Courts should require Cashiers to secure these funds in individually locked drawers or bags. Cashiers must verify receipt of their beginning cash funds with their supervisor, evidenced in a log signed by the Cashier and supervisor for each such receipt. Any beginning cash drawer/bag cash discrepancies (i.e., bag does not contain \$30) must be resolved before the cashier starts his or her daily cash collection duties.

### 6.3.3 Cash Handling Procedures

1. Cash control procedures are of primary importance to court management in avoiding losses. The fundamental rules for controlling cash receipts include the following:
  - a. Organization:
    - i. Designate specific responsibility for custody of cash funds during the workday and for securing cash in a safe, vault, or other secure storage place overnight.
    - ii. Limit responsibility for receiving cash to as few people as possible.
    - iii. Assign each trial court employee who processes payments his or her own locking cash drawer so that he or she has exclusive access to and custody of his or her respective cash on hand. Cash drawers must not be shared by trial court employees.
    - iv. Separate cash handling from record keeping.  
Responsibilities for collection and deposit preparation should be segregated from those involving the recording of cash receipts into court accounting records and permanent court record entries.

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- v. Require that bank reconciliations be prepared by persons not responsible for handling cash.
  - vi. Periodically reconcile currency and coins held in the Change Fund as part of the Cashiers beginning cash funds to amounts recorded in the trial court's general ledger.
- b. When receiving payment:
  - i. When money is received at the public windows, the Cashier should count it out loud in the presence of the customer.
  - ii. The Cashier must not put the money in the cash drawer until after the Cashier issues a receipt and gives the customer the correct change.
  - iii. If a customer disputes the amount of change tendered at the counter, the cashier must ask a supervisor for assistance.
  - iv. Cashiers must not return a disputed amount without a supervisor's approval.
  - v. The Cashier must refer payments involving relatives or personal friends to the supervisor for re-assignment.
  - vi. The Cashier must record cash receipts immediately.
- c. Prior to deposit, cash receipts should be secured in a cash drawer, vault, safe or locked cabinet to which only specifically authorized personnel have access.
- 2. Cash drawers should be used for official court business only (i.e., the collection of payments).
- 3. Trial courts should establish cash drawer limits for each Cashier to reduce or eliminate opportunities for individuals to commit and conceal errors, and to reduce the risk of robbery. The drawer limits must be based on the amount of currency and coin collected. Drawer limits may also be established for checks and credit card payments using hardcopy sales drafts.

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- a. When establishing cash drawer limits, the following factors should be considered:
  - i. The amount of currency and coin collected at the location.
  - ii. Remoteness of the location collecting payments from the main courthouse or central location where deposits are processed.
  - iii. Experience level of the Cashier.
  - iv. The Cashier's history of overages and shortages.
  - v. The level of security available at the location taking cash, including but not limited to the availability of sheriffs and other security personnel; the location of panic buttons; the placement of security cameras and the adequacy of the physical barriers between Cashiers and customers making payments.
- b. When the cash drawer limit is reached or exceeded at any time during the day, the Cashier must do the following:
  - i. Closeout and balance his or her cash drawer, i.e. sell cash to the cash vault.
  - ii. Bundle the cash and balance supporting documentation, and provide it to the Change Fund custodian for safekeeping until the final closeout and balancing is performed at the end of the day. If there is no Change Fund custodian at the location, the cash and supporting documentation must be provided to the local supervisor for safekeeping.
  - iii. Re-establish the nominal amount of beginning money to enable the Cashier to return change on a cash transaction.
  - iv. Where appropriate begin processing additional customer payments.

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### **6.3.4 Check/Money Order/Cashier Check Handling Procedures**

1. When a check, money order or cashier's check is received in person or in the U.S. mail, the Cashier must verify the following before accepting payment:
  - a. The name of the customer must be imprinted on the check.
  - b. Numeric and written dollar amounts must match.
  - c. Checks must be signed by the customer.
  - d. Checks must be dated for the day they are written. Post-dated checks are not accepted.
  - e. The check is not made payable to more than one payee. Two-party checks are not accepted.
  - f. Checks must be written for the exact amount due. No change shall be made on payments made by personal check. Change may be given only for:
    - i. Cash,
    - ii. Bank checks or drafts,
    - iii. Traveler's checks, and
    - iv. Money orders.
  - g. Checks must be made payable to the court.
  - h. If applicable, case number(s) must be written on checks.
  - i. Corrections made by the customer must be initialed by customer, not just crossed out and rewritten.
  - j. When a check is accepted at the public window, the customer must provide an acceptable form of picture identification such as a driver's license or passport.
  - k. Cashier's checks, money orders or traveler's checks are drawn on a banking institution located in the United States (unless received through the mail).

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- l. The sum is in US currency.
  - m. Cashiers shall not accept personal checks, cashier's checks, money orders or traveler's checks when the check is in excess of \$300 from a defendant who is in custody, as a deposit of bail for any alleged violation of the Penal Code or for a deposit of bail for any felony offense.<sup>2</sup>
2. If a trial court receives a check with a blank payee line, the Cashier must immediately enter the court's name in the payee line.<sup>3</sup>
  3. Checks received by the trial court that are made payable to another State government entity may be endorsed and deposited by the trial court when they are known to be a proper payment to the court. The endorsement by the court must contain a statement equivalent to "Absence of Prior Endorsement Guaranteed."<sup>4</sup>
  4. The trial court must elect to either reject or process an unsigned check received through the U.S. mail. To minimize its risk of potential loss, the trial court must establish a maximum dollar limit it will elect to process if the check is unsigned. It is suggested that the maximum dollar limit be \$500.
    - a. When the trial court elects to reject an unsigned check, it must return the unsigned check to the customer with a letter stating that the check was not accepted because it was unsigned.
    - b. When the trial court elects to process an unsigned check, it must perform the following steps before endorsing and depositing the check:

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<sup>2</sup> GC 71386(b).

<sup>3</sup> This policy is comparable to the policy adopted by the Executive Branch. See State Administrative Manual (SAM), Sections 8023.

<sup>4</sup> This policy is comparable to the policy adopted by the Executive Branch. See SAM, sections 8034.4.

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- i. The face of the check must be stamped with the following statement:

**Signature lacking**  
**Superior Court of California, County of Xxxxx**

- ii. The case number for which payment is being made must be noted on the unsigned check.

A notation will be made on the customer's record in the trial court's case management system that the customer's check was received unsigned. The check number and amount of the check must be included in the notation.

5. The trial court may accept checks marked "not to exceed xx dollars" for matters pending court action. When the amount of the payment becomes known, the person presenting the check shall fill in the exact amount due. If received in the mail the cashier shall write the exact amount.

### **6.3.5 Credit Card and Debit Card Payments**

1. GC 6159 authorizes the acceptance of credit card payments by the trial court and establishes the conditions under which payment by credit card is allowed. The same requirements apply to debit card payments.
2. If the trial court desires to accept credit card or debit card payments, it must first receive approval from the Judicial Council or the Administrative Director of the Courts.<sup>5</sup> Refer to Policy No. FIN 13.01 Banking Service, for the procedures to receive Judicial Council approval to accept credit or debit card payments.

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<sup>5</sup> GC 6159(c) and California Rule of Court, rule 10.820(a).

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3. The trial court may accept the following types of payments by credit card or debit card:
  - a. Bail deposits for any offense not declared to be a felony.<sup>6</sup>
  - b. Filing fees or other court fees.
  - c. Any court-ordered fee, fine, forfeiture, penalty, or assessment.
4. The court may accept credit card or debit card payments in person, over the telephone, over the Internet, or by mail. At a minimum, the trial court must verify that the credit card or debit card is current (the card expiration date must not have passed) for payments made in person.
5. For payments made by telephone, the customer's name as it appears on the credit card or debit card, telephone number, card number, the card expiration date and the non-embossed security code printed on the back of the card must be obtained. See Policy No. FIN 13.01 Banking Services, Sub-section 6.5.2. The customer's case number is also required so that the case management system can be updated with the payment information.
6. For payments made via the Internet, the same information must be obtained from the customer as for telephone payments.
7. When receiving payments via the internet, the primary focus is to assure that the trial court's Web site is secured against the unauthorized use or theft of customer information:
  - a. Internally, access to customer information shall be limited to a small number of authorized court employees. For control purposes, system access codes shall be assigned to these employees.

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<sup>6</sup> GC 6159(b)(1)



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- b. Externally, the trial court must protect against electronic data theft. The trial court shall ensure the security of internet transactions by establishing firewalls and other protection devices, or by outsourcing the internet payment function to a qualified vendor, the trial court's internet service provider, or Web site host.
- 8. Prior to accepting any credit card or debit card payment, the validity of the payment must be verified by obtaining the authorization code.
- 9. Civil Code Section 1747.08 prohibits writing down any identification information when questioning identification.

### **6.3.6 Dishonored Payments**

- 1. For checks that are returned by the bank to the trial court for reasons including , but not limited to, insufficient funds:
  - a. The trial court should make arrangements with its local bank to automatically resubmit for payment dishonored checks because most re-deposited dishonored checks are paid.
  - b. Upon receipt of a dishonored check which either cannot be re-deposited or has been re-deposited and dishonored a second time, the trial court should reverse the payment out of its case management system and enter a note that the check was dishonored.
    - i. For civil filing fees:
      - 1.) The clerk must notify the party who tendered the check of all the following by mail:<sup>7</sup>
        - a. The check has been returned by the bank without payment.

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<sup>7</sup> See Code of Civil Procedure (Code Civ. Proc.) section 411.20(a).

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- b. An administrative charge has been imposed to reimburse the trial court for the costs of processing the returned check and providing notice. The administrative charge must be either \$25 or a reasonable amount that does not exceed the trial court's actual costs.<sup>8</sup>
  - c. The party must pay the filing fee and the administrative charge by a date that is specified in the notice. If payment is not made by the specified date, the trial court will void the filing and proceed as if the document had not been filed.<sup>9</sup> (The trial court must specify a date by which the payment is due, which must be within 20 days from the date that the trial court mails the notice to the party. The only exception is if a trial or other hearing has been scheduled to occur before the 20 day period expires. In such a case, the trial court must specify a date by which payment is due. The specified date must be before the date of the scheduled trial or hearing.)
  - d. Payment of the filing fee and the administrative charge must be made by cash, certified check, or other means that the trial court will accept. The trial court, however, will not accept payment by traveler's check or personal check.
- 2.) If the person who tendered the check is not a party to the action, the clerk or designee per written court procedure must notify (1) the person who tendered the check and (2) the party on whose behalf payment was tendered or, if the party is represented, the party's attorney.

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<sup>8</sup> See Code Civ. Proc. 411.20(g)

<sup>9</sup> See Code Civ. Proc. 411.20(b) and (e).

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ii. For other services or issuance of documents in a civil case:<sup>10</sup>

- 1.) If the clerk performs a service or issues any documents for which a fee is required and payment is made by check that is later returned without payment by the bank, the trial court may order further proceedings suspended with regard to the tendered party.
- 2.) If ordered by the trial court, the clerk must notify the party who tendered the returned check of all the following by mail:
  - a. The check has been returned without payment.
  - b. An administrative charge has been imposed to reimburse the trial court for the costs of processing the returned check and providing notice. (The administrative charge must be either \$25 or a reasonable amount that does not exceed the trial court's actual costs.<sup>11</sup> The notice mailed to the party should specify the amount of the administrative charge that has been imposed.)
  - c. Proceedings have been suspended until the trial court receives payment of the required fee and the administrative charge.
  - d. Payment must be made by cash, certified check, or other means acceptable to the court. The trial court, however, will not accept payment by traveler's check or personal check.
- 3.) If the person who tendered the returned check is not a party to the action, the clerk must notify (1) the person who tendered the returned check and (2) the party on whose behalf payment was tendered or, if the party is represented, the party's attorney.

<sup>10</sup> See CCP 411.20(f)

<sup>11</sup> See CCP 411.20(g)

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iii. For traffic cases:

- 1.) A deficiency notice will be sent to the party whose check was returned without payment by the bank and the appropriate justice partners and Department of Motor Vehicles notified of non-payment, where necessary.
- 2.) Trial courts may impose a reasonable charge for the returned check to recover processing and collections costs, not to exceed the actual costs incurred<sup>12</sup>.
- 3.) The trial court may prescribe a different method of payment.

iv. For any other fee, fine, or forfeiture not covered above:

- 1.) A deficiency notice will be sent to the party whose check was returned. The clerk will notify the party in the case that the check has been returned by the bank without payment.
- 2.) If the person who tendered the returned check is an attorney or law firm which regularly appears before the trial court, the clerk will immediately contact the attorney or law firm for payment.
  - a. If the attorney or law firm does not pay the required fee and administrative charge within three business days after being contacted by the trial court, the clerk will notify the fiscal officer. The fiscal officer will decide what action(s) should be taken to collect payment from the attorney or law firm. If the offending attorney or law firm has not made the required payment within 10 business days after being contacted by the trial court, the court executive officer or designee per written court procedure will notify the presiding judge of the non-payment. The presiding judge and court executive

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<sup>12</sup> GC 71386(d) and GC 6157 (b)

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officer or designee per written court procedure will decide what actions will be taken to collect the required fee from the offending attorney or law firm.

- b. If the trial court notices a pattern of returned checks being received from any particular attorney or law firm, the court executive officer will notify the presiding judge of the pattern of returned checks. The presiding judge and court executive officer will decide whether the pattern of returned checks warrants either the court executive officer or presiding judge discussing the pattern of returned checks with the offending attorney or law firm.
- 3.) Trial courts may impose a reasonable charge for the returned check to recover processing and collection costs, not to exceed the actual costs incurred.<sup>13</sup>
- 4.) The trial court may prescribe a different method of payment.
- v. For all case types; civil, traffic, family, criminal, etc., if the trial court notices a pattern of returned checks being received from any particular attorney or law firm:
  - 1.) The court executive officer will notify the presiding judge of the pattern of returned checks. The presiding judge and court executive officer [or designee per written procedure] will decide whether the pattern of returned checks warrants either the court executive officer or presiding judge discussing the pattern of returned checks with the offending attorney or law firm.

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<sup>13</sup> GC 71386(d) and GC 6157 (b)

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2. If any credit card or debit card payment is not accepted by the card issuer or is charged back to the trial court, the trial court will void any record of payment and/or receipt issued by the trial court. The payment obligation of the cardholder shall continue as if no attempt at payment has been made.

### **6.3.7 Receipts**

1. All payments to the trial court must be acknowledged by a unique sequentially numbered receipt. Receipts issued by the trial court should provide information sufficient to create an adequate audit trail that ensures proper distribution of the monies received including:
  - a. Unique Receipt number.
  - b. Date of payment.
  - c. Case number.
  - d. Amount received.
2. The trial court shall keep a record of all receipts issued. A receipt is deemed to be cancelled if a payment made by check, money order, credit card, or debit card is dishonored.
3. Periodically monitor receipt sequence numbers to identify gaps and assure that all receipts are accounted for.

### **6.3.8 Void Transactions**

1. A supervisor must approve all voided transactions. Where possible, the security access levels to the trial court's case management system should be adjusted so that supervisory employees must approve a void before it takes effect in the system. The supervisor is responsible for reviewing and approving all voided transactions. The trial court will retain all void receipts,

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including the details of any re-receipting of the original voided transaction for the lesser of five years.

2. The trial court's case management system should keep an appropriate audit trail of voided transactions by showing both the original transactions entered into the case management system as well as the subtraction caused by the void. The original transactions entered into the case management system should not be deleted.
3. Once the daily close out process has been performed, the case management system should prevent payments included in the daily close out from being voided.

#### **6.3.9 Backup Procedure for Automated System Down Time**

1. In the case of a failure of the automated accounting system, the supervisor or designated employee will issue books of pre-numbered receipts. The Cashier will give the customer a handwritten receipt. A copy shall be retained by the trial court. The supervisor issuing the receipt books of pre-numbered receipts will monitor and maintain an accounting of the receipt books including; the receipt book(s) issued, to whom the receipt book(s) was given, the date given, the person returning the book(s), the receipts used within each book and the date on which the receipt book(s) are returned.
2. The trial court will keep payments processed during down time separate from money processed through the system. Money, receipts and case files will be kept together in a designated secure place.
3. Handwritten receipt transactions must be processed as soon as possible after the automated system is restored. The transactions must be recreated in the system from the handwritten receipts

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before the money can be transferred to the cash drawer or cash register.

### **6.3.10 Daily Balancing and Closeout**

1. At the end of each workday, all cashiers must balance their own cash drawer or register. Cashiers may not leave the premises nor transact new business until daily balancing and closeout are complete.
2. Balancing and closeout include completing and signing the daily report; attaching a calculator tape for checks; turning in the report, money collected and change fund to the supervisor; and verifying the report with the supervisor.
3. After daily balancing and closeout are completed, the collections are prepared for deposit to the county or bank. If the daily collections are not deposited on the same day they are collected, they must be locked in a safe, vault, or secure cabinet overnight.
4. Refer to Policy No. FIN 13.01 Banking Services regarding the process to follow when physically depositing monies at the trial court's bank or the county treasury.

### **6.3.11 Shortages and Overages**

1. The process used by trial courts to account for shortages and overages depends upon whether the county board of supervisors, (or county auditor if such responsibility was delegated by the board of supervisors), established a cash difference fund<sup>14</sup> and overage fund<sup>15</sup> for a trial court. If such funds were created by the county board of supervisors or county auditor for a trial court, the

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<sup>14</sup> GC 29370 and 29370.1

<sup>15</sup> GC 29371



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trial court must comply with GC 29372 through 29381 until the county board of supervisors adopts a resolution that discontinues the overages and shortages funds established for the trial court. If no such funds were created or the county board of supervisors adopts a resolution to discontinue such funds, the trial court will follow the remaining policies and procedures in this section.

2. Trial court employees who receive and disburse money are accountable for the money in their custody. They are personally responsible for any cash discrepancies.
3. Each trial court must establish written standards of performance for Cashiers and prescribe corrective actions to be utilized when performance standards are not satisfied.
4. Cashiers must report all overages and shortages to their supervisors. Overages and shortages must be tracked and handled separately, never combined or netted together because their accounting treatment is different.
5. Cash overages (representing cash in excess of a Cashier's accounting of the transactions receipted) will be credited to a specific "Cash Overages" general ledger liability account, at the time of receipt. When any amount paid exceeds the amount due for any account/case, and such excess does not exceed ten dollars (\$10), the excess or overage may be deposited to the overage revenue account immediately.
  - a. If the customer who made an overpayment can be identified, the amount of the overpayment should be recorded to an Overpayments of Fees general ledger liability account. This liability account will be reduced by the amount of any refund paid by the trial court to the customer.

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- b. If the customer who made an underpayment can be identified, the cash amount received should be recorded as a Partial Payment of Fees general ledger liability account. If the court refunds the cash originally received the Partial Payment of Fees general ledger liability account should be reduced by the amount of the refund. If the cash originally collected is not required to be refunded by statute the Partial Payment of Fees liability account should be reduced by the cash originally collected and credited to the appropriate fee collection liability account.
  - c. Cash Shortages resulting from Cashier errors, which are not identified with a customer or case (representing cash in excess of a Cashier's accounting of the transaction receipted), will be credited to a specific "cash Overages" general ledger liability account, at the time of receipt. The Cash Overages general liability account will be cleared to a Cashiering Overages general ledger revenue account at least once a quarter.
  - d. If the customer who made an underpayment can be identified, the trial court should attempt to collect the underpayment from the customer. All other Cash Shortages will be cleared as an expense at least once a quarter.
- 6. The responsible trial court employee must complete and sign an Overage or Shortage Report and turn it in to the appropriate supervisor with the daily cash balance report.
- 7. Supervisors will monitor all reports of overages and shortages to determine if there is a pattern meriting further investigation, modification of collection procedures, retraining of personnel, or disciplinary action.

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### **6.3.12 Surprise Cash Counts**

1. To assure that payment processing errors and irregularities do not go undetected, the trial court will conduct surprise cash counts on all trial court staff that handle payments in the normal course of their duties. A surprise cash count is an independent balancing of a cash drawer or register:
  - a. That is conducted in the presence of the cashier by a trial court supervisor, manager, or fiscal officer who does not have direct responsibility for processing payments. A record of these cash audits should be maintained for audit and management purposes;
  - b. Performed on a “random” day determined by the supervisor or manager. By “random”, the date picked to perform the surprise cash account should not be easily determined by trial court staff (i.e., the third Thursday of each quarter); and
  - c. That was not previously communicated to the trial court staff.
2. The frequency of the surprise cash counts will depend on a number of factors including, but not limited to, the size of the trial court, the amount of currency processed, the number of checks and money orders processed, the overages and shortages at a particular trial court location and the experience of the trial court staff involved. Surprise cash counts should be conducted at a minimum quarterly and as frequently as monthly.

## **6.4 Payments Received Through the Mail**

(Revised 9/10)

1. Checks and money orders received through the mail should be processed (i.e., including restrictedly endorsed, entered into the court’s receipting system and deposited to the appropriate bank

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account) on the day they are received. Any exceptions are to be brought to the attention of a supervisor, placed under dual control, and processed as soon as practicable. Money received through the mail will be deposited and entered in the court's cashiering system on the day received.

2. To provide for the strongest protection of trial court assets, a team approach should be used to maintain accountability for payments received through the mail:
  - a. A two-person team opens the mail.
  - b. Mail is only processed when both team members are present.
  - c. At no time should a member of the team leave the operation unless a replacement takes his or her place.
  - d. More than one two-person team may be needed to process large volumes of mail.
  - e. Two-person team combinations should be rotated regularly.
  - f. To maintain separation of duties, team members opening mail must not also enter the receipts in the court's cashiering system.

To avoid record keeping of receipt exceptions outside of the court's cashiering system, all payments received in the mail that cannot be immediately applied should be entered in the court's cashiering system as "suspense items", accounted for as a liability and deposited to a trust/escrow bank account until the receipt can be properly applied.

3. To provide for the strongest oversight and monitoring of payments received through the mail, the preferred method for processing payments received through the mail is as follows:
  - a. Checks and money orders received through the mail should be listed on a Payments Receipts Log sheet.

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- b. The Payments Receipts Log sheet should include the following information:
  - i. Case or docket number;
  - ii. Name of the person making the payment;
  - iii. Check amount;
  - iv. Check number;
  - v. Date received in the mail; and
  - vi. Name of the person handling the check.
- c. An adding machine tape of all checks and money orders should be run and the total amount received should be matched to the total amount entered into the Payment Receipt Log sheet.
- d. The person logging the payments received through the mail shall sign the bottom of the Payment Receipt Log sheet after running the adding machine tape.
- e. The adding machine tape should be attached to the Payment Receipt Log sheet and the checks and money orders delivered to a designated cashier for entry into the accounting system. The cashier must sign a transmittal receipt acknowledging receipt of the Payment Receipt Log and the checks received for entry evidencing the transfer of control of the payment items. Any payment that cannot be processed will be highlighted on the Payment Receipt Log Sheet.
- f. After the checks and money orders have been entered into the accounting system, a report received from the accounting system will be reconciled against the Payment Receipt Log sheet to ensure that all payments were entered. The Payment Receipt Log sheet will be included in the daily closeout documentation.
- g. Any payment that cannot be processed will be attached to the Payments Receipts Log sheet and appropriately safeguarded until the payment can be processed.

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- h. The trial court will send receipts for payments received in the mail to customers only if a stamped, self-addressed envelope is included with the payment.
4. To provide for strong oversight and monitoring of payments not processed on the day they were received in the mail, the following steps must be followed:
    - a. Trial court staff responsible for processing payments must review on a daily basis all payments that are held over from a previous day's work to determine if any of the held payments can be processed. This requirement can be met by reviewing the held Payment Receipt Log sheets and associated checks and money orders to determine if the payment can be processed.
    - b. The supervisor/manager responsible for the trial court staff that process payments must identify and log any payment that has been held for more than five (5) calendar days without being processed. The log must specify the reason why the payment cannot be processed. The log must specifically identify any cash payment being held in suspense for more than five (5) calendar days. This requirement can be met by adding a "Comment" column to the Payment Receipt Log sheet where the reason payment delay occurred can be entered.
    - c. The supervisor/manager responsible for the trial court staff that process payments must provide a report at least on a monthly basis, to the Fiscal Officer that lists by age (length of time held) any payment that has been held for more than 15 days without being processed. The report must provide the following details, if known, for each payment being held:
      - i. Case or docket number;
      - ii. Name of the person mailing the payment;
      - iii. Payment amount;
      - iv. Check number (if applicable);

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- v. Date received in the mail; and
  - vi. Reason why payment cannot be processed.
- d. On a monthly basis, a report must be provided to the Court Executive Officer or his or her written designee that lists by age (length of time held) any payment that has been held for 30 days without being processed.
5. If a check is received through the mail not payable in U.S. Dollars, the check should be delivered to the bank in a separate deposit as a “Special Collection” item. Once the check’s U.S. dollar equivalent is known, the payment amount should be entered as appropriate in the financial records of the court.
6. If a check is received through the mail for an amount either greater than, or less than the amount due, the check should be deposited to the bank, entered in the financial records of the court and as appropriate a refund or a request for the remaining amount due should be sent to the check writer and case party (parties).

## **6.5 Handling Counterfeit Currency**

(Revised 9/10)

### **6.5.1 Training**

As soon as practicable after hiring and at least annually thereafter, all Cashiers and their supervisors shall be trained in the handling of counterfeit currency. Training sources include the United States Secret Service (USSS) Web site, local law enforcement, and the United States Treasury offices. No-cost, on-site group presentations are also available through the USSS (see [www.treas.gov/usss/field\\_offices](http://www.treas.gov/usss/field_offices) for a list of the nearest field offices and their telephone numbers). The court’s finance and/or human resources department should coordinate all training and maintain documentation in a central file.

### **6.5.2 Identification**

1. At a minimum, Cashiers must test all \$50 and \$100 bills for possible forgery. Depending on volume, \$20 bills may also be tested at the option of the Court Executive Officer or his/her designee. Every Cashier should be provided with a counterfeit detection pen, which should be used to test for counterfeit bills. Counterfeit detector pens, although not fool-proof, are an effective way to identify computer-generated counterfeit bills because the iodine solution in a detector pen reacts with starch, which is commonly found in a wood-based copy paper used by most printers. If the bill is counterfeit and the paper is wood-based, the iodine in the pen solution will react with the starch and leave a dark brown mark. If the bill is authentic and the paper is fiber-based, there won't be any starch and the pen will not leave a mark. (Manufacturers of counterfeit detection pens will sometimes add a biodegradable pastel coloring to the iodine solution so that users can easily see which bills they have already screened – the pastel coloring usually fades within a day or so.) Counterfeit detection pens may be obtained through local sources.
2. In 1996, the United States began issuing currency with a new design and additional security features. These elements were incorporated to make U.S. currency easier to recognize as genuine and more secure against advanced reproduction technology that could be used for counterfeiting. Pre-existing security features such as the security thread and micro-printing are included in the new notes and have only changed slightly. For additional information on how to visually identify counterfeit currency, please refer to the USSS Web site at [www.treas.gov/usss/know\\_your\\_money.shtml](http://www.treas.gov/usss/know_your_money.shtml). There are several web links on this web page that will provide the trial court with detailed information on the design and security features built into currency issued after 1996.



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### 6.5.3 Confiscation

1. Each Cashier who received currency suspected of being counterfeit should contact his or her supervisor immediately. Care should be taken in discussing confiscation with the customer because of the risk of legal action and/or violence. Discussion with the customer should focus on ensuring that:
  - a. The customer understands that he or she is not being accused of counterfeiting; and
  - b. Federal regulations require confiscation of the currency; and
  - c. Court must obtain contact information from the customer and issue the customer a copy of Form SSF 1604, see Sub-section 6.5.5; and
  - d. The court must document in the case management system this exchange as a non-monetary transaction.
2. Trial court security staff should be asked to observe (but not detain) the customer, if this can be done unobtrusively.
3. The USSS has exclusive jurisdiction for investigations involving the counterfeiting of United States currency and coin. Procedures to be followed by court staff are detailed at the Web site [www.treas.gov/ussc/money\\_receive.shtml](http://www.treas.gov/ussc/money_receive.shtml).
4. If feasible, the supervisor should telephone the closest USSS office to supply the serial numbers of the currency believed to be counterfeit, but not in the presence of the customer.
5. Section 492 of title 18 of the United States Code requires the surrender of counterfeit currency, it must not be returned to the customer. Refer to Sub-section 6.5.4, Replacement of Confiscated Currency, and Sub-section 6.5.5, Preparation of Form SSF 1604.
6. In the border area of each suspect currency, the supervisor should write his or her initials and the date.
7. After confiscation and pending instructions from the USSS, the supervisor should put the suspect currency in a sealed envelope

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- and place it under lock and key; handling of it should be minimized. The USSS or an appropriate law enforcement agency will return the currency to the trial court if the currency is determined not to be counterfeit. It is the responsibility of the trial court to return non-counterfeit currency to the customer from which it was confiscated.
8. Under no circumstances are cashiers permitted to retain possession of counterfeit currency.

#### **6.5.4 Replacement of Confiscated Currency**

1. If a supervisor believes that currency received by the trial court may be counterfeit, he or she should explain to the customer that the currency cannot be accepted and must be confiscated, but that other currency, traveler's checks, or a credit card may be substituted as an acceptable form of payment to the trial court, as appropriate.
2. The customer should always be informed that if he or she does not replace the currency, the transaction is incomplete.

#### **6.5.5 Preparation of Form SSF 1604**

1. Form SSF 1604 is available on the USSS Web site at [www.treas.gov/usss/know\\_your-money.shtml](http://www.treas.gov/usss/know_your-money.shtml). A self executable form is launched when the "Counterfeit Report Download" web link is activated. Trial court staff should acquire this form from the Web site, since it is updated frequently.
2. To help identify the customer, Cashiers should observe and document the customer's and any companions' descriptions and, if practicable, record the customer's driver's license number.
3. Court staff should complete Part 2 ("Description of Counterfeit Note") of form SSF 1604 to the extent possible.

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### **6.5.6 Notification**

1. The supervisor should telephone the USSS regarding the receipt of counterfeit or potentially counterfeit currency.
2. Form SSF 1604 should be submitted to the closest USSS office.
3. If the trial court is unable to collect funds because of the acceptance of counterfeit currency, the Court Executive Officer or his or her designee should initiate appropriate collection efforts if the customer is identifiable.

### **6.5.7 Detection of Counterfeit Currency by Bank**

1. If the bank detects counterfeit currency in a trial court's deposit, the bank is required to submit form SSF 1604 to the USSS. Once informed, the Court Executive Officer or his or her designee should initiate appropriate collection efforts if the customer is identifiable.

In addition, the trial court will void any record of payment and/or receipt issued relating to the transaction.

2. If the tendered currency payment is returned by the bank as counterfeit the court must notice the customer in writing to pay the remaining balance due. If the customer does not pay the balance due during the grace period specified in the notice, the original payment will be voided in the court's cashiering system, and the original payment amount will be refunded. The refund mailed to the customer must include a note that the entire original amount is immediately due upon receipt of the refund.
3. If the customer is not known, the cash deficiency will be treated as a cash shortage and the procedures in Sub-section 6.3.11 of this policy must be followed.

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## **7.0 Associated Documents**

(Revised 9/10)

**Relevant Text of Government Code 71386 regarding Acceptance of  
Payments  
Change Fund Custodian Form**

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## **Relevant Text of Government Code 71386 regarding Acceptance of Payments**

### **3. Payment Policy and Procedures (GC 71386a)**

Each superior court must adopt a written policy, consistent with rules adopted by, or trial court financial policies and procedures authorized by, the Judicial Council under subdivision (a) of section 77206, governing the acceptance of checks and money orders in payment of any fees, fines, or bail deposits. The policy must permit clerks to accept checks and money orders under conditions that tend to assure their validity.

### **2. Payments on Felonies (GC 71386b)**

A court must accept a personal check, bank cashier's check, or money order for payment of any fee or fine, or for a deposit of bail for any offense that is not declared to be a felony, provided the check or money order meets the criteria established in subdivision (a). However, no court must be required to accept a check in excess of three hundred dollars (\$300) from a defendant in custody as a deposit of bail for any alleged violation of the Penal Code.

### **3. Payment of Obligation (GC 71386c)**

The acceptance of a check pursuant to this section constitutes payment of the obligation owed to the payee public agency to the extent of the amount of the check as of the date of acceptance.

### **4. Returned Checks (GC 71386d)**

- a. If any check offered in payment pursuant to this section is returned to the payee without payment, reasonable charges for the returned check not to exceed the actual costs incurred may be imposed to recover the processing and collection costs.
- b. This charge may be added to, and become part of, any underlying obligation other than an obligation that constitutes a lien on real property, or a different method of payment for that

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payment and future payments by that person may be prescribed.

- c. If the costs are incurred by the county, the charges imposed for a returned check must be retained by the treasurer of the county and be deposited in the county general fund.
- d. If the costs are incurred by the court, the charges imposed for a returned check must be distributed to the court under section 68085.1.

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## Change Fund Custodian Form

To: Court Executive Officer  
From: Court Fiscal Officer

Trial court policy requires the Court Executive Officer or designee to appoint a custodian for each Change Fund when any Change Fund exceeds \$500 by location or in aggregate for the trial court. The policy also requires that any change in custody of an existing fund must be documented in writing and the amount of the transfer verified. The Court Fiscal Officer must notify the Court Executive Officer in writing when the custodian of a Change Fund changes. In addition, the Court Fiscal Officer must document that the procedures that must be followed in using a Change Fund were provided to the new custodian.

Completion of this form is sufficient verification that the above requirements have been met.

As the Present Custodian, I currently have the following combination of currency and coin totaling the amount authorized for my Change Fund.

Currency on hand \$                      Coin on hand \$                      = \$

\_\_\_\_\_  
Signature                      Telephone #                      Date

As the new custodian, I agree that I received the total currency and coin in the amount of \$                      on (date)                      . I have read and agree to follow the procedures specified in Policy No. FIN 10.02 Cash Handling, *Trial Court Financial Policies and Procedures Manual* and any specific trial court procedures concerning my responsibilities for safeguarding and disbursing cash from the Change Fund.

\_\_\_\_\_  
Signature                      Telephone #                      Date

Court Fiscal Officer

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



# **Judicial Council of California**

## **Administrative Office of the Courts**

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# **AUDITS**

**POLICY NUMBER: AOC FIN 11.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009





# Audits

## **1.0 Table of Contents**

(Original 8/01)

- 1.0 Purpose
- 2.0 Policy Statement
- 3.0 Table of Contents
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 Audit Rights
  - 6.2 Types of Audits
  - 6.3 Audit Support
  - 6.4 Audit Findings and Issue Resolution
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 8/01)

The purpose of this policy is to establish uniform guidelines for the trial court to follow prior to, during, and after the completion of audits conducted by governmental units or other organizations with audit rights over court operations and finances.

## **3.0 Policy Statement**

(Original 8/01)

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. The court shall, as part of its standard management practice, conduct its operations and account for its resources in a manner that will withstand audit scrutiny. During an audit, the court shall fully cooperate with the auditors to demonstrate full accountability, efficient use of public resources, and compliance with all requirements. Substantiated audit findings shall be investigated and corrected in a timely fashion.

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#### **4.0 Application**

(Revised 9/10)

This policy applies to all trial courts.

#### **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Agreed Upon Procedures Review**

**American Institute of Certified Public Accountants (AICPA)**

**Audit(s)**

**Compliance Audit(s)**

**Financial Audit(s)**

**Fiscal Year-End Generally Accepted Accounting Principles (GAAP)  
Reports**

**Generally Accepted Auditing Standards (GAAS)**

**Generally Accepted Government Auditing Standards (GAGAS)**

**Independent Audit(s)**

**Internal Audit(s)**

**Performance Audit(s)**

**Questioned Cost**

**Single Audit Act (SAA)**

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## 6.0 Text

### 6.1 Audit Rights

(Original 8/01)

The financial records, internal controls, regulatory compliance and other aspects of the trial court's operations are subject to audit by various entities. The rights of various government units to audit the court's operations and finances are discussed below.

#### 6.1.1 Administrative Office of the Courts (AOC)

(Revised 9/10)

1. Government Code (GC) 77009(h) authorizes the Judicial Council, or its representatives, to perform audits, reviews, and investigations of trial court operations and records wherever they may be located.
2. To assure that the trial court is managing its resources effectively and efficiently, and is also able to carry out its function, the AOC may conduct periodic audits of the court, through the use of internal auditors or independent contractors.
3. The scope of AOC internal audits may include, but is not limited to, reviews and audits of court finances, procedures, internal controls, compliance with rules and regulations, operations, and performance to standards.
4. A primary role of internal auditors is to ensure that the system of internal control is adequate and functioning as designed, and to help management in the effective and efficient discharge of their responsibilities. The AOC has established an Internal Audit Services Unit (IAS) as a key component of the trial courts' internal control structure. The scope of IAS's activities may include, but is

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not limited to, financial, performance, and compliance audits and reviews.

5. The AOC (IAS) Unit should be notified by the trial court of any and all audits or audit-related activities, whether initiated by the court or at the request of other agencies. When notified by a trial court of a request received to audit court records by any other agencies or entities, the Manager of the AOC IAS Unit will coordinate with the court to provide an appropriate response. The trial courts should coordinate these activities with the AOC Manager of IAS.
6. The AOC may also authorize independent audits of individual trial courts or the state trial court system as a whole. Independent audits are conducted by outside accounting firms that specialize in examining the operations of government and business entities. The AOC may authorize the performance of a financial audit, performance audit, agreed upon procedures review, or any combination thereof.
7. Under GC 77212 (d) the Judicial Council may also audit service contracts between the trial courts and their counties to ensure that the amounts of any indirect or overhead costs are individually stated, together with the method of calculation of the indirect or overhead costs, and to determine the reasonableness of the indirect or overhead costs charged to the trial court.

### **6.1.2 State of California** (Revised 9/10)

1. Under GC 68103 and 68104 the State Controller's Office must check the reports and records received regarding the transmittal of fines and forfeitures submitted to it. Whenever the state is legally entitled to receive any portion of any money, forfeited bail or fines received by a judge of any court, the records kept by any judge are open to

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public inspection, and may be checked by the State Controller, the Attorney General, or the district attorney of the particular county.

2. Under GC 77206(c) the Legislature may request the State Controller's Office to perform financial and fiscal compliance audits of the reports of court revenues and expenses. The Controller shall report the results of these requested audits to the Legislature and the Judicial Council.
3. In addition, the Bureau of State Audits is authorized by the state under the federal Single Audit Act to audit the trial court regarding its use and accounting of federal grant funds (Sub-section 6.2.3 discusses grant audits in more detail). The Bureau of State Audits is also authorized to audit the trial courts because court financial information is reported in the State Comprehensive Annual Financial Report (CAFR).
4. The AOC Manager of IAS must be informed when the trial court is notified of the state's intention to conduct any audit or review.

### **6.1.3 County Government**

Since the passage of Assembly Bill 233, the county no longer has audit rights over the trial court. Court operations are now primarily funded by the state. If the court conducts enhanced revenue collection and distribution operations on behalf of the county, the county may request an audit of these activities.

### **6.1.4 Trial Court Management**

Prior to engaging independent auditors, consultants, or other professionals to conduct any compliance audit or agreed upon procedures review, external financial audit, or performance audit of the court, the trial court must consult with the AOC Manager of IAS.

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## **6.2 Types of Audits**

### **6.2.1 Financial Audits**

(Revised 9/10)

1. The purpose of a financial audit is to provide reasonable assurance that the court's financial statements, specified elements, accounts, or items of a financial statement, are reliable. Financial statements present management's assertions regarding the court's financial position, results of operations, and cash flow. The audit provides an independent basis for relying on the court's assertions.
2. Auditors conducting a financial audit should comply with relevant standards. Auditors must also determine the appropriate procedures to utilize in the performance of their testing. These procedures include:
  - a. Inspection of relevant documents;
  - b. Observation of employee performance;
  - c. Inquiry about policies, procedures, transactions and events;
  - d. Confirmation of balances and transactions; and
  - e. Performance of analytical procedures.
3. The auditor's goal is to obtain reasonable, but not absolute, assurance that the court's financial statements are fairly presented.

### **6.2.2 Performance Audits**

(Revised 9/10)

1. Performance audits are also called efficiency and effectiveness audits, compliance audits, and operations audits. The scope of a performance audit is typically narrower than the scope of a

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financial audit and may be confined to a particular program, department, process, or other aspect of court operations.

2. The purpose of a performance audit is to determine if the court is conducting its operations in the most economic and efficient manner and if programs are achieving their intended purposes or objectives, and meeting established standards. An important part of the auditor's task is to identify through inquiry and review what standards exist that establish efficient and effective performance for the operations he or she is reviewing.

### **6.2.3 Federal Grant Audits** (Original 8/01)

1. A portion of the trial court's operating budget comes in the form of federal grants, which may be awarded by several agencies. For many years, the court was subject to the audit requirements of each granting agency. Sometimes multiple audits were performed by different audit teams, each of which examined the same records and internal controls according to differing and conflicting audit standards. To resolve this problem, the federal Single Audit Act was enacted in 1984 and amended in 1996, to replace multiple grantor audits with a single audit that addresses the requirements of all federal grantor agencies.
2. The Single Audit Act requires auditors to:
  - a. Determine if the supplementary schedule of expenditures of federal awards prepared by the court is fairly presented in relation to the court's financial statements.
  - b. Test internal controls and the court's compliance with federal award program requirements.
  - c. Audit at least half of all federal program awards as "major programs" as defined by the act. If the court has expended less

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than \$100 million in federal awards, a major program is one that accounts for the greater of \$300,000 or 3% of federal awards, and which does not meet the criteria for a “low risk” program. A low risk program is one that has been audited as a major program within the past two years and for which there have been no audit findings. In addition, programs must be considered to be major if they are formally designated as such by a federal grantor agency.

- d. For each major program, the auditor must:
  - i. Gain an understanding of the internal controls in place to assure compliance and then test those controls.
  - ii. Render an opinion as to whether the court complied with laws, regulations and contract provisions for grants that could have a direct and material effect on each major program.
  - iii. Consider materiality separately for 14 compliance categories.
3. In concert with the Single Audit Act, The Office of Management and Budget has issued Circular A-133, which sets forth standards designed to obtain consistency and uniformity in audits conducted of state and local governments that expend federal grant awards. The circular may be found at [www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars). The following paragraphs highlight some of the important topics addressed in the circular.
4. The trial court is responsible for preparing financial statements for the grant program that include, at a minimum, a schedule of expenditures of grant funds for the program and notes that explain the significant accounting policies used in preparing the schedule, a summary schedule of prior audit findings, and a corrective action plan.



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5. The auditor is responsible for:

- a. Performing an audit of the financial statements in accordance with generally accepted government auditing standards (GAGAS).
- b. Gaining an understanding of the internal controls that are in-place and testing those controls.
- c. Determining whether the trial court is in compliance with applicable laws, regulations, and grant agreements.
- d. Following up on prior audit findings.
- e. Preparing combined or separate reports that include:
  - i. An opinion regarding whether the financial statements are presented fairly in all material respects.
  - ii. A report on internal control related to the grant program.
  - iii. A report on compliance including an opinion regarding trial court compliance with applicable laws, regulations, and grant agreements.
  - iv. A schedule of findings and questioned costs.

6. Federal grant awarding agencies are responsible for:

- a. Identifying federal awards made by informing each recipient of the Catalog of Federal Domestic Assistance (CFDA) number and title, award name and number, and award year.
- b. Advising recipients of the requirements imposed upon them by federal laws, regulations, and grant agreements.
- c. Ensuring that audits are completed and reports are received in a timely manner.

(Revised 9/10)

- d. Providing technical advice to auditees and auditors.

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- e. Issuing a management decision on audit findings within six months of receipt of the audit report and ensuring that the recipient takes timely and appropriate corrective action.
- f. Providing annual updates of Circular A-133.

### **6.3 Audit Support** (Original 8/01)

1. Generally accepted auditing standards (GAAS) and GAGAS require auditors to study and evaluate the trial court's system of internal accounting controls to determine the type and extent of audit procedures to be performed. A system of internal controls consists of the measures employed to safeguard the trial court's assets, ascertain the accuracy and reliability of the entity's accounting data, promote operational efficiency and encourage compliance with policies and procedures.
2. GAAS and GAGAS also require that sufficient competent, evidential matter be obtained through inspection, observation, inquiries and confirmation to allow a reasonable basis for an opinion regarding the records and operations under examination.

(Revised 9/10)

3. The Court Executive Officer, or a designee of the Presiding Judge, shall be the primary point of contact for all auditors examining the operations and records of the court.
4. The AOC Manager of IAS must be notified in advance by the Court Executive Officer, or designee, of any impending audit. The AOC Manager of IAS may, after consulting with the court, elect to provide support to assist the trial court during the audit.
5. The trial court shall cooperate fully with the auditors' requests for information. Auditors shall be provided access to trial court records,

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files, policies, procedures, computer systems, and personnel for the purpose of gathering information that is within the nature and scope of their audit assignments.

6. The trial court shall not withhold relevant information, misrepresent any fact or mislead auditors.

## **6.4 Audit Findings and Issue Resolution**

(Revised 9/10)

### **6.4.1 Exit Meeting**

At the conclusion of field (onsite) activities, auditors must hold an exit meeting with court representatives to present preliminary audit findings and discuss issues, reportable conditions, material weaknesses, or unacceptable risk levels discovered during the audit. The trial court shall use the exit meeting(s) opportunity to provide additional information, clarify questionable items and attempt to resolve the issues prior to the issuance of the audit report. If necessary, additional reasonable time should be requested to further research the auditor's findings.

Periodically during the course of the audit (frequency to be determined by the court) the court will be kept informed of all potential issues that have been identified. The standard Audit Work Timeline located in the Audit Resources section of Serranus; see the following link <http://serranus.courtinfo.ca.gov/programs/finance/audit.htm> provides the timeline requirements associated with the audit process.

### **6.4.2 Audit Reports**

1. There are three common reports associated with audits of public entities such as the trial court:

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- a. The auditor's report on the fair presentation of the financial statements, specified elements, accounts, or items of a financial statement.
  - b. The auditor's report on compliance and internal control over financial reporting based on an audit of the financial statements or accounts.
  - c. The auditor's report on compliance and internal control over operations applicable to each major program of the trial court.
2. Auditor's reports on compliance and internal controls typically include a separate section that lists the auditor's findings, which provide information on specific weaknesses or instances of noncompliance. The auditor often provides specific recommendations for corrective actions to be taken by management to resolve the weakness or noncompliance issue.
  3. When an auditor discovers an expenditure that may not be allowed under the requirements of a federal grant, the expenditure is listed as a questioned cost. Questioned costs may ultimately be rejected by the granting agency, in which case the court must refund them. Questioned costs that exceed \$10,000 must be reported under the Single Audit Act.

### **6.4.3 Report Distribution**

In addition to the auditor's standard distribution of audit reports, the trial court shall assure that a copy of any audit report is delivered to the AOC IAS Unit for audits not conducted by, or under the supervision of, IAS.

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#### **6.4.4 Corrective Action**

1. In taking corrective action, it is the responsibility of the trial court to take swift corrective action to improve its practices in areas where auditors find deficiencies, reportable conditions, material weaknesses, or unacceptable levels of risk.
2. If it is perceived that the required corrective actions will materially impact court operations and finances, the trial court shall consult the AOC prior to engaging in any such actions. Trial court management shall have the discretion to consider mitigating factors and provide written justification to the AOC IAS Unit for not correcting specific deficiencies. The IAS Unit may accept the trial court's argument for not instituting improved practices or it may choose to assist the trial court in developing and implementing corrective actions. While the trial court shall always strive to improve on its system of internal controls, the costs of implementing court policies, procedures and internal controls should not exceed the value of the benefits they provide.

#### **6.4.5 Subsequent Audits**

(Original 8/01)

1. Auditors routinely conduct follow-up audits to determine whether appropriate corrective actions have been taken with respect to the findings of previous audits. During the subsequent audits, auditors will determine whether the corrective actions taken, if any, have resulted in the desired changes, or whether management has acknowledged the risks of not taking corrective actions.
2. The Single Audit Act requires preparation of a schedule that presents the status of corrective actions taken on audit findings from previous years.
3. The trial court shall ensure that all reported conditions be either corrected or adequately justified prior to any scheduled follow-up audit.

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## 7.0 Associated Documents

(Original 8/01)

**None**



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# **RECORD RETENTION**

**POLICY NUMBER: AOC FIN 12.01**

Original Release Date:

April 1, 2001

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009



# Record Retention

## **1.0 Table of Contents**

(Revised 8/02)

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  - 6.4 Record Indexing, Filing and Retrieval
  - 6.5 Record Storage and Preservation
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 8/01)

The purpose of this policy is to establish uniform guidelines for the trial court to retain financial and accounting records.

## **3.0 Policy Statement**

(Revised 8/02)

It is the policy of the trial court to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the court. The trial court shall apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records.



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#### **4.0 Application** (Original 8/01)

This policy applies to all trial court officials and employees who create, handle, file, and reproduce accounting and financial records in the course of their official responsibilities.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

#### **Record**

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## 6.0 Text

### 6.1 General Guidelines

(Revised 8/02)

1. The trial court is part of the judicial branch of the California state government. As such, the court shall observe all applicable requirements of the State of California Government Code. However, statutory requirements are not specific to all trial court accounting and financial records.
2. In the absence of a statutory or AOC-required retention period, trial court management shall follow reasonable and generally accepted business practices to maintain court records for as long as they serve the needs of the court. Generally, a retention period of three years is considered to be reasonable in the absence of a stated legal requirement.

(Revised 9/10)

3. Some departments or court officers may find it advisable to preserve certain records, papers, or documents for longer periods if their content is material to the administration of their duties or if the records may have future value to the court. The main reason for retaining records is for research purposes and to support audits and litigation.
4. The trial court shall establish and administer a records management program to efficiently and economically manage the retention, utilization, preservation, and disposal of court financial records.
5. As shown in the following table, the AOC has established a five-year (current year plus four) retention period as the standard for retention of a wide range of court financial documents. The trial court must comply with this standard in the absence of a specific retention period

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required by statute or the AOC. Specific record retention periods are provided in Section 6.2, Specific Record Retention Requirements.

## **Trial Court Financial and Business Record Retention Standards**

<b>Type of Record</b>	<b>Required Minimum Retention Period</b>
Accounts Receivable	Current year plus four additional years
Accounts Payable	Current year plus four additional years
General Ledger, Journals	Current year plus four additional years
Payroll	Current year plus four additional years
Cash Statements	Current year plus four additional years
Claims and Warrants	Current year plus four additional years
Receipts for Fines, Fees, Penalties Collected and other collection receipts	Current year plus four additional years (or from the close date of the State Controller's Office audit, whichever is longer)
Budgets	Current year plus four additional years
Fixed Assets	Current year plus four additional years
Inventory Records	Current year plus four additional years

### **6.2 Specific Record Retention Requirements** (Revised 9/10)

The following sub-sections provide the record retention periods for specific types of documents as established by statute or by the AOC in the absence of a statute or state guideline. The court shall follow the requirements provided in this procedure for documents in its control.

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However, for documents that are in the county's possession, county retention policies apply.

### **6.2.1 Claims and Warrants**

Claims and warrants documents/documentation shall be retained for five years. The trial court may destroy any claim, warrant, or other paper issued as a warrant voucher that is more than five years old. Any index or warrant register may also be destroyed after five years. These records may be destroyed at any time if they have been permanently reproduced and the copies are retained for five years after the date of the document. Any index or warrant register that is more than five years old may be destroyed without being reproduced.

### **6.2.2 Deposit Certificates**

The County Treasurer cannot accept a deposit to the treasury unless it is accompanied by the certificate of the County Auditor/Controller. The trial court shall obtain copies of the certificates and retain them for five years, or shall ensure that the county shall retain the certificates for five years. The original certificates may be destroyed after one year if they are permanently reproduced and the copies are retained for five years (or from the close date of the State Controller's Office audit, whichever is longer) after the date of the document.

### **6.2.3 Receipts**

Receipts issued for money collected by the court shall be retained for a period of five years.

### **6.2.4 Bank Account Records**

Bank deposit books, deposit slips, bank statements, check stubs, and cancelled checks must not be destroyed until approval has been given to do so by the State Controller's Office and the Presiding

Judge or assigned designee for bank records associated with Government Code sections 68101 through 68103, and only the Presiding Judge or assigned designee for other bank records. These records must be available to allow auditors to perform required audits.

### **6.2.5 Contracts**

Records pertaining to all contracts involving expenditures of public funds in excess of \$10,000 shall be retained for a period of five years after final payment has been made under the contract.

### **6.2.6 Purchase Requisitions**

Purchase requisitions shall be retained for three years. After the three-year retention period has expired, these records may be destroyed. Purchase requisitions do not need to be permanently reproduced (GC 25501.5).

### **6.2.7 Grant Records**

Financial records, supporting documents, and other records pertinent to a grant shall be retained by the trial court for a period of three years after submittal of the final grant expenditure report. Records related to audits, appeals, litigation or the settlement of claims arising out of a grant program or project shall be retained until such audits, appeals, litigation or claims have been resolved or until the end of the normal three year retention period, whichever is later (28 CFR Section 66.42).

### **6.2.8 Other Financial Documents**

Financial documents including, but not limited to, Quarterly Financial Statements, annual financial reports, audit reports, etc. shall be retained for five years.

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## **6.3 Destruction of Records**

### **6.3.1 Authorization**

(Revised 9/10)

The destruction of court financial records may only be authorized in writing by the Court Executive Officer or written designee.

### **6.3.2 Duplicate Records**

(Original 8/01)

The Court Executive Officer may at any time authorize the destruction of any duplicate record, paper or document if the original or a permanent photographic reproduction is in a court file.

### **6.3.3 Permanently Reproduced Records**

1. The Court Executive Officer may authorize the destruction of any original or duplicate record, paper or document that is not expressly required by law to be filed and preserved, if it has been permanently reproduced. Acceptable reproduction media for permanent retention include:
  - a. Photographs.
  - b. Microphotographs.
  - c. Reliable electronic medium.
  - d. Film of a type approved for permanent photographic records by the National Bureau of Standards.

### **6.3.4 Two Year Retention**

1. The Court Executive Officer may authorize the destruction of any original or duplicate record, paper, or document that is more than

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two years old if either of the following conditions applies (GC 26202):

- a. It was prepared or received in a manner other than pursuant to a statute.
  - b. It was prepared or received in a manner pursuant to a statute or a county charter, but is not expressly required by law to be filed and preserved, if the Court Executive Officer determines that retention is no longer necessary.
2. Such records do not need to be reproduced for permanent retention.

#### **6.4 Record Indexing, Filing and Retrieval** (Revised 8/02)

1. The trial court shall develop and implement an effective indexing and filing system to facilitate the timely and convenient identification and retrieval of retained financial and business records. The trial court filing system shall establish:
  - a. Consistent standards and procedures for classifying, indexing and filing court records.
  - b. The official-file locations for records retained on various media.
  - c. The trial court personnel responsible for the management, maintenance and disposition of trial court financial and business records.
  - d. Standard procedures for finding, charging out, and refiling records stored on various media to minimize the risk of loss or unauthorized additions, deletions or alterations.
2. Trial court financial documents shall be segregated by fiscal year. Documents from more than one fiscal year shall not be filed or stored together.

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3. Document file folders, file drawers, storage boxes, and shelves shall be clearly and consistently labeled according to standards established by the trial court.
4. A database of retained documents shall be established and maintained to facilitate the retrieval of stored business and financial documents. At a minimum, the following information shall be included in the database:
  - a. The type of document being filed or stored (e.g., bank statements, accounts payable, inventory, etc.).
  - b. The time period covered by the record or records (e.g., Fiscal Year 2001, January through March).
  - c. The location where the record or records will be kept (e.g., Trial Court Records Room, File Cabinet or Box No., Shelf No.).
  - d. The date the record or records are originally put into storage.
  - e. The department that submitted the record or records for storage.
5. The trial court shall inform employees about the types of records that must be retained and the procedures for record filing, retrieval and refiling.

## **6.5 Record Storage and Preservation**

(Revised 8/02)

1. Depending on its recordkeeping arrangement with the county, the trial court shall establish the following provisions:
  - a. All records, whether reproduced or retained in original form, shall be stored so as to be conveniently accessible.
  - b. Provisions must be made for preserving, examining, and using retained records. Security measures will be taken to prevent the loss of records and to safeguard information.



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- c. Microfilm will be stored in a fireproof cabinet to ensure the safety of those records for the specified retention periods. Adequate equipment shall be provided to view and provide printouts of stored records.
- d. Information that is maintained on a computer shall be retained on a reliable medium for the time periods prescribed. The trial court may transfer computer data in machine-readable form from one reliable computer medium to another.
- e. The trial court's computer data retention and transfer procedures shall maintain the integrity, reliability and security of the original computer data. For the record retention time periods prescribed, the court shall not destroy, discard, delete, or write over such computer data.

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## 7.0 Associated Documents

(Original 8/01)

**None**



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# **BANKING SERVICES**

**POLICY NUMBER: AOC FIN 13.01**

Original Release Date:

April 1, 2002

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009

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# Banking Services

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  - 6.12 Record Retention
- 7.0 Associated Documents

## 2.0 Purpose

(Original 8/02)

The purpose of this policy is to establish the conditions and operational controls under which the trial court may open Bank Accounts and maintain funds outside of the county treasury.

## 3.0 Policy Statement

(Revised 9/10)

With the prior approval of the Judicial Council, the trial court may establish Bank Accounts outside of the county treasury to deposit (i) money for trial court operations, and (ii) any other money under the control of the courts.

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The Bank Accounts must be established and operated as prescribed in this policy. The trial court shall implement the procedures and controls described below to manage and safeguard court funds.

#### **4.0 Application** (Original 8/02)

This policy applies to all trial court officials and employees who are responsible for the receipt, deposit, control, and disbursement of funds used to conduct trial court operations.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Bank Account(s)**  
**Bank Reconciliation(s)**  
**Cash-in-Transit**  
**Demand Depository Accounts**  
**Payee**  
**Revolving Fund**  
**Statewide Trial Court Concentration Account**

#### **6.0 Text**

##### **6.1 Authority for Trial Courts to Establish Bank Accounts** (Revised 9/10)

1. Government Code Section (GC) 77009(a) provides that the Judicial Council may establish Bank Accounts for the trial courts and require the courts to deposit money for trial court operations, and any other money under the control of the courts, into those accounts. This may include money held in trust and money appropriated in the Budget

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Act and allocated or reallocated to the trial court by the Judicial Council. It does not include payments from a party or a defendant received by the trial court for any criminal fees, fines, or forfeitures.

2. Under the Uniform Civil Fees and Standard Fee Schedule Act of 2005 (AB 145, or the “UCF”), filing fees, most other civil fees, civil assessments, and court-ordered sanctions must be deposited as soon as practicable after collection and on a regular basis into a Bank Account established for this purpose by the AOC (GC 68085.1(b).) These deposits must be reported monthly to the AOC on form TC-145.
  
3. The court and county may enter into an MOU for the court to provide depository services in an account established by the Judicial Council for criminal fees, fines, and forfeitures, with the approval of the Administrative Director of the Courts. The MOU must identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes (including interest earned on monies held on deposit and how it is shared), and the cost of the service. The amount of any indirect or overhead costs must be individually stated with the method of calculation of the indirect or overhead costs. (GC 77009(b).) See 7.0, Associated Documents-Memorandum of Understanding Court/County Services, Appendix A, Collection Bank Account for Criminal Fines, Penalties, and Forfeitures.
  
4. Section 1463.1 of the Penal Code states that “any trial court may elect, with the prior approval of the Administrative Director of the Courts, to deposit in a bank account pursuant to Section 53679 of the Government Code, all moneys deposited as bail with the court, or with the clerk thereof.” The Judicial Council is authorized to regulate the bank accounts provided it does so in a manner that is consistent with any procedures established by the State Controller for proper and uniform accounting of all moneys that are received and disbursed through the accounts.

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## **6.2 Opening Bank Accounts**

(Revised 9/10)

1. The Judicial Council, or its designee, must give its approval before the trial court may open any bank account. Trial court requests to open bank accounts must be made in writing and be signed by both the Presiding Judge and Court Executive Officer (submitted using Appendix B Request to Open Bank Account, as found in 7.0, Associated Documents). Requests to open bank accounts must be sent to Trust and Treasury Services, Manager and include the following information:
  - a. The justification and purpose for opening the account.
  - b. The name and location of the proposed financial institution.
  - c. The type of account to be opened, the amount to be deposited and the interest rate to be received.
  - d. The official designation of the account (e.g., Superior Court of California, County of \_\_\_\_\_, Operations Account).
  - e. Whether the funds to be deposited in the account will be insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC).
  - f. An explicit statement that opening the bank account will not create a conflict of interest for any judge, court officer or any other court employee.
  - g. A statement on the bank's letterhead indicating its capitalization status. Only banks that are "well capitalized" as defined by federal statute and that have received an "unqualified" opinion on their most current financial statement from an independent auditor will be acceptable to the Judicial Council. In addition to the foregoing, the bank must be within one of the three highest credit rating categories of S&P, Moody's or Fitch Bank Watch unless otherwise approved by the Trust and Treasury Services, Manager.

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- h. A statement on the bank's letterhead indicating that money deposited by the trial court will be collateralized as specified by the GC 53649. A copy of a sample contract for securing collateral to be pledged by the bank must accompany the statement.
  - i. All accounts opened by the AOC on behalf of the trial courts must have the Trust and Treasury Services, Manager and at least two other AOC manager level or above employees as authorized signatories.
  - j. All new bank accounts must be opened under the AOC master banking agreement in effect from time to time unless otherwise approved in writing by the Judicial Council, or its designee. The bank providing services under the AOC master banking agreement has been chosen as the preferred bank due to its extensive operating resources and geographic coverage of the state, providing the capability to effectively manage the cash resources of the trial courts as a whole.
2. The Trust and Treasury Services, Manager must promptly review all trial court requests to open bank accounts (submitted using Appendix B Request to Open Bank Account, as found in 7.0, Associated Documents) and make a recommendation for acceptance or rejection of the court's request to the Judicial Council. The Judicial Council or its designee may request additional information or may confer with trial court officials prior to issuing a decision. The trial court must receive written notice of the acceptance or rejection of its request from the Judicial Council, or its designee, within sixty (60) days of the receipt of the request.
  3. If the Judicial Council or its designee approves opening a new bank account at a bank other than the bank providing services under the AOC's master banking services agreement, the trial court must send the Trust and Treasury Services, Manager notification of the establishment of such Bank Account, via e-mail using Appendix C



Notification of Opening a Bank Account, as found in 7.0, Associated Documents. The Notification of Opening a Bank Account must include:

- a. Bank name
  - b. Bank address
  - c. Bank account name
  - d. Bank account number
  - e. Date available for use
  - f. The first month a bank statement will be available
  - g. Bank contact name
  - h. Bank contact address
  - i. Bank contact phone number
  - j. Bank contact fax number and
  - k. Bank contact e-mail address
4. A detailed record must be kept for all money received by a trial court for bail, litigation deposits, jury fee deposits, payments on judgments, etc. that it holds in trust and for which it has a fiduciary responsibility. The record must be maintained by case number at a sufficient level of detail to properly account for all funds held by the court. Records must contain at minimum the following information:
- a. Date received.
  - b. From whom payment was received.
  - c. Purpose.
  - d. Case number.
  - e. Payments received.
  - f. Disbursements made.
  - g. Method of payment.

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Policy No. FIN 3.01 Fund Accounting, Section 6.4, Special Revenue Funds provides more information on the accounting of trust and agency funds.

5. Prior to opening any Bank Account for the deposit of criminal fines, fees and forfeitures an MOU as described in Section 6.1, Authority for Trial Courts to Establish Bank Accounts, Paragraph 3 must be executed and forwarded to the Trust and Treasury Services Manager. An example of a form of such MOU is contained in Appendix A, Memorandum of Understanding Court/County Services, 7.0, Associated Documents.

### **6.3 Deposits** (Revised 9/10)

1. Courts are required to deposit receipts in a timely and economical manner. Courts will adhere to the following guidelines in determining when to deposit receipts into an appropriate court approved bank account.
  - a. All court locations that have safes, vaults, or other comparable storage that is adequate to safeguard cash may accumulate collections until they amount to \$1,000 in coin/paper currency or \$10,000 in any combination of coin/paper currency, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first.
  - b. All court locations that do not have a safe, vault, or other comparable storage may accumulate collections until they amount to \$250 in coin/paper currency or \$10,000 in any combination of coin/paper currency, checks, money orders, or warrants (excluding state warrants and state checks), whichever occurs first. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism adequate to safeguard cash.

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- c. Accumulated coin/paper currency, checks, money orders, and warrants of any amount will not remain un-deposited for more than ten working days. A court may deposit more often than once a day at its discretion and when it is economical or practical to do so because of the size of its receipts. For courts that cannot meet this requirement, notice requesting an alternative timetable should be given to the AOC Director of Finance for approval according to Policy No. FIN 1.01 Trial Court Organization.
- 2. Courts will maintain adequate security of state monies in transit to banks and assure that the delivery is made in the most economical way consistent with good practice, safety, court needs and the requirements of this policy. Following are the different methods to be used for depositing state monies into trial court Bank Accounts.
  - a. Trial Court Employee: A trial court messenger or other assigned employee may deliver bank deposits to the bank provided such direct delivery of deposits does not subject trial court employees to the hazard of robbery or compromise their safety, and if:
    - i. The bank does not furnish bank deposit messenger service, or
    - ii. An armored car service is not available or not economically justified.

Trial court employees may use the following bank services to make bank deposits directly:

- iii. Bank Teller: During regular banking hours a court employee may deliver the deposit to the merchants' window within the lobby of their selected bank. Delivery of deposits to the bank by a court employee is normally a routine task for courts which collect revenue regularly. Employees may perform this service either routinely or occasionally in conjunction with other court duties while in the vicinity of the bank.

- iv. Night Deposit Drop Safe: Night deposit drop safe service will be used by courts not equipped with proper safes or vaults for safeguarding cash overnight and by courts in outlying areas where a night deposit can be made en-route by a court employee returning home at the end of the workday.
- b. Armored Car: Since subjecting court employees to the risk of robbery is of concern, armored car service should be considered as an option to ensure employee safety. Special arrangements may be made with armored car companies for armored car service during a particular collection period, or when special service is required.
- c. Bank Messenger: When bank messenger service is available in an area, courts may arrange for their non-coin/paper currency deposits to be picked up and delivered to a selected branch of an approved depository bank. Deposits will be placed in sealed bags and will be receipted by the bank messenger at the time the deposit is picked up. This receipt will be kept by the court along with any other documentation verifying the deposit.

Bank messengers are restricted from picking up deposits that include coin or paper currency.

- 4. Deposits consisting of coin and paper currency in excess of \$100 will be prepared as follows:
  - a. If the amount of coin in the deposit exceeds \$50, a separate deposit slip for the coin portion only must be prepared and submitted (other paper currency will be submitted with a separate deposit slip).
  - b. The coin and paper currency portion of any bank deposit must be counted by one person and verified by a second person (and

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initialed) prior to tendering the deposit to an armored car service, a court employee for deposit to a bank night deposit drop safe, or a bank teller within the lobby of the bank.

- c. Paper currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two court employees who will sign a court copy of the deposit slip indicating they have verified the coin and paper currency amount contained in the deposit bag.
  - d. The court must obtain a signed receipt from the armored car service employee, or court employee delivering the deposit, prior to tendering the sealed bank deposit bag. If the combination of coin and paper currency to be deposited exceeds \$3,000 and armored car service is either not available or excessively expensive, two court employees should be assigned to deliver the deposit jointly. Coin and paper currency deposits may be divided into smaller amounts and delivered to the bank in separate deposits to reduce the amount of cash transported in any single delivery.
  - e. Occasionally, exceptionally large deposits may be handled by requesting an escort from the local police department or sheriff's office. A single court employee will not transport more than \$3,000 in coin and paper currency at one time. Cashiers / bookkeepers shall retain small denominations in a change fund. Courts will also not use coin or paper currency receipts to cash checks for employees.
5. For security, internal control and safety reasons, trial courts must establish written procedures consistent with the requirements of this policy for the deposit of coin and paper currency. The written procedures must be maintained in a permanent file.
6. The bank must accept liability in writing for the failure of the bank messenger to deliver the bank provided sealed deposit bag to the

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bank. The Trust and Treasury Services, Manager must approve all bank messenger contracts.

7. If the court elects to use an armored service provider, the court will comply with the requirements of Policy Nos. FIN 6.01 Procurement and FIN 7.01 Contracts before using this method of deposit. Any such armored car service agreement will contain provisions in which the armored car vendor accepts all liability in writing for the failure of the armored car to deliver the bank provided sealed deposit bag to the bank.
8. An employee other than the person who prepares the bank deposit (preferably a supervisor or higher level of management) must sign and date a voucher verifying the cash receipts have been deposited in total.
9. All employees involved in the collection of trial court monies, either by check, coin and paper currency, credit/debit card or other forms of payment, should be covered by a commercial crime and employee dishonesty insurance policy.

### **6.3.1 Endorsement Requirements**

1. The trial court must restrictively endorse all checks, warrants, money orders, and other negotiable instruments upon receipt. Endorsements must contain the following information:
  - a. The name of the bank and branch number in which the deposit will be made.
  - b. A statement reading "For deposit only" followed by the name of the trial court.
  - c. The account name and number.
  - d. For additional procedures see Policy No. FIN 10.02 Cash Handling.

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## **6.4 Withdrawals**

(Revised 9/10)

1. Trial court disbursements must be made by check or electronic funds transfer. The exception is petty cash disbursements, which must be supported by proper vouchers. Note that the trial court cannot independently make withdrawals from a Bank Account established for the deposit of civil fees under the Uniform Civil Fee (see Sub-section 6.1.2 of this policy).
2. The Court Executive Officer shall designate in writing those individuals who are authorized to sign checks for the trial court. The Court Fiscal Officer must keep a current list on file of the employees who are authorized to sign checks including:
  - a. The name of each employee authorized to sign checks.
  - b. The types of payments the employee is authorized to sign checks for (e.g., payroll, procurement, etc.).
  - c. The dollar limits of each employee's authorization.
  - d. An example of the employee's signature.
3. Checks must not be made out to "cash" and the signing of blank checks is prohibited.
4. Any check that exceeds \$15,000 must have two authorized signatures unless it is made payable to the State Treasurer or another state agency. The trial court may establish more restrictive signature requirements at its discretion.
5. All checks issued by the trial court must be recorded in a check register that includes the following information:
  - a. The check number.
  - b. The date the check is issued.

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- c. The name of the party to whom the check is issued.
  - d. The amount of the check.
6. The trial court must keep its working check stock under locked control. The trial court's long-term check stock must be kept under locked control separate from the working check stock. Receipt of long-term check stock must be receipted, verified and recorded under dual control on the check stock register. Transfers of long-term check stock to working check stock must be documented by the signatures of two authorized trial court employees in the check stock register. The following information must be recorded:
- a. The date and time of the transfer.
  - b. The numbers of the checks being transferred (i.e., from check no. \_\_\_\_ to check no. \_\_\_\_).
  - c. The name of the person removing the checks from long-term check stock.
  - d. The name of the person taking possession of the transferred checks.
  - e. The signatures of the employees making the transfer.
7. Voided checks must be clearly marked "void" across their faces and retained for audit purposes. All voided checks must also have their signature blocks cut off or blocked out, unless they are voided for specimen purposes. The disposition of specimen checks must be documented in trial court files by an employee who is not authorized to sign checks.
8. If blank check stock is determined to be missing, the trial court must notify the bank of the missing check numbers, the account number, and the date the checks were discovered to be missing. If the trial court believes the checks to be stolen, local law enforcement officials and the AOC Manager of Internal Audit should be notified.



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## **6.5 Acceptance of Credit Card and Debit Card Payments**

(Revised 9/10)

1. GC 6159 authorizes the acceptance of credit card payments by the trial courts and provides some of the regulations under which payment by credit card is allowed. The remaining regulation is given to the Judicial Council. This policy and procedure also permits the trial courts, under the same conditions and requirements, to accept debit card payments.
2. Before a trial court can accept credit card or debit card payments, it must first receive Judicial Council approval. The Judicial Council through California Rule of Court 10.820(e) ratified approvals existing as of December 31, 1999 made by county Boards of Supervisors to allow trial courts to accept payment by credit card. Once approval for accepting credit and/or debit card payments is obtained, the trial court may elect to:
  - a. Utilize the county's contract with a credit/debit card processor vendor providing authorization and settlement services for credit/debit card transactions, if the trial court received approval to accept credit and/or debit card payments from the county's Board of Supervisors prior to December 31, 1999;
  - b. Enter into its own contract with one or more credit card or debit card processors; or
  - c. Participate in any master agreement between the Judicial Council and credit card or debit card processors.

The trial court's decision to establish an arrangement with a credit/debit card processor services provider will be based on a cost analysis to determine which of the above three alternatives is most advantageous to the trial court. Any cost analysis performed by the trial court must be documented and retained for audit.

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3. The Administrative Director of the Courts may authorize a review of a trial court's authorization to accept credit card payments at any time.

### **6.5.1 Obtaining Authorization to Accept Credit Card or Debit Card Payments**

1. Pursuant to California Rules of Court 10.820, the Administrative Director of the Courts is authorized to approve a trial court's request to accept credit cards if all of the following are true:
  - a. The trial court does one of the following:
    - i. Imposes a fee for use of the credit card<sup>1</sup>;
    - ii. Demonstrates that the cost of acceptance of credit cards is not greater than the cost of acceptance of other means of payment; or
    - iii. Demonstrates that it can absorb the cost of accepting credit card payments without imposing a fee;
  - b. The proposed credit card acceptance contract is competitive with other possible contracts the court could obtain; and
  - c. Alternative means of payment (i.e., cash, check, money order, etc.) are made available to customers of the court who choose not to utilize credit cards.
2. Before the trial court may begin accepting credit cards, a memorandum must be submitted to Trust and Trial Court Treasury Services at the Administrative Office of the Courts at the following address:

Trust and Trial Court Treasury Services  
 Administrative Office of the Courts  
 455 Golden Gate Ave  
 San Francisco, CA 94102-3688

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<sup>1</sup> A fee may be imposed for acceptance of a credit card only for "card-not-present" transactions as described in section 6.5.2(1.) of this policy.

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- a. The Credit Card Request Memorandum and an “Example” (Supplied only as guidance in preparing the court’s request.) of a completed Credit Card Request Memorandum is provided in Appendix F of 7.0, Associated Documents.
  - b. Unless clarification or other documentation is necessary, the request for acceptance of credit cards will be presented to the Administrative Director of the Courts with a staff recommendation. The trial court will receive notification regarding its request within fifteen (15) days, unless otherwise communicated.
3. The trial court may begin to accept credit cards as a form of payment for criminal fees, fines, penalties and forfeitures after it receives authorization from the Administrative Director of the Courts. Under no circumstances should these credit card payments be commingled with court funds. The trial court must coordinate with the county to establish a separate Bank Account by agreement with its county for the deposit of criminal collections including the deposit of credit/debit card proceeds prior to accepting such credit/debit card payments. The Judicial Council, or its designee, is authorized to withdraw its approval of credit/debit card acceptance approval if a court fails to comply with the requirements of this section.

### **6.5.2 Obtaining Authorization to Impose a Fee for the Use of a Credit Card Or Debit Card**

1. The court may impose a fee only for non in-person<sup>2</sup> acceptance of a credit or debit card in an amount not to exceed the reasonable cost of providing the service or product. This fee charged the

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<sup>2</sup> Examples include credit and debit card payments received via the telephone, fax or Internet web site.

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cardholder, often referred to as a “convenience fee”<sup>3 4</sup>, may be imposed only if both of the following are true :

- a. The proposed fee is not greater than the cost for acceptance of the credit/debit card; and
  - b. The proposed fee would not result in an undue hardship on people wishing to use credit/debit cards for payment of fees.<sup>5</sup>
2. Before the trial court may begin imposing a fee for the use of credit/debit cards, a memorandum must be submitted to Administrative Office of the Courts, Office of Budget Management with a description of the fee, how the amount of the fee was determined, and how the fee is applied.
  3. The trial court may begin to impose a fee for the use of a credit/debit card after it receives authorization from the Administrative Director of the Courts.
  4. The trial court must notify the public of any fee that it charges by providing information concerning the fee in a conspicuous place such as the trial court’s fee schedule.

Refer to Policy No. FIN 10.02 Cash Handling, Sub-section 6.3.5 for the conditions and circumstances under which acceptance of payment by credit card is permitted.

## **6.6 Bank Account Reconciliation**

(Revised 9/10)

<sup>3</sup> Government Code (GC) 6159(g).

<sup>4</sup> The VISA/MasterCard association rules governing all entities ("merchants") accepting credit or debit cards, permit the courts to charge a "convenience fee" for non in-person transactions, but prohibit the courts, or any other merchant, from imposing a "convenience fee" on any card-present transactions, unless the same fee is imposed on all like transactions regardless of the form of payment. A credit card or debit card presented by the cardholder in person, at a cashiering counter for example, is a "card-present" transaction.

<sup>5</sup> Per California Rules of Court, Rule 10.820(c).

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1. The trial court must reconcile all Bank Accounts for which court employees are authorized signers, for example local revolving and jury Bank Accounts. These bank accounts must be reconciled at least monthly, and more frequently if required to maintain adequate control over trial court funds.
2. The person who prepares the court's monthly bank reconciliation cannot also approve it. The monthly bank reconciliation must be signed and dated by both the person who prepared it and the person who reviewed it.
3. Each trial court is required to report all Bank Accounts held in its name annually, as of June 30<sup>th</sup>, by completing Appendix D the Annual Report of Trial Court Bank Accounts (as found in 7.0, Associated Documents) no later than August 30<sup>th</sup> of each year. These annual reports will be used in part to satisfy the annual State Treasurer's Office requirement to report Bank Accounts held outside of the county treasury system and not managed in the centralized State Treasury. The annual bank balance and financial accounting cash balance information required in Appendix D must be completed by each trial court for all Bank Accounts.
4. Adherence to the requirements of this Section 6.6 will be necessary to continue authorization for trial court Bank Accounts.
5. For the purpose of this Section 6.6, Paragraph 5:
  - a. A canceled check is a check that has been recorded and is later reversed from the accounting records as void and was confirmed as not being paid by the bank.
  - b. Un-cashed checks are those that have been issued by the trial court but remain un-cashed by the payee.

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- c. Unclaimed checks are those that have been returned to the trial court or their accounting office and for which the payee cannot be reasonably located.
- d. Trial court checks are checks issued from any of the court's Bank Accounts (i.e. operating, revolving, payroll, jury or trust Bank Accounts). Trial court checks generally have a printed statement on the face of the check indicating the check is void after expiration of a specified time period from the check's issue date.

Through the monthly bank reconciliation process, outstanding un-cashed checks should be aged to determine those that are beyond the time period printed on the face of the check specifying the date after which the check is void. Un-cashed checks drawn on any trial court Bank Account beyond one year of the issue date will be cancelled in the trial court's accounting system and moved from the Cash-Operations Clearing general ledger account to Liability for Deposits Stale-Dated Check-Operations general ledger liability account in the fund in which the check was written. Trial courts will maintain a Canceled Check Schedule which identifies the payee's name, dollar amount, and date of issuance. This schedule will be kept on file and detail each check until the check is either cashed or the liability created from the check has been otherwise appropriately reduced.

The payee may make claim for an un-cashed check up to the date the check is escheated to the court under GC 68084.1, which cannot be any earlier than three years from the date of issuance, plus 45 days after the required public notice. Please refer to Policy No. FIN 15.03, Escheat for further information on trial court escheatment. If a canceled check is claimed by the payee prior to escheating the check to the court and a check is reissued to settle the claim, the trial court will record the payment as a reduction in the Liability For Deposits-Stale Dated Check-Operations general ledger liability account and the cash account. The total dollar amount of the canceled check schedule must agree at all

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times with the balance of the Liability For Deposits-Stale Dated Check-Operations general ledger liability account.

Unclaimed checks issued from a Court's Bank Account, not revolving account, should be immediately canceled upon receipt and added to the canceled check schedule organized by court Bank Account and kept by the Trial Court or its designee.

Refer to Policy No. FIN 15.03 Escheat for procedures regarding the escheatment of Un-cashed or Unclaimed checks.

## **6.7 Revolving Fund and Jury Disbursement Balances**

(Revised 9/10)

1. Revolving Fund bank accounts will be used only for non-routine urgent disbursements. The imprest balances of these accounts will be maintained at a level reasonably expected to meet these non-routine urgent disbursement needs, for example at 1% of the trial court's operating expense budget. A trial court may request the AOC's Phoenix Shared Services Center to replenish its Revolving Fund by submission of complete and appropriate documentation. At least monthly any amounts paid from the Revolving Fund must be recorded on the financial records of the trial court Trust Fund as an operating expense. For courts that cannot meet this requirement, notice requesting an alternative timetable should be given to the AOC Director of Finance for approval according to Policy No. FIN 1.01 Trial Court Organization. The trial court will follow any additional instructions regarding the Revolving Fund replenishment that the AOC's Phoenix Shared Services Center may issue. The trial court will complete a monthly review of the bank balance in order to determine if there are any checks outstanding in excess of one year. By submitting the justification for approval to the Trust and Treasury Services, Manager, a trial court may also request additional funding to temporarily augment the Revolving Fund to meet a specific temporary cash disbursement need.

2. Courts may establish a separate bank account to process disbursements to pay local jury expenses. In conjunction with the trial court, the Trust and Treasury Services, Manager, will approve the amount maintained in such accounts. A court may request the AOC's Phoenix Shared Services Center to replenish its jury disbursement Bank Account by submission of complete and appropriate documentation. At least monthly any amounts paid from the Bank Account must be recorded on the financial records of the trial court as an operating expense. The trial court will complete a monthly review of the bank balance in order to determine if there are any checks outstanding in excess of one year.

## **6.8 Overdrafts**

(Revised 9/10)

1. Trial Court officials must manage their financial affairs and must not authorize expenditures in excess of available resources.
2. The trial court must take all appropriate measures to assure that sufficient funds are available in its Bank Accounts to cover its disbursements in accordance with Government Code 77206 (a). Overdrafts of trial court bank accounts are not permitted.

## **6.9 Maximizing Interest Earned**

(Revised 9/10)

It is important to maximize the interest earned on funds deposited in Bank Accounts. Every dollar earned reduces the need to raise money. In general, interest earnings can be maximized through the earliest possible deposit of receipts and the latest possible disbursement of funds. However, the trial court should obtain the highest net return on its funds complying with payment terms.



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## **6.10 Segregation of Duties**

(Revised 9/10)

Trial court executives and managers are responsible for establishing and maintaining a system of internal controls as outlined throughout the Trial Court Financial Policies and Procedures Manual. Appropriate segregation of the duties assigned to court employees is a key element to this system. For tasks associated with Bank Accounts, the same person should not perform more than one of the following types of duties:

- a. Receiving and depositing remittances.
- b. Inputting receipts information.
- c. Authorizing disbursements.<sup>6</sup>
- d. Controlling check stock.
- e. Preparing checks.
- f. Operating a check-signing machine.
- g. Signing checks or comparing machine-signed checks with authorizations and supporting documents.
- h. Reconciling Bank Accounts and posting the general ledger or any subsidiary ledger affected by cash transactions, and/or reconciling system input to output.

## **6.11 Closing Bank Accounts**

(Revised 9/10)

1. The trial court must maintain the minimum number of Bank Accounts necessary for efficient court operations. With the Judicial Council's designee's prior written approval, the court must close any Bank Accounts that are no longer necessary to conduct trial court operations.

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<sup>6</sup> In computerized systems, initiation, approval, and the input of disbursement information to the system must be performed by different people.

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2. Requests to close Bank Accounts must be made in writing by completing Appendix E Notification to Close Bank Account as found in 7.0, Associated Documents and be signed by both the Presiding Judge and Court Executive Officer. Requests to close Bank Accounts must be sent to the Trust and Treasury Services, Manager and include the following information:
  - a. The account number and name.
  - b. The name and location of the financial institution.
  - c. The justification and purpose for closing the account.
  - d. The disposition of any funds currently deposited in the account to be closed.
  - e. The date on which the Bank Account is to be closed.
3. The Trust and Treasury Services, Manager must promptly review all trial court requests to close Bank Accounts and make a decision to accept or reject the court's request. The Judicial Council, or its designee, must issue a written notice of the acceptance or rejection of the trial court's request within 30 days. A copy of the written notification will also be provided to the Judicial Council and Trust and Treasury Services, Manager for filing and record purposes. The Administrative Director may request additional information or may confer with trial court officials prior to issuing a decision.
4. The trial court must send written notice of the date the account has been closed by completing the "FINAL CLOSURE" section of Appendix E Notification to Close Bank Account as found in 7.0, Associated Documents.
5. If the trial court does not demonstrate that it is competent to maintain bank accounts and control funds outside of the county treasury, the Judicial Council may order the court to close its Bank Accounts, and conduct operations in a way that is satisfactory to the Judicial

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Council. Examples of unsatisfactory performance include the failure to reconcile bank accounts, repeated issuance of overdraft checks, inadequate implementation of internal controls, etc.

## **6.12 Record Retention**

(Revised 9/10)

1. Bank account records must be retained according to the requirements established in Policy No. FIN 12.01 Record Retention. Records that must be retained include, but are not limited to, bank statements, check registers, cancelled checks, and bank reconciliations.
2. Bank Account records must be stored under locked control.

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## **7.0 Associated Documents**

(Revised 9/10)

**Appendix A: Memorandum of Understanding Court/County Services,  
Collection Bank Account for Criminal Fines, Penalties, and  
Forfeitures**

**Appendix B: Request to Open Bank Account**

**Appendix C: Notification of Opening a Bank Account**

**Appendix D: Annual Report of Trial Court Bank Accounts**

**Appendix E: Notification to Close Bank Account**

**Appendix F: Sample Credit Card Request Memorandum and Sample  
Associated Forms**

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## Appendix A

### MEMORANDUM of UNDERSTANDING COURT/COUNTY SERVICES

#### COLLECTIONS BANK ACCOUNT for CRIMINAL FINES, PENALTIES, AND FORFEITURES

[Note: because this is drafted as an Appendix to Court/County MOU, it does not restate the names of the parties to the MOU, which would be identified in that document. If this document is not an Appendix to the MOU, it should restate the names of the parties and other pertinent information.]

#### 1. Bank Account Authorization

As authorized by California Government Code section 68085.9, the parties agree that beginning **[(insert date)] / [the date when both parties have signed this Appendix (insert Appendix number)]**, the Court will deposit into a **bank account**, which has been established by the Administrative Office of the Courts (“AOC”) and which is separate from the County treasury, all money that is received by the Court and would otherwise be required by law to be deposited into the County treasury or with the County treasurer (“County Money”).

County Money includes, but is not limited to, money to which Sections 24353, 68085, 68085.5, and 68101 of the Government Code and Section 1463.001 of the Penal Code apply. Money collected pursuant to Government Code section 68085.1 will be deposited as provided in that section. The separate **bank account** has been approved by the County and the Administrative Director of the Courts in accordance with Government Code section 68085.9.

#### 2. Interest

The interest accrued on the County Money will be apportioned in the following manner: \_\_\_\_\_% to the Court and \_\_\_\_\_% to the County.

#### 3. Payment to County

**[By the \_\_\_\_ day of each calendar month] / [On (insert date), (insert date), (insert date), and (insert date) of each year]**, the Court will transfer to the County treasury all County Money then deposited by the Court in this separate **bank account**, plus the County’s portion of any accrued interest. Prior to each transfer of County Money, the Court will deduct any costs due to the Court, as described in paragraph 5 [and paragraph 6] below, from the amount of the transfer. [Note: this sentence should be removed if there will be no deductions for the Court’s costs.]

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#### 4. Payment Method

The parties agree that each transfer will be made by **[check postmarked no later than the applicable transfer date to the following address: \_\_\_\_\_] / [electronic fund transfer] / [automated clearing house system]**. The County will provide all necessary transfer information and instructions to the Court.

#### 5. Banking and Administrative Costs

The parties agree that the County will pay the Court's reasonable banking and administrative costs for the amount attributable to the collection of County Money. **[Rather than deducting the County's banking and administrative costs from each transfer of County Money, the Court will invoice the County for these costs on a [monthly] / [quarterly] basis. The County will pay each invoice within (insert figure) days of its receipt.] or [The Court will deduct the County's banking and administrative costs for the preceding [month] / [quarter] from each transfer of County Money.]**

[Note: This paragraph should be removed if there is no remuneration or costs due to the Court for collection services]

#### [6. Remuneration or Costs for Collection Services

**The Court and the County have an existing separate agreement dated (insert date) for the provision of comprehensive collection services by the Court. The parties agree that Court will deduct from each transfer of County Money any remuneration or costs then due to the Court under the separate agreement for collection services.]**

**[Name of County]**

**By** \_\_\_\_\_

**Title** \_\_\_\_\_

**Date** \_\_\_\_\_

**[Name of Court]**

**By** \_\_\_\_\_

**Title** \_\_\_\_\_

**Date** \_\_\_\_\_

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## Appendix B, page 1 of 2

### REQUEST TO OPEN BANK ACCOUNT

SUBMIT ORIGINAL to ADMINISTRATIVE OFFICE OF THE COURTS, Trust and Treasury Services, Manager, 455 Golden Gate Avenue, 7th Floor, San Francisco, CA 94102-3688, Phone: 415 865-7956, with the ORIGINAL SIGNATURE from THE PRESIDING JUDGE and COURT EXECUTIVE OFFICER.

<b>Trial Court:</b>	
<b>Proposed financial institution</b> <b>Name:</b> <b>Address:</b>	
<b>Type of account:</b> <input type="checkbox"/> Bail <input type="checkbox"/> Other Trust <input type="checkbox"/> Payroll <input type="checkbox"/> Operations <input type="checkbox"/> Other, specify: <b>Purpose of account (include justification):</b>	
<b>Account number:</b> (to be provided upon approval)	
<b>Expected interest rate:</b>	<b>Expected volume of checks (avg. per month):</b>
<b>Account name (e.g., Superior Court of California, County of _____, Operations Account)</b>	
<b>Funds will be insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC)</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>A conflict of interest will not exist for any judge, court officer or any other court employee by opening a bank account.</b> <input type="checkbox"/> Yes <input type="checkbox"/> No - specify: (attach additional pages, if necessary)	
<b>Capitalization status of bank</b> <input type="checkbox"/> Well capitalized <input type="checkbox"/> Other – specify:	
<b>Financial statement opinion</b> <input type="checkbox"/> Unqualified <input type="checkbox"/> Other – specify:	

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### REQUEST TO OPEN BANK ACCOUNT

#### CHECKLIST ON BANK ACCOUNT PROCEDURES

Ref.	Section description	Yes	No	N/A	Reason/justification for non-compliance
<b>A</b>	Application				
<b>B</b>	Definitions				
<b>C</b>	Authority for Trial Courts to Establish <b>Bank Accounts</b>				
<b>D</b>	Opening <b>Bank Accounts</b>				
<b>E</b>	Deposits				
<b>F</b>	Withdrawals				
<b>G</b>	<b>Bank Account</b> Reconciliation				
<b>H</b>	Overdrafts				
<b>I</b>	Escheatment of Unclaimed Money				
<b>J</b>	Maximizing Interest Earned				
<b>K</b>	Segregation of Duties				
<b>L</b>	Closing of <b>Bank Accounts</b>				
<b>M</b>	Record Retention				
I have reviewed Policy No. FIN 13.01 Banking Services. The procedures as outlined are being followed or explanations concerning reasons / justification for exception are detailed on the checklist above.					
<b>Signature: Presiding Judge</b>					<b>Date</b>
<b>Signature: Court Executive Officer</b>					<b>Date</b>
Administrative Office of the Courts Use Only					
<b>Remarks</b>					
<b>Recommendation:</b> <input type="checkbox"/> <b>Approve with conditions (may require certain statements)</b> <input type="checkbox"/> <b>Approve subject to:</b> <input type="checkbox"/> <b>Approve with circumstances:</b> <input type="checkbox"/> <b>Deny</b> <b>(Provide additional pages as necessary)</b>					
<b>Signature: Representative of the Judicial Council or Administrative Director of the Courts</b>					
<b>Approval Date:</b>					



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## Appendix C

### Notification of Opening a Bank Account

For Banks Other than Bank of America, N.A. opened under the AOC's Master banking services agreement.

Bank Name:

Bank Address:

Bank Account Name:

Bank Account Number:

Date Available for Use:

The First Month a Bank Statement will be Available:

Bank Contact Name:

Bank Contact Address:

Bank Contact Phone:

Bank Contact Fax:

Bank Contact e-mail:

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## Appendix D

### Annual Report of Trial Court Bank Accounts

Information as of: [Date]

The schedule must have the indicated information under the following column titles:

Bank Account Name:

Bank Account Number:

Bank Account Description:

Purpose of Account:

Bank/Financial Institution Name:

Bank Address:

Authority:

Bank Balance:

Financial Accounting Bank Balance:

Bank Representative's Name:

Bank Representative's Contact Phone Number:

Bank Representative's Contact Fax Number:

Bank Representative's Contact E-mail Address:

Authorized Signatories Names:

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## Appendix E, page 1 of 2

### Notification to Close Bank Account

SUBMIT ORIGINAL to ADMINISTRATIVE OFFICE OF THE COURTS, Trust and Treasury Services, Manager, with ORIGINAL SIGNATURE from the PRESIDING JUDGE and COURT EXECUTIVE OFFICER.

Trial Court:	
Financial institution Name: Address:	
Type of account: <input type="checkbox"/> Bail <input type="checkbox"/> Other Trust <input type="checkbox"/> Payroll <input type="checkbox"/> Operations <input type="checkbox"/> Other, specify:	
Reason for account closure :	
Account number:	
Date bank account is planned for closure:	Balance of any outstanding payment items (i.e. checks, ACH transactions): Outstanding Items as of Date:
Account name (e.g., Superior Court of California, County of _____, Operations Account)	
FINAL CLOSURE	
Account Closed as of Date:	
Bank Account Balance as of Actual Closure Date:	
Remaining Balance to be Transferred to: Bank: Bank Address: Bank Account Name: Bank Account Number: ABA Number:	
Bank Person Contact:	



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## Appendix F, page 1 of 3

### CREDIT CARD REQUEST MEMORANDUM

**TO:** AOC Trust and Treasury Services

**FROM:** Superior Court of California,  
County of \_\_\_\_\_

**DATE:**

**SUBJECT / PURPOSE of MEMO:** Request to Accept Credit Card for Payment of Court Fees

Pursuant to California Rules of Court (Rule 10.820) it is requested that the Administrative Director of the Courts authorize the Superior Court of California in and for the County of \_\_\_\_\_ to accept credit cards for the payment of court fees and impose a convenience fee<sup>7</sup>, if required, for its use.

In support of this request the following information is provided:

**THIS SECTION IS TO BE COMPLETED BY THE COURT:**

Please refer to the attached “**Example**” supplied only for guidance in preparing your court’s request.

The court **must** include in its request, at minimum, the following items a., b. and c. as described below.

- a. *At least one of the following :*
  - (i) *a description of proposed convenience fee charged, how it was calculated, and affirmation that it meets the criteria established by California Rules of Court section 10.820(c);*
  - (ii) *a statement that the costs of accepting credit cards is not greater than the cost of accepting other forms of payment; or*
  - (iii) *a statement that the cost of accepting credit cards can be economically absorbed by the court and therefore no fee will be charged.*
- b. *Attach a copy of the proposed credit card acceptance contract and describe here the methodology used to determine that it is the most competitive structure compared with other possible contracts. Also include a description of the manner in which the credit cards will be accepted by the court, indicating whether acceptance will be “in-person” or “non in-person” or both.*
- c. *Description of alternative means for the payment of court fees.*

<sup>7</sup> The VISA/MasterCard association rules governing all entities (“merchants”) accepting credit or debit cards, permit the courts to charge a “convenience fee” for non in-person transactions, but prohibit the courts, or any other merchant, from imposing a “convenience fee” on any card-present transactions, unless the same fee is imposed on all like transactions regardless of the form of payment. A credit card or debit card presented by the cardholder in person, at a cashiering counter for example, is a “card-present” transaction. Credit card acceptance via a website or phone service is a “non in-person” transaction.

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## Appendix F, page 2 of 3

By submitting this request, it is expressly understood that under no circumstances will any fees, fines, penalties or forfeitures that are the county's responsibility to remit to the State Treasurer's Office be deposited into any Bank Account approved for trial court use.

\_\_\_\_\_  
Presiding Judge

\_\_\_\_\_  
Court Executive Officer

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## Appendix F, page 3 of 3

### **“Example”: Court Request to Accept Credit Cards** (Only Supplied for Guidance) [Court Letterhead]

[MMMMMM xx, 200X]

To: Trial Court Accounting Systems

From: Superior Court of California, County of \_\_\_\_\_

Subject: Request to Accept Credit Card for Payment of Court Fees

Pursuant to California Rules of Court (Rule 10.820) it is requested that the Administrative Director of the courts authorize the Superior Court of California in and for the County of \_\_\_\_\_ to accept credit cards for the payment for court fees and impose a convenience fee or charge back fees prior to distributing funds:

In support of this request the following information is provided:

- A) Interactive Voice Recognition (“IVR”) or internet payments will be charged a convenience fee under the Bank of America /EDS master merchant services agreement(s) with the A.O.C. Any fee’s charged directly to the Court for Credit Card usage will be deducted from monthly collections prior to distribution per GC 6159(H) which meets the requirements established by California Rules of Court section 10.820(c).
- B) Per the Trial Court Financial Policies and Procedures, No. FIN 13.01 Banking Services, which superseded Financial Memo TC2006-003, “Credit Card Acceptance in the Courts”, the Superior Court of California County of \_\_\_\_\_ requests credit card processing be accepted under the terms and conditions of the master merchant services agreement(s) with Bank of America Merchant Services and EDS Information Systems. The court intends to initially obtain the necessary processing services to accept credit cards via IVR, but may consider in the future accepting credit cards at its cashiering lines and/or via a court established website.
- C) The Superior Court of California, County of \_\_\_\_\_ will continue to accept other forms of payment currently in place such as cash, check, and money order.

\_\_\_\_\_  
, Presiding Judge

\_\_\_\_\_  
, Court Executive Officer



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

Policy No.  
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# **COURT SECURITY**

**POLICY NUMBER: AOC FIN 14.01**

**Original Release Date:**

August 1, 2003

**Effective Date:**

September 1, 2010

**Revision Date:**

January 21, 2009



# Court Security

## **1.0 Table of Contents**

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## **2.0 Purpose**

(Revised 9/10)

The purpose of this policy is to define the security component of court operations that will standardize budgeting, billing, accounting practices, and identify allowable law enforcement security costs.

## **3.0 Policy Statement**

(Revised 9/10)

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, the trial court shall enter into a Memorandum of Understanding (MOU) with the sheriff regarding court security that specifies the agreed-upon level of security services to be provided, their associated costs, and terms of payment.

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## **4.0 Application**

(Revised 9/10)

This policy applies to all trial court officials and employees, who are involved in developing and implementing financial plans for court security.

## **5.0 Definitions**

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Court Security Plan(s)**  
**Contract Law Enforcement Template**  
**Court Attendant(s)**  
**Department of Finance (DOF)**  
**Law Enforcement Security Plan(s)**  
**Memorandum of Understanding(s) (MOU(s))**  
**Rule 10.810**  
**State Appropriations Limit (SAL)**

## **6.0 Text**

(Revised 9/10)

Government Code Section 69921.5 authorizes the Presiding Judge to contract with the sheriff or marshal, subject to available funding, for the level of law enforcement services that are necessary for the court.

### **6.1 Replacement of Rule of Court 10.810 Function 8**

(Revised 9/10)

1. The Superior Court Law Enforcement Act of 2002 replaced Function 8 of California Rule of Court 10.810 with the intent of defining the court security function of court operations that leads to:
  - a. Standardized billing and accounting practices for court security.
  - b. Standardized court security plans.

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- c. The identification of allowable law enforcement security costs that counties may charge to the courts.
2. The allowable and unallowable costs listed in Function 8 of Rule 10.810 are replaced by the costs that are listed in Sections 6.2, Allowable Costs and 6.3, Unallowable Costs and discussed in the Contract Law Enforcement Template that is provided in 7.0, Associated Documents.

## 6.2 Allowable Costs

(Revised 9/10)

1. The types of costs listed below are allowable for trial courts to pay counties for law enforcement and public safety services as defined in the Superior Court Law Enforcement Act of 2002<sup>1</sup>. (Chapter 1010, Statutes of 2002). The court is responsible only for allowable cost categories that were properly billed before the enactment of the Superior Court Law Enforcement Act of 2002. The sheriff may not bill the court for any new allowable cost categories listed herein until the court has agreed to the new cost and new funding has been allocated to the court for this purpose.

### 6.2.1 Sheriff's Services

1. **Perimeter Security Costs.** When mutually agreed by the court, county, and sheriff, the cost of perimeter security in any building that the court shares with any county agency (excluding the sheriff's department) shall be prorated based on the total non-common square footage occupied by the court and other county agencies.
2. **Law Enforcement Security Personnel Services.** The actual salaries and employer-provided benefits of sheriff's personnel engaging in court law enforcement functions include the cost of appropriate supervising and line personnel (up to the level of Captain), deputies, contractual law enforcement services, prisoner escorts within the courts (excluding time spent in the transportation

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<sup>1</sup> Government Code (GC) §69927 (a)(2) through (a)(5) define allowable costs.

of prisoners or detainees to and from court), and weapons screening personnel. Actual salaries and benefits of individuals currently providing trial court law enforcement functions may include, but are not limited to:

(Revised 7/05)

- a. County health and welfare premium costs.
- b. County incentive payments.
- c. Employer deferred compensation plan costs.
- d. Employer's share of applicable FICA and Medicare taxes.
- e. General liability premium costs.
- f. Leave balance payout commensurate with an employee's time in court security services as a proportion of total service credit earned after January 1, 1998. (The sheriff is responsible for maintaining leave balance records for sheriffs' employees assigned to the trial court).
- g. Premium pay (i.e., bilingual pay, training officer pay).
- h. Employer retirement plan contributions.
- i. Employer state disability insurance premium costs.
- j. Employer unemployment insurance premium costs.
- k. Worker's compensation paid to an employee in lieu of salary as specified in Labor Code Section 4850.
- l. Worker's compensation premiums.
- m. Court required training.
- n. Supervisor approved overtime.

**3. Equipment, Services and Supplies.** The following items are allowable:

- a. The purchase and maintenance of security screening equipment

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b. The cost of this equipment is to be reported in this section and not in any other section of the Contract Law Enforcement Security Template even if covered by a salary allowance:

- i. Ammunition
- ii. Baton
- iii. Bulletproof vest
- iv. Handcuffs
- v. Holster
- vi. Leather gear
- vii. Chemical spray and holder
- viii. Radio
- ix. Radio chargers and holders
- x. Uniform
- xi. One primary duty sidearm

4. **Vehicle Use for Court Security Needs.** The per mile recovery cost for actual miles incurred by vehicles driven by allowable personnel while rendering court law enforcement services, excluding the transportation of prisoners or detainees to and from court, are allowable. The standard mileage rate in effect for judicial officers and employees at the time of contract development shall apply.

(Revised 9/10)

5. **Professional Support Staff for Court Security Operations.** The actual salaries, employer provided benefits, and overtime of sheriff provided staff performing support functions for court law enforcement services include, at a minimum, payroll, human resources, information systems, accounting, or budgeting. Costs for professional support staff shall be billed at actual costs incurred on the courts behalf not to exceed 1.5 percent of the court's security base budget.

### 6.2.2 Marshal's Services

Marshals are armed peace officers employed by some courts and are authorized to perform all court law enforcement functions. Marshal

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costs are law enforcement security costs that include actual salaries, benefits and other costs.

### **6.2.3 Court Attendants**

Court attendant costs are allowable for court security services.

### **6.2.4 Court-Contracted Security**

Court-contracted security services are actual costs associated with externally contracted security services.

## **6.3 Unallowable Costs**

(Revised 9/10)

Examples of security costs that are unallowable are included in the attached Contract Law Enforcement Template (see 7.0, Associated Documents).

## **6.4 Contract Law Enforcement Template**

(Revised 9/10)

1. The Contract Law Enforcement Template is a document that defines and accounts for allowable court security costs as described in Government Code §69927(a)(2) to (a)(6). The template replaces the definition of allowable and unallowable law enforcement costs in Function 8 of Rule of Court 10.810.
2. The sheriff or marshal provides the court security cost information as delineated in the annual survey of security costs. The cost information will be used to develop the security budget for the courts for the next fiscal year.
3. The trial court and the sheriff should discuss, understand, and come to mutual agreement on the costs as reflected in the Contract Law Enforcement Template and develop a budget based on funding availability.

4. With the implementation of the State Appropriation Limit (SAL) effective FY 2005–2006, trial courts no longer submit budget requests. However, in late spring, courts are required to submit the annual survey of security costs form for the next fiscal year. These forms will assist the court in reporting updated costs for previously funded positions. New costs cannot be added unless they are specially approved through the budget process.
5. The AOC Finance Division will submit to the Judicial Council on an annual basis, court-by-court security allocations, which shall be from the funding provided for security by the annual SAL adjustment for all trial courts. Upon enactment of the State Budget, allocations shall be provided only for those courts with confirmed changes in security costs. Funding for unconfirmed changes will remain as pending until the MOUs or contracts upon which the changes are based have been confirmed and AOC Finance Division staff has been notified. Court security allocations shall be based on staffing standards and funding caps as recommended by the Working Group on Court Security and approved by the Judicial Council. Any court security costs paid by the court in a particular fiscal year must be within the court's security allocation approved by the Judicial Council.
6. If the sheriff's law enforcement security costs increase, the court and sheriff must renegotiate service levels within the MOU to remain within the total contract dollar levels specified in the MOU. Notwithstanding, additional services deemed necessary by the court may be provided by the sheriff when funding is identified by the court and the MOU is amended.

## **6.5 Memorandum of Understanding**

(Original 10/03)

1. The trial court shall enter into an annual or multiyear memorandum of understanding (MOU) with the sheriff regarding court law enforcement security services. At a minimum, the MOU shall specify the level of security services to be provided by the sheriff, the cost of those services to the trial court, and the terms of payment. Examples

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of specific items that should be covered in the MOU include, but are not limited to:

- a. Identification of the type and level of law enforcement security services to be provided.
  - b. Number of personnel and classifications required (Direct and Support personnel).
  - c. Description of the basis for overtime, premium pay, holiday and other pays.
  - d. Terms of payment identifying when and how payments will be made.
  - e. A total “not to exceed” compensation amount for provision of services.
2. In years when the law enforcement security services MOU is scheduled to expire at the end of the fiscal year, negotiations for a new MOU should begin as early as necessary to ensure that an agreement is in place by July 1.
  3. If the court and sheriff are unable to enter into an MOU by August 1 of any fiscal year, either the court or sheriff may request a 45-day extension of negotiations that shall include the assistance of a mediator. The previous MOU shall remain in effect during the extended negotiation period. The Administrative Director of the Courts and the president of the California State Sheriffs’ Association shall mutually agree on the mediator who is assigned to assist the court and sheriff in resolving the MOU negotiations. (Revised 09/10) The costs of the mediation must be shared equally by the court and sheriff.
  4. Refer to Policy No. FIN 7.02 Memorandums of Understanding (MOUs), Interagency Agreements (IAs), and Intra-Branch Agreements (IBAs) for a discussion of issues that should be



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considered in the development, execution, and management of any MOU.

## **6.6 Court Security Administration**

(Revised 9/10)

1. Sheriff's invoices for trial court law enforcement security services shall only include allowable costs as follows:
  - a. Salary and benefit costs will be documented at the actual cost for each sheriff-provided staff member on court assignment at time of service;
  - b. Equipment and services and supplies (S&S) costs will be documented at actual costs incurred on court assignment;
  - c. The sheriff's invoices will include a sufficient level of detail and provide documentation as shown in the attached example (7.0, Associated Documents Contract Law Enforcement Template).
2. Trial court personnel shall review the sheriff's invoices as described in Policy No. FIN 8.01 Vendor Invoice Processing and approve costs that are in accordance with the MOU and the guidelines provided in this procedure. Invoices, associated documentation, and payment records shall be available and subject to audit by the Judicial Council.
3. The trial court and court law enforcement security providers shall manage their resources to minimize the use of overtime.<sup>2</sup>

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<sup>2</sup> GC §69927 (a)(5)(B)

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## **7.0 Associated Documents**

(Revised 9/10)

### **Contract Law Enforcement Template with Allowable, non-Allowable, and Addendum Cost Narratives**

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## CONTRACT LAW ENFORCEMENT TEMPLATE

*Attachment A -Contract Law Enforcement Template, Version 2 – Effective May 1, 2003*

<b>County:</b>		<b>FY</b>	<b>ENDED:</b>		
<b>DIRECT SECURITY:</b>					
<b>SECURITY PERSONNEL</b>					
<b><i>Supervision Personnel</i></b>	<b>FTE's</b>	<b>HOURS</b>	<b>SALARY</b>	<b>BENEFITS*</b>	<b>TOTAL COSTS</b>
Captain	0	0	0	0	0
Lieutenant	0	0	0	0	0
Sergeant	0	0	0	0	0
Other Titles	0	0	0	0	0
Total Supervisors Direct Security: (Auto Field)	0	0	0	0	0
<b><i>Line Personnel</i></b>	<b>FTE's</b>	<b>HOURS</b>	<b>SALARY/ CONTRACT</b>	<b>BENEFITS*</b>	<b>TOTAL COSTS</b>
Deputies / Court Security Officers et al. Inside the courtroom	0	0	0	0	0
Deputies et al. / Perimeter Security / Escort	0	0	0	0	0
Weapons Screening Personnel	0	0	0	0	0
Contracted Security Services / Cost		0	0	0	0
Court Required Training		0	0	0	0
Total Line Personnel Direct Security: (Auto Field)	0	0	0	0	0
<b>OVERTIME</b>					
<b><i>Supervision Personnel</i></b>		<b>HOURS</b>	<b>OVERTIME</b>	<b>BENEFITS*</b>	<b>TOTAL COSTS</b>
Captain		0	0	0	0
Lieutenant		0	0	0	0
Sergeant		0	0	0	0
Other Titles		0	0	0	0
Total Supervisors Overtime: (Auto Field)		0	0	0	0
<b><i>Line Personnel</i></b>		<b>HOURS</b>	<b>OVERTIME</b>	<b>BENEFITS*</b>	<b>TOTAL COSTS</b>
Deputies / Court Security Officers et al. Inside the courtroom		0	0	0	0
Deputies et al. / Perimeter Security / Escort		0	0	0	0
Weapons Screening Personnel		0	0	0	0
Contracted Security Services		0	0	0	0
Court Required Training		0	0	0	0
Total Line Personnel Overtime: (Auto Field)		0	0	0	0
<b>TOTAL HOURS AND COSTS SPENT ON OVERTIME (Auto Field)</b>		0	0	0	0
<b>TOTAL DIRECT SECURITY PERSONNEL COSTS (Auto Field)</b>			0	0	0

\* Benefits refer to Section III, No. 2

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<b>CONTRACT LAW ENFORCEMENT TEMPLATE</b>					
<b>Attachment A – Contract Law Enforcement Template, Version 2 – Effective May 1, 2003</b>					
<b>County</b>				<b>FY ENDED:</b>	<b>.</b>
<b>PROFESSIONAL SUPPORT STAFF FOR COURT SECURITY OPERATIONS</b>					
Hours/Cost of Staff Required Assistance In:					
		<b>HOURS</b>	<b>SALARY</b>	<b>BENEFITS*</b>	<b>TOTAL COSTS</b>
Payroll Processing Staff		0	0	0	0
Human Resources Staff		0	0	0	0
Information Systems Staff		0	0	0	0
Accounting Staff		0	0	0	0
Budget Staff		0	0	0	0
Court-mandated special project support		0	0	0	0
<b>Total Professional Staff Costs (Auto Field)</b>		0	0	0	0
<b>OVERTIME</b>					
		<b>HOURS</b>	<b>OVERTIME</b>	<b>BENEFITS*</b>	<b>TOTAL COSTS</b>
Payroll Processing Staff		0	0	0	0
Human Resources Staff		0	0	0	0
Information Systems Staff		0	0	0	0
Accounting Staff		0	0	0	0
Budget Staff		0	0	0	0
Court-mandated special project support		0	0	0	0
<b>Total Professional Staff Overtime Costs (Auto Field)</b>		0	0	0	0
<b>SECURITY S&amp;S &amp; EQUIPMENT</b>					
Purchased This Year:		<b>COST</b>			
Ammunition		0			
Baton		0			
Bulletproof Vest		0			
Handcuffs		0			
Holster		0			
Leather Gear		0			
Chemical Spray & Holder		0			
Radio		0			
Radio Charger/Holder		0			
Uniforms		0			
One Primary Duty Sidearm		0			
Purchase and Replacement of Safety Equipment: (Auto Field)		0			
Purchase & Maintenance for Security Screening Equipment		0			
<b>VEHICLE USE FOR COURT SECURITY NEEDS</b>					
# Vehicles used by Staff		0			
Miles Driven by allowable personnel		0			
Authorized cost per mile:		0			
Vehicle Recovery Cost: Auto Field		0			
<b>Court security cost: Auto Field</b>		0			

\* Benefits, refer to Section III, No. 2.

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## Sec I: Allowable Cost Narratives:

Note

### **SECURITY PERSONNEL:**

#### ***Supervision Personnel***

Captain  
Lieutenant  
Sergeant  
Other Titles

#### ***Line Personnel***

Deputies / Court Security Officers et al. Inside the courtroom  
Deputies et al. / Perimeter Security / Escort  
Weapons Screening Personnel  
Contracted Security Services  
Court Required Training

### **PROFESSIONAL SUPPORT STAFF FOR COURT SECURITY OPERATIONS**

Payroll Processing Staff  
Human Resources Staff  
Information Systems Staff  
Accounting Staff  
Budget Staff  
Court-mandated special project support

### **SECURITY Services and Supplies & EQUIPMENT**

#### **Purchase and Replacement of Safety Equipment:**

Ammunition  
Baton  
Bulletproof Vest  
Handcuffs  
Holster  
Leather Gear  
Chemical Spray & Holder  
Radio  
Radio Charger/Holder  
Uniforms  
One Primary Duty Sidearm  
Purchase & Maintenance for Security Screening Equipment

### **VEHICLE USE FOR COURT SECURITY NEEDS**

# Vehicles used by Staff  
Miles Driven by allowable personnel  
Authorized cost per mile:

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Sec I: Allowable Cost Narratives:	
Note	
<b>PERSONNEL - DIRECT SECURITY</b>	
1	Court security personnel approved in the budget or provided at special request of the court.
2	Salary, wages and benefits (including overtime) of sheriff, marshal, constable employees including, but not limited to, bailiffs, holding cell deputies, and weapons screening personnel.
3	SUPERVISORY LEVELS: Salary, wages, and benefits, of sheriff, marshal, and constable employees, up to and including the level of Captain, whose supervisory duties require 25% or more of their time on court security functions. Costs shall be based on the percentage of actual time spent in the supervision of court security staff. The cost of any supervisor working less than 25% in the court is not an allowable expense.
4	Security Personnel who: a) patrol hallways and other areas within court facilities, b) supervise prisoners in holding cells within court facilities, c) escort prisoners to and from courtrooms within the court facility, d) unique court operational and staffing issues (i.e. control rooms). Service levels for these functions are to be negotiated between the court and service provider.
5	Negotiated Salary Increases (NSIs) shall be included as well as projected NSIs for periods beyond the expiration of a signed personnel labor contract. No new funding will be provided until the MOU has been ratified and changes verified.
6	Contractual security services - non Government (e.g. private sector outsourced security).
<b>OVERTIME</b>	
7	Overtime coverage is allowable when regularly assigned court security personnel are absent for vacation, and court-required training.
8	Overtime necessary to maintain scheduled coverage and for extraordinary circumstances.

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9	Training, beyond basic training, for needs unique to the court security function and requested by the court (method of payment should be negotiated as part of a local <b>MOU</b> ).
<b>PROFESSIONAL SUPPORT STAFF</b>	
10	Sheriff staff preparing security budgets for the courts or other human resources, financial, or administrative/clerical staff services for the security function of the courts (e.g., their service cost should be based upon the actual time dedicated to meeting requested services in the security function).
11	Salary, wages, and benefits of professional staff employees whose time is directly chargeable to court security needs and/or State budgetary requirements in support of trial court funding (this service may include, but is not limited to staff support of/for payroll processing, financial, administrative and clerical services, human resources, court-mandated information systems, court invoicing and billing, budget preparation, trial-court-related ad hoc reports, surveys, studies).
<b>SECURITY Services &amp; Supplies and EQUIPMENT</b>	
12	Purchase of the following personnel safety equipment: Ammunition, Baton, Bulletproof Vest, Handcuffs, Holster, Leather Gear, Chemical Spray & Holder, Radio, Radio Charger/Holder, Uniforms, One Primary Duty Sidearm.
13	Purchase & Maintenance of security screening equipment.
<b>VEHICLE USE FOR COURT SECURITY</b>	
14	The mileage rate currently in effect by the State may be applied to the costs of allowable security personnel driving in the course of their normal duties (non-prisoner transport).

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Sec II: Non-Allowable Cost Narratives:	
Note	
1	Other sheriff or marshal employees ( <b>not working in the court</b> ).
2	County Overhead cost attributable to the operation of the sheriff/marshal offices. For example, indirect overhead (such as county CWCAP for cost recovery of county operations)
3	Departmental overhead of sheriffs and marshals that is not in the list of Sec I allowable costs.
4	Service and supplies, including data processing, not specified as allowable in Sec I.
5	Furniture
6	Basic training for new personnel to be assigned to court
7	Transportation and housing of detainees from the jail to the courthouse.
8	Vehicle costs used by court security personnel <b>in the transport of prisoners to court</b> .
9	The purchase of new vehicles to be utilized by court security personnel.
10	Vehicle maintenance ( <b>exceeding the allowable mileage reimbursement.</b> )
11	Transportation of prisoners between the jails and courts or between courts.
12	Supervisory time and costs where service for the court is less than 25% of the time on duty.
13	Costs of supervision higher than the level of Captain, regardless of the amount of time they spend on court security supervision activities.
14	Service of process in civil cases.
15	Security outside of the courtroom in multi-use facilities which results in a disproportionate allocation of cost.
16	Any external security costs i.e, Security outside court facility, such as perimeter patrol and lighting.



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Sec II: Non-Allowable Cost Narratives:	
Note	
17	Extraordinary security costs (e.g, General law enforcement activities within court facilities and protection of judges away from the court).
18	Overtime used to staff another function within the sheriff's office if an employee in that function is transferred to court security to maintain necessary coverage.
19	Construction of holding cells or remodeling to improve existing cells.
20	Maintenance of holding facility equipment (not deemed as allowable elsewhere).
21	Facilities alteration or other than normal installation in support of perimeter security equipment.
22	Video arraignment equipment, including purchase and monthly overhead costs for equipment used for video arraignments (i.e., monthly telephone costs, fax, etc.)
23	Costs of workers compensation/disability payments to disabled sheriff or marshal employees who formerly provided security, while the full costs of those positions continue to be funded by the courts.

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Sec III: Addendum Narratives:	
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Note	
1	Security equipment that the State is obligated to fund includes, but is not limited to, Security equipment used within the court facility including metal detection devices, x-ray machines, magnetometers, OCTV, alarms, panic alarms, cameras, card-key systems, special courtroom devices for highly dangerous prisoners. Normal installation only is included. State funds may not be used for facility alterations (such as adding cable raceways, new doorways, and asbestos abatement prior to installation).

2	BENEFITS: This is a list of the allowable employer-paid labor-related employee benefits.
a	County Health & Welfare (Benefit Plans)
b	County Incentive Payments (PIP)
c	Deferred Compensation Plan Costs
d	FICA / Medicare
e	General Liability Premium Cost
f	Leave Balance Payout
g	Premium Pay (such as POST pay, location pay, Bi-lingual pay, training officer pay)
h	Retirement
i	State Disability Insurance (SDI)
j	Unemployment Insurance Cost
k	Workers Comp Paid to Employee in lieu of salary
l	Workers Comp Premiums

3	Item k represents a cost to the sheriff and a benefit paid to the employee when Workers Comp Premiums (item l) do not cover 100% of all workers comp instances. If the premiums (item l) cover all risk and the sheriff is not charged by the county as a result of that coverage, item k will be zero.
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4	" <u>Direct Security</u> " FTE's=Full Time Equivalent personnel. HOURS=Personnel not included as FTE (example Extra Help, Hourly, Contracted).
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5	" <u>Direct Security</u> " HOURS (except Overtime) = Personnel that would not otherwise be included as FTE's (example Extra Help and Hourly personnel).
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# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

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**FIN 15.01**  
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# **GIFTS OF PERSONAL PROPERTY**

**POLICY NUMBER: AOC FIN 15.01**

Original Release Date:

July 1, 2005

Effective Date:

September 1, 2010

Revision Date:

December 4, 2008

## Gifts of Personal Property

### **1.0 Table of Contents**

(Original 7/05)

- 1.0 Table of Contents
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- 3.0 Policy Statement
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 Introduction
  - 6.2 Accepting Gifts
  - 6.3 Processing Gifts
  - 6.4 Gift Monitoring and Reporting
- 7.0 Associated Documents

### **2.0 Purpose**

(Original 7/05)

The purpose of this policy is to establish uniform guidelines for the trial court to use in deciding what unsolicited gifts of personal property it may accept and acknowledging, documenting, monitoring, accounting for, and reporting those gifts.

### **3.0 Policy Statement**

(Original 7/05)

1. The trial court will not solicit gifts from private individuals or entities<sup>1</sup>, or accept gifts of real property. Pursuant to Rule of Court 10.102, the Administrative Director of the Courts has delegated to the Court Executive Officer the authority to accept unsolicited gifts of personal

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<sup>1</sup> This prohibition does not extend to private grant applications. The court may apply for private grants in accordance with the requirements established in Policy No. FIN 5.03 Grant Accounting and Administration and any further guidance that the AOC may issue.

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property on behalf of the court. The Court Executive Officer will decide whether acceptance of a gift of personal property and any terms and conditions is in the best interest of the court and the State of California. In making this decision, the Court Executive Officer will consider the factors listed in the Administrative Director of the Court's written delegation of authority.

2. The trial court will acknowledge, document, inventory, account for, monitor, and report all gifts of personal property that it accepts and will use such gifts only for the purposes provided herein.
3. The trial court will refer any unsolicited offer of a gift of real property to the Administrative Director of the Courts, for a decision regarding acceptance pursuant to Rule of Court 10.102.

#### **4.0 Application** (Original 7/05)

This policy applies to all trial courts, including their officers and employees.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

**Appraisal**  
**Donation**  
**Fair Market Value**  
**Financial Gift(s)**  
**Forbearance**  
**Non-Financial Gift(s)**  
**Personal Property**  
**Real Property**

## **6.0 Text**

### **6.1 Introduction**

(Revised 7/06)

1. Trial courts may accept unsolicited gifts of personal property (financial and non-financial) if doing so would neither create the appearance of partiality nor a conflict of interest for the court, and the requirements specified in this policy are met. All expenditures from financial gifts will be exclusively for the benefit of the court, to assist the court in carrying out its public functions and duties, and consistent with any donor conditions or instructions.

(Original 7/05)

2. Under Rule of Court 10.102, only the Administrative Director of the Courts or the Administrative Director of the Court's designee may accept gifts of real or personal property on behalf of the Judicial Council, the Administrative Office of the Courts, or an individual court. The Administrative Director of the Courts has delegated to the Executive Officers of the trial courts the authority to accept gifts of personal property on behalf of their courts in specified circumstances. (A copy of the Administrative Director of the Court's delegation is included in 7.0, Associated Documents). The delegation will remain in effect until revoked. The Administrative Director of the Courts may revoke the delegation at any time.
3. The trial court will ensure that its Court Executive Officer has sufficient information to properly decide on gift acceptance and that such acceptance is consistent with the requirements of this policy.

## **6.2 Accepting Gifts**

(Original 7/05)

1. The Court Executive Officer has the authority to accept unsolicited gifts of personal property on behalf of the court, if the Court Executive Officer concludes that acceptance of the gift and any terms and conditions:
  - a. Is in the best interest of the court and, therefore, the State of California;
  - b. Is consistent with the law, including the California Code of Judicial Ethics;
  - c. Is consistent with the factors developed by the State Department of Finance under Government Code section 11005.1 ;
  - d. Is consistent with this policy and any other guidelines that the Administrative Office of the Courts may establish regarding trial court gift acceptance; and
  - e. Does not require assumption of a financial obligation extending more than 12 months beyond the date of acceptance other than reasonable maintenance costs.
2. No officer or employee of the trial court may, for private gain accept or receive money, or other compensation from anyone other than the trial court for the performance of his or her trial court duties. Nor may any officer or employee of the trial court solicit, accept, or receive any gift from a private individual or entity doing or seeking to do business with the court.

### **6.2.1 Criteria to be Considered Prior to Gift Acceptance**

The Court Executive Officer may only accept a gift on behalf of the court if the Court Executive Officer concludes that acceptance is in

the best interest of the court, and would not create the appearance of partiality or a conflict of interest for the court. To make this determination, the Court Executive Officer will obtain and consider the following information:

1. The prospective donor's name and address;
2. A description of the gift;
3. The value of the gift (i.e., the amount of a financial gift, or the donor-estimated fair market value<sup>2</sup> or appraisal provided by the donor of a non-financial gift exceeding \$5,000);
4. The estimated costs (if any) that the court expects to incur as a result of accepting the gift (e.g., needed repairs, periodic maintenance, matching costs, accessories, connection fees, etc.) and the approximate dates or intervals on which the court expects to incur each cost;
5. Advantages and disadvantages to the court of accepting the gift;
6. The prospective donor's conditions or instructions concerning the use of the gift and disposition of any residual balance;
7. Whether the prospective donor currently does or is seeking to do business with the court;
8. Whether acceptance of the gift would create the appearance of undue influence or a conflict of interest for the court, or would impair public confidence in its integrity or impartiality; and
9. Whether the prospective donor's publicly endorsed values or policies conflict with the court's values or policies.

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<sup>2</sup> The trial court will not affirm the donor-estimated fair market value.



### **6.2.2 Unacceptable Gifts**

The trial court should not accept a gift if:

1. Acceptance would require the court to assume an expense (other than reasonable maintenance costs) or financial liability extending more than 12 months beyond the date of acceptance;
2. The gift would cost more to administer than the value of the gift to the court, or would be burdened by unreasonable restrictions or conditions;
3. A condition of the gift would be that the court use or display the prospective donor's name or logo;
4. The prospective donor currently is, or is reasonably likely to come, before the court in litigation, either as a party or attorney (e.g., companies that conduct business in the court's jurisdiction);
5. The donor's interests or the interests of the donor's funding sources currently are, or are reasonably likely to come, before the court (for example, associations whose members are affiliated with a particular side in litigation [e.g., landlords, plaintiff's bar] or with a social or political cause that reasonably could come before the court); or
6. The publicly endorsed values or policies of the donor conflict with those of the court or are controversial (e.g., a private entity that maintains a policy of, or publicly has been accused of, discriminating based on race, gender, or other illegitimate criteria).

### **6.2.3 How Gifts Are to be Used**

The court will use any gifts that it accepts exclusively for the benefit of the court, to assist the court in carrying out its public functions and

duties, and in a manner that is consistent with any donor conditions or instructions.

#### **6.2.4 Designation of Gifts of Personal Property**

All financial gifts regardless of value, should be made payable to the trial court. Donors may choose to have their gift fully expended or endowed, and may direct their gift to a department within the trial court provided that:

1. Nothing of value, benefit, influence, or consideration accrues or is promised to the donor as a result of the gift; and
2. The directed gift does not benefit any person dealing at arm's length with the donor.

### **6.3 Processing Gifts** (Original 7/05)

The trial court will ensure that its officers and staff follow the procedures set forth below in processing all gifts.

1. The Court Executive Officer or a designee will document the court's acceptance of each gift, the date that the court received the gift, the name and address of the donor, a description of the gift, the value of the gift (i.e., the amount of financial gifts or the donor-estimated fair market value or appraisal provided by the donor of a non-financial gift exceeding \$5,000), and any donor conditions or instructions.
2. Any personal property that the trial court may acquire through gifts belongs to the court, regardless of value, and, as such, will be accounted for in the inventory and accounting records of the trial court, as appropriate.

3. Financial gifts will be segregated in the court's accounting records. Moreover, deposits and expenditures of financial gifts will be maintained, monitored, and accounted for separately.
4. Gifts will be used exclusively for the benefit of the court, to assist the court in carrying out its public functions and duties, and in a manner that is consistent with any donor conditions and instructions.
5. Upon acceptance of a gift, the trial court will issue a written acknowledgement to the donor containing the following information:
  - a. The name, address, and federal tax ID number of the trial court;
  - b. The donor's name and address;
  - c. The amount of a financial gift or the donor-estimated fair market value or appraisal of a non-financial gift and, if the fair market value of a non-financial gift exceeds \$5,000, the name and address of the appraiser (the donor should provide a copy of the appraisal to the court, if available);
  - d. The date that the court received the gift;
  - e. A statement that the court did not solicit the gift and nothing of value, benefit, influence, or consideration was or will be promised or given as a result of the gift; and
  - f. A statement that the gift will be used exclusively for the benefit of the court and the State of California, to support and assist the court in carrying out its public functions and duties, and in a manner that is consistent with any donor conditions or instructions.

#### **6.4 Gift Monitoring and Reporting** (Original 7/05)

1. The trial court will monitor actual financial gift expenditures against its available financial gift resources on a regular basis. Financial gift expenditures will not exceed available resources and will be used exclusively for the purpose for which they were originally donated.

(Revised 9/10)

2. Within forty-five days of receipt, the trial court will prepare and submit to the AOC Office of Budget Management a report of gift(s) that the court accepted. The report will include:
  - a. All donor names and addresses;
  - b. The date on which the court received the gift;
  - c. A description of the gift;
  - d. The value of the gift (i.e., the amount of each financial gift, and the donor-estimated fair market value or appraisal of the non-financial gift);
  - e. A list of the costs that the court expects to incur as a result of accepting the gift (e.g., needed repairs, periodic maintenance, matching costs, accessories, connection fees, etc.) and the approximate dates or intervals on which the court expects to incur each cost;
  - f. Any donor conditions or instructions concerning the use of an individual gift and the disposition of any residual balance;
  - g. A statement confirming that the court has determined, in each instance, that the donors currently do not, and are not seeking to, do business with the court;
  - h. A statement confirming that the court has determined, in each instance, that acceptance of the gift will not create the appearance of undue influence or a conflict of interest, and will

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not impair public confidence in the court's integrity or impartiality; and

- i. A statement confirming that the court has concluded the donor's publicly endorsed values and policies do not conflict with the court's policies or goals.
3. The trial court will follow any additional instructions regarding gift reporting that the AOC's Office of Budget Management may issue.
4. The Court Executive Officer will review and approve all reports regarding gift acceptance before they are submitted.
5. The trial court will retain for its records copies of all gift acceptance reports that it submits.

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## **7.0 Associated Documents**

(Revised 9/10)

**A copy of the Delegation of Authority to Accept Gifts by the  
Administrative Office of the Courts**

**Sample Written Acknowledgement for Financial Gifts**

**Sample Written Acknowledgement for Non-Financial Gifts**

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**Delegation of Authority to Accept Gifts  
Under California Rules of Court, Rule 10.102(b)(1)**

Pursuant to rule 10.102(b)(1) of the California Rules of Court, I hereby delegate to the executive officer of each superior court of the State of California the authority to accept any gift of personal property (i.e., money, goods, or other movable property, see Civ. Code, §§ 14, 657) on behalf of his or her court, if the executive officer finds that acceptance of the gift and any terms and conditions:

1. Is in the best interest of the court and, therefore, the State; and
2. Is consistent with:
  - a. the law, including the California Code of Judicial Ethics,
  - b. the factors developed by the State Department of Finance under Government Code section 11005.1, and
  - c. any guidelines established by the Administrative Office of the Courts; and
3. Does not require assumption of a financial obligation extending more than 12 months beyond the date of acceptance other than reasonable maintenance costs.

Courts must properly document and report to the AOC all gifts that they accept pursuant to this delegation, according to the guidelines set forth in the *Trial Court Financial Policies and Procedures Manual*. The ability to accept gifts of real property is not included in this delegation.

This delegation replaces my earlier delegation of the same authority, which I executed on February 13, 2002 pursuant to former rule 989.7 of the California Rules of Court.

Dated: \_\_\_\_\_  
\_\_\_\_\_

William C. Vickrey  
Administrative Director of the Courts

## Sample Written Acknowledgement for Financial Gifts

### Written Acknowledgement for Financial Gift

#### Donation Information

Date Court Received Gift: \_\_\_\_\_

Donation to Superior Court of California, County of \_\_\_\_\_

Court Address: \_\_\_\_\_

Court Telephone Number: \_\_\_\_\_

Court's Federal Tax ID #: \_\_\_\_\_

Donation Amount: \_\_\_\_\_ Check ☐ Check #   
Cash ☐  
Other: \_\_\_\_\_

Purpose of Donation: The donor has expressed a desire that this gift benefit the Superior Court of California, County of \_\_\_\_\_, and that the gift be used to support and assist the court in carrying out its public function and duties.

Donor Conditions or Instructions:

The court did not solicit this gift. Nothing of value, benefit, influence, or consideration was, or will be, promised or given as a result of the gift. The court will use this financial gift exclusively for the benefit of the court, to support and assist the court in carrying out its public functions and duties, and in a manner that is consistent with any donor conditions or instructions set forth above.

#### Donor Information

Name (Donor): \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Issued By: \_\_\_\_\_ Title: \_\_\_\_\_

Date Issued: \_\_\_\_\_



## Sample Written Acknowledgement for Non-Financial Gifts

### Written Acknowledgement for Non-Financial Gift

#### Donation Information

Date Court Received Gift: \_\_\_\_\_

Donation to Superior Court of California, County of \_\_\_\_\_

Court Address: \_\_\_\_\_  
\_\_\_\_\_

Court Telephone Number: \_\_\_\_\_

Court's Federal Tax ID #: \_\_\_\_\_

Proof of Value/Receipts Attached: Yes\_\_\_ No\_\_\_

If "No", Est. Value of Gift<sup>3</sup>: \_\_\_\_\_

Appraisal Completed: Yes\_\_\_ No\_\_\_ Name of Appraiser: \_\_\_\_\_

Appraisal Attached: Yes\_\_\_ No\_\_\_ Address of Appraiser: \_\_\_\_\_

Description of Donation: \_\_\_\_\_

Purpose of Donation: The donor has expressed a desire that this gift benefit the Superior Court of California, County of \_\_\_\_\_, and that the gift be used to support and assist the court in carrying out its public functions and duties.

Donor Instructions or Conditions:

The court did not solicit this gift. Nothing of value, benefit, influence, or consideration was, or will be, promised or given as a result of this gift. The court will use this non-financial gift exclusively for the benefit of the court, to support and assist the court in carrying out its public functions and duties, and in a manner that is consistent with any donor conditions or instructions set for above.

<sup>3</sup> **The trial court will not affirm the donor-estimated fair market value.**

#### Donor Information

Name (Donor): \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Issued By: \_\_\_\_\_ Title: \_\_\_\_\_

Date Issued: \_\_\_\_\_



# **Judicial Council of California**

## **Administrative Office of the Courts**

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**FIN 15.02**  
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# **INDIRECT COST RATE PROPOSAL (ICRP)**

**POLICY NUMBER: AOC FIN 15.02**

Original Release Date:

July 1, 2006

Effective Date:

September 1, 2010

Revision Date:

October 7, 2009

# Indirect Cost Rate Proposal (ICRP)

## **1.0 Table of Contents**

(Original 7/06)

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- 3.0 Policy Statement
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 General Information
  - 6.2 Method and Basis for Developing the ICRP
  - 6.3 How to Prepare an ICRP
  - 6.4 Application of the Indirect Cost Rate
  - 6.5 Documentation Requirements
  - 6.6 Responsibilities
  - 6.7 Indirect Cost Rate Implementation
  - 6.8 Record Retention
- 7.0 Associated Documents

## **2.0 Purpose**

(Original 7/06)

The purpose of this policy is to establish uniform guidelines for the trial court to use in developing an Indirect Cost Rate Proposal (ICRP). The ICRP provides a basis for billing other entities for an appropriate share of indirect costs.

## **3.0 Policy Statement**

(Original 7/06)

1. The trial court will prepare an ICRP annually. The trial court will follow the guidelines contained herein; except a trial court with a multiple rate method approved by a federal entity will be excluded from the guidelines

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contained in Section 6.3, How to Prepare an ICRP (applicable to the simplified method only).

2. The trial court will comply with federal and state guidelines in allocating and distributing costs.

#### **4.0 Application** (Original 7/06)

This policy applies to all trial courts, including their officers and employees developing an ICRP.

#### **5.0 Definitions** (Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

##### **Benefits**

##### **Indirect Cost Rate Proposal (ICRP)**

##### **Simplified Method**

##### **PECT-Budget Program Structure; Program, Element, Component, and Task**

#### **6.0 Text**

##### **6.1 General Information** (Revised 9/10)

1. The full cost recovery of services includes all costs directly attributable to an activity, plus an appropriate share of indirect costs that can be attributed reasonably to the activity or service provided. Indirect costs, such as administrative expenses, benefit more than one cost center or program and therefore cannot be readily associated with a specific cost center or program without effort

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disproportionate to the results achieved. Indirect costs are normally charged to other entities by the use of an indirect cost rate and will assist courts when they bill other entities for services.

2. Under United States Office of Management and Budget guidelines, the court must use consistent cost recovery rates across the court's cost centers and programs. There are exceptions, i.e. when the federal government stipulates a particular indirect cost recovery rate in connection with a federal grant, or requests that a separate rate be negotiated for specific programs. Also, indirect cost recovery rates must be adjusted in connection with the court's comprehensive collections program because capital expenditures, including equipment allowances based on capital expenditures, are excluded by statute from recovery.

(Original 7/06)

3. Anyone who prepares, reviews, or approves indirect cost rates or who prepares billings for services rendered to private, local, state, or federal governments either directly or indirectly through other agencies should become familiar with the indirect cost rate proposal procedure. The information detailed in this procedure provides helpful information, including how to identify costs that can be included in the indirect cost rate and those that cannot.

## **6.2 Method and Basis for Developing the ICRP**

1. Two basic methods are used to calculate indirect cost rates, either the simplified method or the multiple rate method. The procedures contained in Section 6.3, How to Prepare an ICRP pertain to the simplified method. In this method, each major function of an entity benefits from its indirect costs to approximately the same degree.
2. An equitable base is required for the allocation of indirect costs. Most ICRPs are developed using the salaries/wages and benefits, as these

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costs are usually easier to identify and they account for the largest percentage of an entity's budget. To establish a standard statewide basis, the courts will use salaries/wages and benefits as the basis for allocating indirect costs and developing an ICRP for each fiscal year.

(Revised 9/10)

3. The type of rate the courts will develop for the ICRP is a fixed rate with a carry-forward adjustment. Initially, the fixed rate is based on the court's budget. There was no carry-forward adjustment included in the ICRP calculation in the first or second fiscal years. In the third fiscal year, the actual costs for the first year will be available. Calculate the carry-forward adjustment by comparing the budgeted first fiscal year indirect and direct figures to the actual costs for that year. The difference between the budgeted and actual amounts will result in the carry-forward adjustment. This adjustment could be either an increase or a decrease and must be included in the ICRP calculation for the third fiscal year. Each year thereafter, as the actual figures become available, compare them to the budgeted amounts and include the carry-forward adjustment on the ICRP Calculation Form by listing it on the ICRP Worksheet.

### **6.2.1 Court Indirect Costs**

1. Court indirect costs include such items as, administration, legal, accounting, information technology, and outside entities providing similar services. In general, indirect costs include:
  - a. Costs of budgeted salaries/wages and benefits of court administrative, supervisory, and executive staff;
  - b. Costs of budgeted salaries/wages and benefits of support units, including accounting, business services, human resources, internal audit, legal, information technology, clerical support, etc.; and

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- c. Costs of operating expenses and equipment associated with the court administrative, supervisory, executive, and support unit staff. These costs will include, but are not limited to, costs for services provided by an outside entity, including county costs, for handling the court's payroll, accounting, information technology, etc.

2. Characteristics of indirect costs include:

- a. Costs that benefit more than one cost center or program;
- b. Costs that are not cost effective either to identify or to allocate to a specific direct cost center or program;
- c. Costs that are necessary and reasonable for efficient administration;
- d. Costs that are authorized and not prohibited by federal, state, or local laws or regulations;
- e. Costs that are in conformity with any limitations or exclusions required by regulations, policy, or grant terms; and
- f. Costs which are consistent with policies, regulations, and procedures apply equally to both federal and nonfederal activities.

### **6.3 How to Prepare an ICRP** (Original 7/06)

The following information provides a brief overview for developing an indirect cost rate utilizing the simplified method and explains, in general terms, how to prepare an ICRP.

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### **6.3.1 Preliminary Steps in the Preparation of an ICRP**

1. Budgeted costs included in the ICRP must ultimately be reconciled with the court's official budgeting/accounting records. The reconciliation process requires the use of detailed budgeting/accounting records such as the Schedule 1, Schedule 7A Salaries and Wages, and Financial Report, or similar budget and expenditure documents. The information in these statements should provide the necessary information to determine that costs have been properly classified as either direct or indirect.

(Revised 9/10)

2. Whenever possible, budgeted costs should be directly allocated to a specific cost center or program. No universal rule provides for classifying certain costs as either direct or indirect under every budgeting/accounting system. Similar costs must be treated in the same manner across the cost center or programs. For example, travel costs should be charged to the benefiting cost center or programs in the same manner court-wide. Specific costs such as storage rent or telecommunications should be directly allocated to all benefiting cost centers or programs, as well as to indirect units, if applicable. For example, telephone line charges should be allocated across all cost centers or programs (direct and indirect) on a reasonable basis such as number of employees. It is important to be consistent. (Note: An entity may require a separate rate for a particular program or project.)

(Original 7/06)

3. Once the reconciliation is complete, a careful examination of budgeted costs is necessary to ensure that all appropriate costs are included in the ICRP and are properly classified as either direct or indirect costs. As part of this examination, the court will identify and document:



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- a. Unallowable costs
  - b. Un-allocable costs
4. To assist the court in determining whether a cost is un-allocable, review the typical characteristics of allocable costs as stated below:
- a. A cost is allocable to each cost objective receiving an appropriate share of the benefits (goods or services) for which the cost was incurred;
  - b. Costs allocable to a particular program should not be charged to other program(s), to make up for funding deficiencies, to avoid restrictions imposed by law or terms of a contract or award, or for other reasons; and
  - c. Costs must be allocable to and not specifically prohibited or restricted by the contract, award, or grant for the private, local, state, or federal entity.

(Revised 9/10)

Note: Unallowable costs will be identified and adjusted on the ICRP Calculation Form. Un-allocable costs (for example, a cost classified as indirect that should be a direct charge) will be identified, and deducted from the indirect costs on the ICRP Calculation Form. In addition, if the un-allocable costs pertain to salaries/wages and benefits, the costs will be added to the direct costs on the ICRP Calculation Form. This will ensure that the costs are properly reflected in the calculation. All items that should be adjusted will be listed in detail on the ICRP Detail Worksheet. This will provide a clear record of all adjustments for use in both the review process and in the calculation of the carry-forward adjustment.

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(Original 7/06)

5. The manner in which costs are charged to and reimbursed by the federal government is governed by regulations published by the Federal Office of Management and Budget (OMB), specifically in OMB Circular A-87. The objective of that circular is to provide specific and consistent principles and standards for determining costs of federal awards carried out through grants, cost reimbursement contracts, and other agreements with governmental agencies. The circular may be obtained online at [www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars), then click on OMB Circular A-87. You will have a choice of reviewing an HTML or PDF file. Expenses must be identified as either allowable or unallowable. Refer to Allowable and Unallowable Costs for Consideration in the Development of an ICRP, for some factors that will assist in identifying allowable and unallowable costs associated with the ICRP.

### **6.3.2 Steps in the Preparation of the ICRP Calculation Form** (Revised 9/10)

1. Section I of the ICRP Worksheet:
2. Total budgeted indirect costs (salaries/wages, benefits, and operating expenses and equipment for indirect cost centers or programs for all funding sources) are posted on the ICRP Worksheet;
  - a. Deduct unallowable and un-allocable budgeted indirect costs, such as equipment; late fees, capital expenditures, etc. (detail each one on the ICRP Detail Worksheet). Equipment is defined as having a useful life of at least one year and a unit acquisition cost of at least \$5,000. Courts use Major Equipment-Non-EDP and Major Equipment-EDP objects of expenditure to record equipment costing at least \$5,000 for indirect cost centers or

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programs. The indirect equipment costs are not allowed at the full rate; instead, an equipment allowance at a depreciated rate of 6.67 percent is allowed;

- b. Add the 6.67 percent equipment allowance (formula driven), except for the comprehensive collection program ICRP; and
  - c. Courts post the indirect cost carry-forward increase or decrease (beginning with the third fiscal year and thereafter).
  - d. Section I—Total Allowable Indirect Costs. This line contains a formula capturing the total budgeted indirect costs, deducting the unallowable/un-allocable costs, and adding the equipment use allowance.
3. Section II of the ICRP Worksheet:
- a. Total budgeted salaries/wages and benefits (direct and indirect cost centers or programs for all funding sources, including the total state level salaries, wages and benefits paid on behalf of the court for Judges) are posted on the ICRP Worksheet;
  - b. Deduct the total budgeted indirect salaries/wages and benefits; and
  - c. Add any indirect salaries/wages and benefits that should be charged directly to a cost center or program.
  - d. Section II—This line is the Total Direct Salaries/Wages and Benefits.
4. The indirect cost rate is a formula and is automatically calculated in Section III of the ICRP Calculation Form as follows:

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- a. Section I—Total Allowable Indirect Costs divided by Section II—Total Direct Salaries/Wages and Benefits.
- b. The above formula will provide the courts with the indirect cost rate, expressed as a percentage.

The AOC ICRP preparation instructions may be downloaded from Serranus at <http://serranus.courtinfo.ca.gov>.

#### **6.4 Application of the Indirect Cost Rate** (Original 7/06)

1. When the court bills any entity (private, local, state, or federal), the applicable indirect cost rate percentage in effect is applied to the direct salaries/wages and benefits listed in the billing, unless the contract, award, or grant prohibits, restricts or “caps” the dollar amount of indirect costs charged. Each billing will include:

(Revised 9/10)

- a. Direct cost center or program charges for salaries/wages and benefits;
- b. Direct cost center or program charges for operating expenses and equipment; and
- c. Indirect costs (based on the percentage of salaries/wages and benefits charged to direct cost center or programs).

#### **6.5 Documentation Requirements** (Revised 9/10)

1. An ICRP’s documentation includes the rate proposed, organization charts, cost schedules, financial data, and other supporting documentation detailing the court’s indirect cost distribution method to

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its cost centers or programs. The ICRP must be reviewed and approved by the court executive officer or designee and recommended for approval by the Administrative Office of the Courts' (AOC) regional budget analyst. Refer to the Indirect Cost Rate Checklist Form for additional information and assistance regarding ICRP documentation requirements. If a court is seeking reimbursement directly from the federal government, the ICRP will be submitted to the court's primary federal agency for review, negotiation (where appropriate), and approval after the internal approvals as stated above have been acquired. In this instance, a form entitled Certificate of Indirect Costs is required and must accompany the ICRP. Depending on the circumstances, the federal government may also require additional data.

(Original 7/06)

2. An ICRP that is developed for review and approval by the federal government may be more restrictive than one developed to recover indirect costs for an activity or service provided to a nonfederal entity. If that proves to be the case, it may be necessary to develop a separate ICRP for a specific federal program.

## **6.6 Responsibilities**

(Original 7/06)

The following information highlights the responsibilities of the court, the AOC, and the primary federal, state, or other entity.

### **6.6.1 Court**

(Revised 9/10)

Annually, as soon as practical after the fiscal year budget is finalized and reconciled, the court is responsible for preparing the ICRP. In addition, the court is responsible for complying with federal and state guidelines in allocating and distributing costs, as well as with the

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guidelines contained within this procedure. The court is responsible for sending supporting documentation to their AOC regional budget analyst for review and recommendation of approval, regardless of the method used to calculate the indirect cost rate. The ICRP documentation is subject to audit and must be retained by the court in accordance with the record retention requirements as detailed in Section 6.8, Record Retention.

### **6.6.2 AOC**

It is the responsibility of the court's regional budget analyst to review the court's ICRPs and supporting documentation and to make recommendations to the AOC Director of Finance on each of the court's ICRPs. An approved copy will be returned to the court within 30 days of receipt. The regional budget analyst may contact the court for additional information, if necessary. The AOC will also assist the court by providing clarifying information regarding the ICRP process.

### **6.6.3 Private, Local, State, or Federal Entity** (Original 7/06)

A contract, award, or grant with a private, local, state, or federal entity may prohibit, restrict or "cap" the amount of indirect costs. Typically, a separate ICRP is not required in these instances, excluding ICRP requirements related to the federal government. In most cases, the primary federal agency is the federal entity that provides the largest federal award to the court. The primary federal agency is known as the recognized federal agency; it is responsible for reviewing, negotiating, and approving the ICRP on behalf of all other federal agencies. A federal agency may, however, require a separate, indirect rate for specific programs.

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## **6.7 Indirect Cost Rate Implementation**

(Revised 9/10)

To achieve full cost recovery, each court will apply the applicable indirect cost rate (in effect at the time the billing is prepared) to the total salaries/wages and benefits of direct cost centers or programs, unless an indirect cost rate exception is in effect for the entity being billed (as may be the case with the federal government). Occasionally, a court may receive an award from the federal government that covers a period extending beyond the date of a single fiscal year's approved indirect cost rate. This is likely when the award period does not correspond to the fiscal year of the court. In such a case, the ICRP rate(s) may require negotiation with the federal agency. This may result in multiple indirect cost rates' being applied to billings in a given fiscal year.

## **6.8 Record Retention**

(Revised 9/10)

Generally, records must be retained for current year plus four years from the submission date of the final financial report for that funding period. However, if any litigation, claim, negotiation, audit, or other action involving the records has been initiated before the current year plus four-year retention period has expired, the records must be retained until the action is completed and all issues arising from it have been resolved.

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## **7.0 Associated Documents**

(Revised 9/10)

### **Allowable and Unallowable Costs for Consideration in the Development of an ICRP**

#### **Federal Allowability Determination of Selected Items**

#### **ICRP Calculation Form**

#### **Indirect Costs Rate Checklist Form**

#### **Certification of Indirect Costs**



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## **Allowable and Unallowable Costs for Consideration in the Development of an ICRP**

Expenses must be identified as either allowable or unallowable. Most expenditures are allowable; the court will need to specifically track the unallowable costs. Listed below are some of the factors considered in determining allowable or unallowable costs.

### **Allowable Cost Principles**

- Necessary and reasonable for the efficient administration of the private, local, state, or federal government contract, award, or grant.
- Allocable to the private, local, state, or federal contract, award, or grant.
- Authorized and not prohibited by applicable laws and regulations.
- In conformity with any limitations or exclusions required by private, local, state, or federal law, regulations, policy and terms of contract, award, or grant.
- Consistent with policies, regulations, and procedures. In addition, costs must be applied equally to federal and nonfederal activities.
- Treated consistently. For example, a cost must not be charged as a direct cost to a private, local, state, or federal program if a similar cost incurred for the same purpose is allocated to a private, local, state, or federal program as an indirect cost. Another example is final payout costs for staff that have terminated employment. Final payout costs should not be directly charged but should be included in the indirect costs category. Otherwise, all staff's termination costs would require that their time be directly charged to all programs that they worked on during their employment at the court.
- In conformity with generally accepted accounting principles, unless alternative treatment is allowed or approved in private, local, state, or federal law, regulation, policy, or other specific approval document.
- Net of all applicable credits. Receipts or credits must reduce or offset allocable direct or indirect costs.
- Adequately documented.

### **Unallowable Costs**

- Fines and Penalties—Except when (1) incurred as a result of compliance with specific private, local, state, or federal contract, award, or grant provisions or (2) when the court receives advance written approval from the private, local, state, or federal government to bill the entity for the cost.
- Entertainment—Costs associated with entertainment, social activities, sports events, shows, etc.

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- Fundraising—Costs of fundraising, financial campaigns, gift solicitations, and similar expenses regardless of the purpose for which the funds will be used.
- Contingencies—Contributions to a contingency reserve or a reserve for uncertainties.
- Legal Costs—Legal expenses incurred to prosecute claims against the private, local, state, or federal government (or for the defense of legal action brought by the private, local, state, or federal government).
- Lobbying—Costs incurred to influence obtaining contracts, awards, or grants.
- Personal amusement, social activities, or entertainment (outside of activities directly related to functions or purposes, including employee-employer relations, performance improvement, etc).
- Personal social or travel club dues.
- Parking permits for employees or students, unless specifically negotiated and included as a benefit in an approved bargaining union agreement.
- Traffic citations for either personal or court vehicles.
- Personal, non-court-related services or purchases.
- Cost overruns in a private, local, state, or federal contract, award, or grant cannot be charged to another contract, award, or grant.
- Costs disallowed by court policy.
- Accrued leave balances, such as vacation, sick leave, bereavement leave, and holiday credits.

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## Costs with Restrictions

- Advertising and public relations are allowable as direct costs for recruitment, procurement, disposal of surplus materials, and any other specific purposes that directly pertain to the private, local, state, or federal contract, award, or grant.
- To provide public or press notification of private, local, state, or federal contracts, awards, or grants related financial matters, and specific activities or accomplishments of the federal program.
- Bad debts are restricted, unless specifically provided for in the contract, award, or grant.
- Cost of membership in civic, community, and social organizations as a direct cost, with the approval of the private, local, state, or federal government.
- Investment advice costs for pension, self-insurance, and other funds. Approval required for funds that include federal participation.
- Federal regulations restrict interest, unless an exception is received to finance previously approved costs to acquire, construct, or remodel buildings or equipment.
- Costs of preparing a federal grant proposal require prior approval of the primary federal agency.
- Advertising and public relations designed solely to promote the court. Any other advertising and public relations costs not specifically approved are unallowable.
- Typically, conventions, meetings, or similar events related to other court activities that are not specifically approved. These include the cost of displays, demonstrations, exhibits, meeting rooms, hospitality suites, and other special facilities for shows and special events (including the salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings).
- Promotional items and memorabilia, including models, gifts, and souvenirs.

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### **Specific Federal Cost Items**

These principles apply whether a cost is treated as direct or indirect. Under the prescribed principles, costs are unallowable if they do *not* benefit federal programs or if they are:

- General government costs, such as elected officials.
- Specifically unapproved (or require approval that has not been secured).
- Contrary to federal, state, or local law and policy.

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**Federal Allowability Determination of Selected Items**

The following items are excerpts from the Office of Management and Budget (OMB) Circular A-87, Attachment B. The following selected cost items are allowable/unallowable as indicated:		
<b>Selected Items of Cost</b>	<b>Allowable/Unallowable</b>	<b>OMB Circular A-87 Reference</b>
Advertising and Public Relations	Allowable with restrictions	Section 1
Advisory Councils	Allowable with restrictions	Section 2
Alcoholic Beverages	Unallowable	Section 3
Audit Services	Allowable with restrictions	Section 4
Bad Debts	Unallowable	Section 5
Bonding Costs	Allowable	Section 6
Communications	Allowable	Section 7
Compensation for Personal Services	Allowable with specific criteria to support salaries and wages, fringe benefits, pension plan costs, postretirement health benefits, severance pay, and donated services	Section 8 (paragraphs a. through l.)
Contingencies	Unallowable	Section 9
Defense/Prosecution (Criminal/Civil)	Allowable with restrictions	Section 10
Depreciation and Use Allowance	Allowable with restrictions	Section 11
Donations and contributions	Unallowable	Section 12
Employee Morale, Health, and Welfare Costs	Allowable with restrictions	Section 13
Entertainment	Unallowable	Section 14
Equipment and Capital Expenditures	Allowable as direct costs when approved	Section 15
Fines and Penalties	Unallowable (with exceptions)	Section 16
Fundraising Costs	Unallowable	Section 17
Gains and Losses on Disposition of Property	Accounting treatment prescribed	Section 18

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General Government Expenses	Unallowable	Section 19
Idle Facilities	Allowable with restrictions	Section 21
Insurance and Indemnification	Allowable with restrictions	Section 22
Interest and Investment Management Costs	Allowable with restrictions	Section 23
Lobbying	Unallowable	Section 24
Maintenance, Operations, and Repairs	Allowable	Section 25
Materials and Supplies	Allowable	Section 26
Memberships, Subscriptions, and Professional Activities	Allowable with restrictions	Section 28
Pre-Award Costs	Allowable with written approval	Section 31
Professional Services Costs	Allowable with restrictions	Section 32
Proposal Costs	Allowable with restrictions	Section 33
Publication and Printing Costs	Allowable	Section 34
Facilities Rearrangements, Alterations, and Reconversion Costs	Allowable with restrictions	Section 35 and 36
Rental Costs	Allowable with restrictions	Section 37
Taxes	Allowable with restrictions	Section 40
Training	Allowable for employee development	Section 42
Travel Costs	Allowable with restrictions	Section 43

ICRP CALCULATION FORM  
INDIRECT COST RATE PROPOSAL  
SUPERIOR COURT OF CALIFORNIA  
COUNTY of: FISCAL YEAR: 200X-200X  
FIXED RATE WITH CARRY-FORWARD

		Budget Report Reference
<b>Section I</b>		
<b>Indirect PECTs, Programs, and Projects</b>		
Salaries/Wages, Benefits and Operating Expenses & Equipment	0	# 1
Deduct: Unallowable/Unallocatable Budgeted Costs	0	# 2
Equipment	0	# 3a
Add: Equipment Use Allowance	0	# 3b
<b>Section I - Total Allowable Indirect Costs</b>	\$ -	<b># 4</b>
<b>SECTION II</b>		
<b>Direct PECTs, Programs, and Projects</b>		
Total Salaries/Wages and Benefits (Direct and Indirect)	0	# 5
Deduct: Indirect Salaries/Wages and Benefits	0	# 6
<b>Section II - Total Direct Salaries/Wages and Benefits</b>	\$ -	<b># 7</b>
<b>SECTION III</b>		
<b>FISCAL YEAR 200X/200X INDIRECT COST RATE</b>		<b>Rate</b>
<b>Section I - Total Allowable Indirect Costs</b>	\$ -	<b># 8</b>
<b>Section II - Total Direct Salaries/Wages and Benefits</b>	\$ -	<b>0.00%</b>
For billing purposes, the indirect cost rate percentage is applied to direct salaries/wages and benefits only, unless the contract, award, or grant prohibits, restricts or "caps" the dollar amount of indirect costs charged.		

\* Equipment allowance of 6.67% of indirect equipment objects of expenditure.

\*\* The initial ICRP is based on budget dollars, and the carry-forward adjustment is actual costs vs. budget.

**CERTIFICATION:** This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal ( identify date ) to establish cost allocations or billings for ( identify fiscal year ) are allowable in accordance with the requirements of the Federal awards to which they apply and OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently, and the Federal government will be notified of any accounting changes that would affect the rate.

I declare that the foregoing is true and correct.

**Approved by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Court Executive Officer or Designee**

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Section I-Indirect PECTs, Programs, and Projects				
# 1	Salaries/Wages, Benefits and Operating Expenses & Equipment (Amounts below are populated from the FY 200X-200X Schedule 1)			
# 1a	TCTF	Non-TCTF		
	-	-		
# 1b	Indirect Salaries/Wages and Benefits Reallocated to Direct Pects (Amount is from the ICRP Detail Worksheet:TABLE #1)			
	TCTF	Non-TCTF		
	-	-		
Total	0	0	Total # 1	0
# 2	Deduct: Unallowable/Not Allocable Budgeted Costs (Amount is from the ICRP Detail Worksheet:TABLE #2)			
	-	-	Total # 2	0
# 3	Equipment (from Court Admin PECTs) Deduct Major Equipment (obj no 451.00) (Amounts below are populated from the FY 200X-200X Schedule 1)			
# 3a	TCTF	Non-TCTF		
Executive	-	-		
Fiscal	-	-		
Human Resources	-	-		
Business & Facilities	-	-		
Information Technology	-	-		
Total	-	-	Total # 3a	0
# 3b	Equipment Use Allowance (TCTF & Non-TCTF)			
6.67%	0		Total # 3b	0
# 4	Section I Total (Total 1- 2 - 3a + 3b=4)			
			Total # 4	0
Section II-Direct PECTs, Programs, and Projects				
# 5	Total Salaries/Wages and Benefits ( Direct And Indirect) (Amounts below are populated from the FY 200X-200X Schedule 1)			
	0			
	Judges' Salaries/Wages & Benefits (State level Judge's salaries/wages and benefits--excluding those amounts already reported in the Schedule 1)			
	0			Total # 5
# 6	Deduct Indirect Salaries/Wages and Benefits (from Court Admin PECTs) (Amounts below are populated from the FY 200X-200X Schedule 1)			
	TCTF	Non-TCTF		
Executive	0	0		
Fiscal	0	0		
Human Resources	0	0		
Business & Facilities	0	0		
Information Technology	0	0		
Total	-	-		
	Indirect Salaries/Wages and Benefits Reallocated to Direct Pects (Amounts below are populated from the ICRP Detail Worksheet:TABLE #1)			
	TCTF	Non-TCTF		
	-	-		
Total	0	0	Total # 6	0
# 7	Section II Total (5-6)			
			Total # 7	0
Section III-Indirect Cost Rate				
# 8	Total Section I divided by Total Section II			Total # 8
				0.00%







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# **INDIRECT COST RATE CHECKLIST FORM**

Applicable Fiscal Year:	Date Submitted:
Court Name:	Phone:
Contact Person:	
E-mail address:	
<b>Check the appropriate box</b>	<b>Yes   No   NA</b>
Is the organization chart attached?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Is the supporting data for costs attached?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Are the official records or reports attached?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Is a copy of the approved budget attached?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Is other cost data attached?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Are all costs reconciled with support data?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Are all schedules cross-referenced to supporting documentation, schedules, and financial data?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Is the ICRP template reviewed and approved by the CEO or designee?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Has the prior-year ICRP been reviewed and compared to current year, to determine accuracy and consistency?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Does the ICRP identify indirect expenses by function and cost category?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
If applicable, are the carry-forward adjustment worksheets attached?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Is a description of major functions or activities attached? A listing of Cost Centers designated as direct and indirect will satisfy this requirement.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
Is a list of federal contracts and grants attached? The list must include amounts, period of performance, and the indirect cost limitations or restrictions (if any) applicable to each.	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
Is the ICRP certification signed and attached?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Reviewed By:	Date:

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## CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal ( identify date ) to establish cost allocations or billings for ( identify fiscal year ) are allowable in accordance with the requirements of the Federal awards to which they apply and OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently, and the Federal government will be notified of any accounting changes that would affect the rate.

I declare that the foregoing is true and correct.

\_\_\_\_\_  
**Court Executive Officer or Designee**

**Superior Court of California**  
**County of** \_\_\_\_\_

**Date:** \_\_\_\_\_



# **Judicial Council of California**

## **Administrative Office of the Courts**

**Trial Court Financial Policies and Procedures**

**Policy No.**  
**Page**

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**1 of 17**

# **ESCHEAT**

**POLICY NUMBER: AOC FIN 15.03**

**Original Release Date:**

**July 1, 2010**

**Effective Date:**

**September 1, 2010**

**Revision Date:**

**Not Applicable**

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# Escheat

(Original 9/10)

## **1.0 Table of Contents**

- 1.0 Table of Contents
- 2.0 Purpose
- 3.0 Policy Statement
- 4.0 Application
- 5.0 Definitions
- 6.0 Text
  - 6.1 General Guidelines
  - 6.2 Published Notice Requirements
  - 6.3 Claims
- 7.0 Associated Documents

## **2.0 Purpose**

The purpose of this policy is to establish uniform guidelines for the trial courts to use in escheating unclaimed civil funds and funds covered by uncashed court checks that become stale.<sup>1</sup> Neither this policy nor its adoption is intended to suggest that any other escheatment procedures used by the trial courts in the past were improper, unreasonable, or noncompliant with legal requirements.

## **3.0 Policy Statement**

A trial court may escheat to itself (a) any civil money that has been deposited with it or that it is holding in trust for the lawful owner and (b) any money covered by a check that the court issued (e.g., to a vendor, juror, or employee), if the money remains unclaimed or the check remains un-

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<sup>1</sup> This policy does not apply to unclaimed money deposited with or held by a court in connection with a criminal proceeding, as specific statutory provisions generally apply in such circumstances. (e.g., PC §§ 1411, 1417.5, 1420, 1463.006.)

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cashed for three years, no law requires a different distribution,<sup>2</sup> and the trial court complies with all the requirements specified in this policy.<sup>3</sup>

## 4.0 Application

This policy applies to all trial courts, their officers and employees, and AOC staff who support the trial courts.

## 5.0 Definitions

Refer to the Glossary for the following key term used in this policy.

### **Escheat(s), Escheating or Escheatment**

## 6.0 Text

### 6.1 General Guidelines

1. A trial court may escheat to itself (a) any unclaimed money related to a civil matter that is on deposit with or held by the court or is held by a county on a court's behalf and (b) any money covered by an uncashed court check that has become stale (e.g., a check made out to a vendor, juror, or employee) if no law requires a different distribution of the money and all of the following are true:

<sup>2</sup> e.g., Code Civ. Proc., § 631.3 (unclaimed civil jury fee deposits "shall be transmitted to the Controller for deposit into the Trial Court Trust Fund"). This policy does not apply to money that a trial court receives as payment of a fee, fine, or forfeiture.

<sup>3</sup> Government Code (GC) 68084.1, authorizing trial courts to escheat unclaimed money in specified circumstances. Please note GC 68084.1 specifically precludes courts from escheating victim restitution money.

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- a. The money remains unclaimed—or the check remains uncashed—for at least three years after the associated case is closed, the money first becomes eligible for distribution, or the court issues the check;
  - b. No other public entity previously completed an escheat procedure with respect to the money;
  - c. The court has contacted, or attempted to contact, the lawful owner of the money (e.g., the person or entity to whom the court issued a check) and has documented those efforts; and
  - d. The court properly publishes notice of the planned escheatment in a newspaper of general circulation, as described below.<sup>4</sup>
2. A court may escheat unclaimed civil money under this policy, if all other requirements are met, even if the money originally was deposited with or came to be held by the court or held by a county on a court's behalf, before January 1, 1998.
  3. If a court completed a different escheat procedure<sup>5</sup> with respect to a sum of money before January 1, 2006, and that money has not been transferred to the trial court's general fund or otherwise disposed of, the court **must** follow the requirements specified in this policy to bring the escheat under the authority of Government Code Section 68084.1.

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<sup>4</sup> GC 68084.1

<sup>5</sup> e.g., GC section 50050 et seq. (the local agency escheat procedure).



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4. The notice must state the amount of money, the fund in which it is held, the name of the lawful owner (if it is known), and that it is proposed that the money will become the property of the court pursuant to Government Code section 68084.1 on a designated date not less than 45 calendar days or more than 60 calendar days after the first publication of the notice.

## 6.2 Published Notice Requirements

1. At any time after the expiration of the required three-year period, the executive officer of the trial court may publish notice of a planned escheat.
2. The notice must be published once a week for two successive weeks in a newspaper of general circulation that is published in the county in which the court is located.<sup>6</sup>
3. To be considered a newspaper of general circulation for purposes of this procedure, a newspaper must obtain or have obtained a judicial decree establishing it as having that status.<sup>7</sup>
4. The notice must state the amount of money, the fund in which it is held, and that it is proposed that the money will become the property of the court pursuant to Government Code section 68084.1 on a designated date not less than 45 calendar days or more than 60 calendar days after the first publication of the notice. Additionally, if possible, the notice should provide sufficient detail for a potential claimant to identify their monies.

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<sup>6</sup> GC, §§ 6000, 6008.

<sup>7</sup> GC § 6027; see *id.*, §§ 6020–6026.

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### 6.3 Claims

1. Before or after publication of the above notice, a party of interest may file a claim with the executive officer of the trial court. Any such claim must include:
  - a. The claimant's name,
  - b. The claimant's address,
  - c. The amount of the claim,
  - d. The grounds on which the claim is founded, and
  - e. Any other information that may be required by the executive officer of the trial court.
2. The claim must be filed before the designated date on which unclaimed money becomes the property of the court as provided in Sub-section 6.2.4.
3. The executive officer of the trial court must accept or reject the claim.
4. If the executive officer of the trial court rejects the claim, or takes no action on the claim within 30 calendar days after it is filed, the party that submitted the claim may file a verified complaint seeking to recover all, or a specified part, of the money. The verified complaint must be filed in the court in the county in which the notice is published. (If the party that submitted the claim does not file a verified complaint within 30 calendar days after the date that the court mailed notice that the claim was rejected or within 60 calendar days after the claim was filed, the money shall become the property of the court.)
5. If a party files a verified complaint, the party must serve a copy of the complaint and summons on the executive officer of the trial court.

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6. The executive officer of the trial court must not release the amount of unclaimed money for which a court action has been filed until the court renders a decision or the action is settled.
7. Regardless of whether a claim or verified complaint is filed, the executive officer of the trial court may release the unclaimed money to the depositor of the unclaimed money, or the depositor's heir, beneficiary, or duly appointed representative, if the depositor or the depositor's heir, beneficiary, or duly appointed representative claims the money before the date that the money becomes the property of the trial court, upon submitting proof satisfactory to the executive officer.
8. If the executive officer releases the unclaimed money to a claimant or to the depositor or the depositor's heir, beneficiary, or duly appointed representative, the executive officer also must release any interest that has accrued on the unclaimed money during the period that the money was on deposit with or held by the court.
9. If no claim is filed as specified in Sub-section 6.1.1, Item b, and the time for filing claims has expired, the money shall become the property of the court. If a claim or claims are filed with respect to a portion of the money, but not the remainder of the money, and the time for filing claims has expired, the remainder of the money shall become the property of the court.

### **6.3.1 Amounts Automatically Transferred to Revenue**

Notwithstanding any other provision of this policy, the presiding judge may direct the transfer of any individual deposit of twenty dollars (\$20) or less, or any amount if the name of the original depositor is unknown, that remains unclaimed for one year to the Trial Court

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Operations Fund without the need for publication of notice.<sup>8</sup> The presiding judge's direction must be in writing and accompanied by attachments supporting that (1) the amount in each instance is \$20 or less or the name of the original depositor is unknown and (2) the money has remained unclaimed for one year since the associated case was closed or the money became eligible for distribution .

Amounts transferred must be accounted for and reported as miscellaneous revenue.

### **6.3.2 Delegation of Responsibilities**

The executive officer of the trial court may delegate the responsibilities stated in GC section 68084.1 to appropriate trial court staff. This delegation must be in writing and signed by the executive officer of the trial court.

### **6.3.3 Transfer to Trial Court Operations Fund – General Fund**

When any money deposited and held under this section becomes the property of a trial court, the presiding judge **must** direct in writing that it be transferred to, or accounted for in, the Trial Court Operations Fund – General Fund as miscellaneous revenue.

### **6.3.4 Record Retention**

1. Documentation supporting all of the trial court's actions concerning the escheat of monies **must** be retained in files until the latter of four years or the next AOC internal audit of the court.  
Documentation must include as applicable:

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<sup>8</sup> GC § 68084.1(g).

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- a. Records confirming that any associated case was closed or the money otherwise became eligible for distribution and the date on which the distribution occurred.
- b. A signed memorandum from the CEO certifying that the court received no claims to the money during the three years after the associated case was closed or the money otherwise became eligible for distribution. Alternatively, if the money to be escheated is covered by a check, the memorandum from the CEO must certify that the check remained un-cashed for three years after it was issued and that the court received no claims for the payment tendered by the check during that period.
- c. Material (e.g., letters, envelopes with post office stamps confirming “return to sender,” telephone notes, etc.) reflecting the court’s efforts to contact the lawful owner before escheating the money.
- d. For each day on which the court published notice of the proposed escheat, copies of the first page and the page bearing the notice from the newspaper of general circulation in which the notice was published or a Proof of Publication issued by the newspaper with a copy of the notice as published and attesting to the dates it was published.
- e. If the court received no claim to the money following publication of notice of the proposed escheat, a signed memorandum from the CEO certifying that fact.
- f. If the court received a claim following publication of notice of the proposed escheat, copies of: the claim; the court’s written response to the claimant; and, if the court made any payment on or connected to the claim, documentation of the payment.

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- g. If a claimant filed a verified complaint, copies of the complaint and summons; all court rulings or orders disposing of the complaint; and, if the court made any payment on or connected to the complaint, documentation of the payment.
- h. Any other documentation necessary to support the actions that the court took in connection with the escheat unclaimed funds under GC 68084.1.

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## **7.0 Associated Documents**

**Sample Notice of Unclaimed Funds—Action Required to Claim Funds**

**Sample Instructions for Filing an Escheat Claim**

**Sample Claim Affirmation Form**

**Sample Claim for Reimbursement**

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## Sample Notice of Unclaimed Funds—Action Required to Claim Funds

[Court Letterhead]

[Date]

[Name]

[Address]

Subject: Notice of Unclaimed Funds—Action Required to Claim Funds

Dear [Name]:

This letter is to inform you that the Superior Court of California, County of \_\_\_\_\_ has been holding the sum of \$\_\_\_\_\_ for you since [insert date] in its \_\_\_\_\_ [insert name of fund] fund. The money initially [choose one: (1) (was deposited with the court in connection with the following civil case: [insert case name and number]) or (2) (was issued to you in the form of a check [choose one: (1) “to reimburse you for (insert jury or specified vendor) services that you provided on (insert date)” or (2) “as compensation to you for the final period of your employment, from (insert date) to (insert date)”].

Under Government Code section 68084.1, money “that remains unclaimed for three years shall become the property of the superior court” if it is not claimed within 60 days after the court publishes notice in a local newspaper of general circulation. The court will publish notice in [insert name of qualifying local newspaper] that the above sum of money remains unclaimed on [insert date].

If you would like to claim the money, please complete the enclosed form and mail it to the court’s executive officer, [insert name], at [insert address] by no later than [specify date 60 days after the planned notice is to appear in the local newspaper]. Please attach a copy of this letter to your completed claim form when you submit it. (If you do not think that you are the proper owner, please explain why and give us the name and address of the person or entity who you believe is the proper owner.)

Thank you for your assistance in this matter.

Sincerely,

[Name]

[Title]



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## Sample Unclaimed Funds Form—Action Required to Claim Funds

**Superior Court of California,  
County of \_\_\_\_\_**

### **ESCHEATMENT CLAIM INSTRUCTIONS and FORMS**

If you are claiming funds, please complete the following:

**STEP 1:** Fill out the attached forms (**Claim Affirmation Form** and **Claim For Reimbursement**). When completing the claim forms, please type or print legibly in blue or black ink. Claims that are illegible will be returned. Claims must be made using the court's forms. Any modifications made to the court's forms will not be accepted.

**STEP 2:** You must sign the Claim Affirmation Form and have it notarized if your claim is over \$1,000 or your claim will not be processed. Please read all of the instructions and make copies of all required documents (driver's license, etc.). Owners or heirs are required to provide documentation to validate their claims.

**STEP 3:** Each claimant is required to fill out a separate Claim Affirmation Form and Claim For Reimbursement.

**STEP 4:** Please send the completed forms along with all the required materials to:

Superior Court of California, County of \_\_\_\_\_  
Court's address

For additional questions, please call (    )    -    .

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## SECTION A-ORIGINAL OWNER FILING CLAIM

The following is a checklist of the documentation required when sending in your claim:

- Completed and signed Claim of Affirmation Form;
- Notarize your Claim of Affirmation Form, if your claim is over \$1000;
- Complete the information located above the “Holder’s Use Only” box on the Claim for Reimbursement;
- Copy of current photo identification for each claimant;
- Proof of Social Security number for each claimant;
- Proof associating you with the last known address;
- Proof associating you to the Court and the reported case; and
- The original instrument used such as a receipt, copy of check, etc.

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## SECTION B-DECEASED OWNER

The following is a checklist of the documentation required when sending in your claim:

- Completed and signed Claim Affirmation Form;
- Notarize your Claim Affirmation Form, if your claim is over \$1000;
- Complete the information located above the “Holder’s Use Only” box on the Claim for Reimbursement;
- Death certificate of the deceased owner(s) of the funds;
- Copy of current photo identification for each heir;
- Proof of Social Security number for each heir;
- Proof associating the deceased owner to the Court and the reported case;
- The original instrument used such as a receipt, copy of check, etc.;
- Proof associating the deceased owner with the last known address; and
- If probate of estate is open, the estate tax identification number and a copy of Currently Certified Letters Testamentary, dated within 6 months, appointing the executor or administrator of decedent's estate.

**OR**

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If probate of the estate is closed, provide the estate tax identification number and a complete copy of the Court Ordered Distribution of the decedent's estate. **OR**

Provide a complete copy of the Trust Agreement and a copy of a document with the trust tax identification number, such as a tax return or a bank statement. **OR**

If none of the above information can be obtained, please contact the court at ( ) - .

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## **SECTION C-BUSINESS CLAIM**

The following is a checklist of the documentation required when sending in your claim:

- Completed and signed Claim of Affirmation Form;
- Notarize your Claim of Affirmation Form, if your claim is over \$1000;
- Complete the information located above the "Holder's Use Only" box on the Claim for Reimbursement;
- Proof associating the business with the Court and the reported case;
- The original instrument used such as a receipt, copy of check, etc.;
- Letter of Authorization with the names of officers or officials with authority to sign and claim on behalf of the business;
- Copy of current photo identification for each authorized officer or official;
- Business card of the authorized officer or official;
- Proof of the business's federal tax identification number;
- Proof of the business's association with the last known address;
- If your company merged with another company, a copy of the merger agreement;
- If your company was dissolved, a copy of the articles of dissolution;
- If your company was suspended, a Tax Clearance letter or a Letter of Good Standing from the Franchise Tax Board and/or the Secretary of State's Office.

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### CLAIM AFFIRMATION FORM

The undersigned claimants certifies, under penalty of perjury, the claimant has read the claim and knows the contents thereof and the claimant is the owner of the said claim and the person entitled to receive the money set forth in said claim.

The claimant agrees to indemnify and hold harmless the State, the Courts and its agents, officers, and employees from any loss resulting from the payment of said claims.

***CURRENT INFORMATION AND SIGNATURE MUST BE PROVIDED FOR EACH CLAIMANT OR YOUR CLAIM WILL NOT BE PROCESSED***

Claimant's Information:

LAST NAME OR BUSINESS	FIRST NAME	MIDDLE INIT.	SSN or FEDERAL TAX ID		DATE
CURRENT MAILING ADDRESS		CITY	STATE/PROVINCE	ZIP	COUNTRY
DAYTIME PHONE	<b>CLAIMANT OR AUTHORIZED AGENT SIGNATURE</b>				

**YOUR SIGNATURE MUST BE NOTARIZED IF THE CLAIM AMOUNT IS \$1,000 OR GREATER**

*For claims filed for a business, the authorized owner's signature is required. For claims filed for an estate or trust, the signature of the executor, administrator or attorney is required.*

State of California

County of \_\_\_\_\_

Subscribed and sworn to (or affirmed) before me on this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, proved to me on the basis of satisfactory  
evidence to be the person(s) who appeared before me.

Signature\_\_\_\_\_ (Seal)

### PRIVACY NOTIFICATION

Your Social Security number and other documents are requested for identification and processing of your claim.

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**CLAIM FOR REIMBURSEMENT**

**MAIL TO:** Superior Court of California, County of \_\_\_\_\_  
Court Address

**TODAY'S DATE:** \_\_\_\_\_

**OWNER'S NAME:** \_\_\_\_\_

**STREET ADDRESS:** \_\_\_\_\_

**CITY, STATE, ZIP CODE:** \_\_\_\_\_

**REIMBURSEMENT CLAIM:** \$ \_\_\_\_\_

**NAME OF THE PERSON FILLING OUT THIS FORM AND YOUR RELATIONSHIP TO THE OWNER:**  
\_\_\_\_\_

**HOLDER'S USE ONLY**

Warrants were paid to the holder shown below:

Superior Court of California, County of \_\_\_\_\_  
Court Address

Tax Identification Number: \_\_\_\_\_

Reason for claimed reimbursement:  
\_\_\_\_\_

**A SEPARATE FORM IS REQUIRED FOR EACH ACCOUNT FOR WHICH  
REIMBURSEMENT IF CLAIMED.**

**AFFIRMATION AND SIGNATURE (*by court employee*)**

I hereby affirm, under penalty of perjury, that I am an authorized agent of the holder named in this Claim for Reimbursement and duly authorized to make said claim upon the Superior Court of California, County of \_\_\_\_\_. The above-named holder hereby agrees to indemnify and hold harmless the State, the Courts, its officers and employees from any loss as a result of payment of the amount claimed.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_



# **Judicial Council of California**

## **Administrative Office of the Courts**

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**1 of 12**

# **CHANGE OF VENUE**

**POLICY NUMBER: AOC FIN 15.04**

**Original Release Date:**

**July 1, 2010**

**Effective Date:**

**September 1, 2010**

**Revision Date:**

**Not Applicable**

# Change of Venue

(Original 9/10)

## **1.0 Table of Contents**

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## **2.0 Purpose**

The purpose of this policy is to establish reimbursement procedures for the trial courts to follow in connection with costs associated with criminal Change of Venue Cases.

## **3.0 Policy Statement**

The premise of this policy is that neither the Transferring Court nor the Receiving Court should financially benefit from or be harmed by a Change of Venue Case. The Transferring Court must reimburse the Receiving Court for any ordinary expenditure and any extraordinary but reasonable

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and necessary expenditure that the Receiving Court would not have incurred but for the Change of Venue Case.

## **4.0 Application**

This policy applies to all trial courts.

## **5.0 Definitions**

Refer to the Glossary for the following key term used in this policy.

**Change of Venue Case**

**Change of Venue Reimbursable Costs**

**County Change of Venue Costs**

**Receiving County**

**Receiving Court**

**Transferring County**

**Transferring Court**

## **6.0 Text**

### **6.1 Process Outline**

The following is the process that should occur after change of venue motion has been granted and the Reviewing Court has been determined.

1. The Transferring Court should inform the county executive or administration office of the Transferring County, and the Receiving Court should inform the county executive or administration office of the Receiving County, that the trial venue has been changed. This notification will allow the counties to approve a budget and timeline for the payment of County Change of Venue Costs before the beginning of trial in compliance with Penal Code section 1037.1(b). All parties



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should understand that the budget is only a plan and actual costs may be different than the amounts included in the budget.

2. Before the trial begins, the Receiving Court must prepare a budget and a timeline for reimbursement, and forward these documents to the Transferring Court. The budget should comply with section 6.2, Budget Items.
3. Before the trial begins, issues of security are to be discussed and a preliminary security issues plan should be prepared in coordination with the Sheriff's Department.
4. Before the trial begins, the Transferring Court must either approve the budget and timeline, or work with the Receiving Court to revise them so that they are mutually acceptable. Both the Transferring Court and the Receiving Court must use their best efforts to reach a mutually acceptable agreement. If the parties are unable to reach an agreement, the dispute resolution process described in section 6.6, Reimbursement Process must be implemented.
5. The Transferring Court and the Receiving Court should execute a written MOU concerning the Change of Venue Case. The MOU should address at a minimum the topics listed in section 6.3, Recommended MOU Contents.
6. The Receiving Court must invoice the Transferring Court for all Change of Venue Reimbursable Costs in accordance with section 6.5, Invoice Process unless the MOU provides otherwise.
7. The Transferring Court must reimburse the Receiving Court for all Change of Venue Reimbursable Costs in accordance with section 6.6, Reimbursement Process unless the MOU provides otherwise.

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NOTE: Pursuant to Penal Code section 1037.2, any costs that are incurred by the receiving county and not defined as court operations under Section 77003 of the Government Code or Rule 10.810 of the California Rules of Court must be considered to be county costs. Please see Penal Code section 1037.2(a) through (d) (1) for reference.

## 6.2 Budget Items

1. **Reimbursable Costs.** The budget prepared by the Receiving Court should list all anticipated Change of Venue Reimbursable Costs. The budget should include, but not be limited to, security costs identified by the Receiving Court that are above and beyond the level of security currently provided in the Receiving Court for extra security that must be provided due to the risk of escape, suicide, public threats, notoriety of the trial, or the potential for violence during the trial. The Receiving Court must be able to provide justification to support the premise that the estimated costs are solely the result of the Change of Venue Case.
2. **Non-Reimbursable Costs.** The budget must not include any costs for which the state reimburses the Receiving Court. The Receiving Court should report these costs to the Transferring Court, but must seek reimbursement for these costs through the established processes for the applicable state program. These non-reimbursable costs include costs for:
  - a. Court-appointed counsel
  - b. Court interpreters
  - c. Normal juror per diem for non-sequestered jurors
  - d. Assigned judges

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### 6.3 Recommended MOU Contents

Any MOU between the Transferring Court and the Receiving Court regarding the Change of Venue Case should contain the following:

1. A statement by the Transferring Court that it complied with California Rules of Court, rule 4.152 when selecting the Receiving Court and trial judge.
2. The budget prepared by the Receiving Court and approved by the Transferring Court.
3. The timeline for reimbursement payments to be made by the Transferring Court to the Receiving Court.
4. A process for budget review and renegotiation.
5. A process to address costs not anticipated when the budget was drafted.
6. A process for the purchase and disposition of goods purchased by the Receiving Court for the Change of Venue Case.
7. A process for prorating and allocating certain costs between the courts when it is either difficult or impractical to distinctly separate those costs.
8. Signature by the presiding judges of the Transferring Court and the Receiving Court, or their designees.
9. If there is an application for funds in cases falling under California Penal Code section 987.9, the Transferring Court and not the Receiving Court is responsible for obtaining the appropriate funding from the Transferring County.

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## 6.4 Equipment Purchases and Rental

Unless the MOU between the Transferring Court and the Receiving Court specifies otherwise, this section will apply to equipment used in the Change of Venue Case.

1. Equipment Rental. The Receiving Court may include in its budget: anticipated costs to lease or rent major and minor equipment, information technology equipment, and other goods needed for the Change of Venue Case.
2. Equipment Purchase. If purchasing is a significantly less expensive option than leasing or renting, the Receiving Court may purchase the equipment after obtaining the Transferring Court's written agreement on the following issues:
  - a. Type and cost of the equipment to be purchased by the Receiving Court,
  - b. Amount that the Receiving Court will be reimbursed by the Transferring Court for the equipment, and
  - c. Disposition of the equipment after the Change of Venue Case is completed.

## 6.5 Invoice Process

Unless the MOU between the Transferring Court and the Receiving Court specifies otherwise, this section will apply to invoices sent by the Receiving Court.

1. The Receiving Court must submit invoices for reimbursement consistent with the MOU.

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2. Invoices for reimbursement must be accompanied by supporting documentation, such as a claim, vendor invoice, bill, statement, or time sheet.
3. A cover letter, signed by the Receiving Court's presiding judge, or his or her designee, must accompany each request for reimbursement. The cover letter must include the following statement: "The expenses requested for reimbursement by this court are expenses incurred because of the change of venue case."

## **6.6 Reimbursement Process**

Unless the MOU between the Transferring Court and the Receiving Court specifies otherwise, this section must apply to payments made by the Transferring Court.

1. The presiding judge of the Transferring Court, or his or her designee, must authorize all payments for reimbursements of Change of Venue Reimbursable Costs from the Transferring Court's court operations fund.
2. Payments for reimbursements by the Transferring Court must be made in a timely manner, and consistent with the MOU.

## **6.7 Dispute Resolution**

Although the MOU should sufficiently address issues arising from the change of venue, disagreements may still occur when the operational practices, economies, and costs differ between the courts. In the event of a disagreement regarding the change of venue (including a disagreement regarding costs), the Transferring Court and Receiving Court must resolve the dispute using the procedure specified in this section. The following processes should address these situations:

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1. The presiding judges of both the Transferring Court and Receiving Court, or their designees, should first meet in person in an effort to resolve any disagreements.
2. If the presiding judges or their designees are unable to resolve the dispute, the parties will meet with the Transferring Court's Regional Administrative Director and the Receiving Court's Regional Administrative Director (if different), in an effort to reach agreement.
3. If after meeting with the courts' Regional Administrative Director(s) the dispute remains unresolved, the issue will be resolved by a panel composed of:
  - i. the Administrative Director of the Courts, or his or her designee,
  - ii. the Transferring Court's Regional Administrative Director,
  - iii. the Receiving Court's Regional Administrative Director (if different), and
  - iv. the AOC Director of Finance.

In such event, the panel will meet with representatives of each court, in person or via telephone. The panel will issue its written decision to the courts no more than 30 days after it has met with both courts' representatives. The panel's decision is final and binding on the courts.

## **6.8 Deficiency Funding**

Unanticipated financial hardships may affect the Transferring Court's ability to reimburse costs associated with a Change of Venue Case. If the Transferring Court determines that it cannot reimburse Change of Venue Costs, the Transferring Court may submit a request for Cash Advance, Deficiency Funding, or Homicide Case Extraordinary Cost Reimbursement to the AOC through the currently established process. See Finance Memo TC 2005-007.

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## **7.0 Associated Documents**

### **California Rules of Court, rule 4.155**

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## **California Rule of Court, rule 4.155**

### **August 2007**

#### **Frequently Asked Questions**

#### **How many alternative sites does the AOC give the court of original jurisdiction?**

The number of options depends on which courts indicate they can take the case. Generally, the AOC offers two or three alternative sites.

#### **How long does it take for the AOC to identify these alternatives?**

The AOC attempts to identify sites within two weeks. Occasionally the nature of the case makes it difficult to find a suitable court within that time. In all instances, however, the AOC finds alternative court sites as soon as possible.

#### **How long does it take the judge to select a county after alternative sites are found?**

The timing of the selection depends on many factors. Usually the judge discusses the alternatives with the parties' counsel and schedules the *McGown* hearing at the earliest convenience.

#### **Who serves as the trial judge—the judge from the court where the trial originated or the judge from the receiving court?**

The presiding judge, or his or her designee, must select a judge from the transferring court, unless he or she concludes that the transferring court does not have adequate judicial resources to try the case. If the presiding judge, or his or her designee, concludes that the transferring court does not have adequate judicial resources to try the case, he or she must request that the Chief Justice of California determines whether to assign a judge to the transferring court. If the Chief Justice determines not to assign a judge to the transferring court, the presiding judge, or his or her designee, must select a judge from the transferring court to try the case.



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## Factors Considered

A suitable court site should be able to handle news media, staffing needs, and security requirements related to the defendant or others (for instance, victim-groups or gangs). Demographic characteristics may also be an important consideration. Questions that may be asked of the court include:

- Can the court accommodate large numbers of media representatives?
- Are the accommodations for media representatives separate from those for jurors?
- Are there staffing considerations to be reviewed with regards to courtroom clerks and court reporters?
- Is there need for daily transcripts?
- Is the detention facility attached to or near the courthouse?
- Is there an adequate security staff to transport the defendant and serve in the courtroom?
- In the detention facility, is there an adequate security staff for suicide watch?
- Are there security issues with witnesses?



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

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## **GLOSSARY**

## Glossary

### Introduction

This glossary provides definitions of key terms used throughout these procedures. Please note that this list is not "all-inclusive"--if you require additional information and/or clarification regarding these terms, you should consult your manager.

### DEFINITIONS

**Account** A record of financial activities that shows additions and deductions to an entity's assets, liabilities, revenues and expenses.

**Accountability** An obligation to explain one's actions, to justify what one does. The court is held accountable for, or is required to justify, its expenditure of public resources and the purposes for which they are used.

**Accounting System** The methods and records established to identify, assemble, analyze, classify, and record transactions; thus maintaining accountability for the court's related assets and liabilities.

**Accounts Payable** An obligation to pay a vendor for goods or services that is created when an invoice is received and logged into the accounting system.

**Accounts Payable Provider** Phoenix Shared Services Center or County Accounting Department that provides accounts payable services for the court.

**Accrual Basis** The accrual method of accounting recognizes transactions when they occur, regardless of the timing of related cash flow. Revenues are recognized when earned and expenses when incurred.



**Adjusting Entry** An accounting entry made to prepare for closing the books at the end of an accounting period that recognizes an internal transaction and brings the general ledger current as of a specific date.

**Administrative Director of the Courts** In accordance with Government Code 77206(a) is responsible for; implementing the directives of the Judicial Council, developing policies and procedures for the creation and implementation of a yearly budget for the judiciary, presenting the judiciary's budget in negotiations with the Governor and the Legislature, and ensuring that the fiscal affairs of the trial courts are managed efficiently, effectively and responsibly.

**Administrative Office of the Courts, The (AOC)** The staff agency to the Judicial Council and carries out its official actions and other functions delegated by the council or the Chief Justice.

**Advance** A payment made to the trial court under a grant prior to the time that the court incurs the costs that the payment is intended to cover.

**Agency Fund(s)** A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds.

**Agreed Upon Procedures Review** A review by auditors in which the nature and scope of the procedures performed are detailed for the auditor by a written agreement. The auditors perform the tasks established by the agreement, report test errors, and provide a summary of findings. The review is not an independent audit and no opinion is issued by the auditors.

**AICPA** American Institute of Certified Public Accountants.

**Annual Leave** Authorized leave of absence with pay used for vacation, illness, or other personal reasons.



**Appraisal** An independent estimate or determination of the fair market value of a donation. An appraisal is generally prepared by a qualified appraiser or, in some cases, by an expert knowledgeable about the particular object in question. (If the fair market value of a non-financial gift exceeds \$5,000, the donor should provide a copy of an appraisal to the court).

**Approved Budget** A plan for the financial operation of the trial court for a fiscal year.

**Assembly Bill 233 (AB 233)** The Lockyer-Isenberg Trial Court Funding Act of 1997, which shifted responsibility for funding the trial courts from the counties to the state.

**Assembly Bill 1935 (AB 1935)** Follow up legislation to AB 233 that provides clarification and more detail to the original trial court funding legislation.

**Asset** A probable future economic benefit obtained or controlled by the Trial Court as a result of past transactions (acquisitions) or events (transfers).

**Audit** An audit is a methodical review and objective examination of an item, including the verification of specific information as determined by the auditor or as established by general practice. Generally, the purpose of an audit is to express an opinion on or reach a conclusion about what was audited.

**Audit Trail** A series of documents that traces the movement and location of funds through an accounting system (e.g., receipt, cash collection record, deposit permit request, monthly cash settlement report).

**Authorized Positions** To meet workload demands, trial court positions are established by the Presiding Judge, or Court Executive Officer, if designated by the Presiding Judge. (Note: SJO positions were established



by statute prior to January 1, 2001 and by the Judicial Council subsequent to January 1, 2001.) Each position will be assigned a full-time equivalent (FTE) value. Positions can be filled on a full-time, part-time, intermittent, limited-term, or temporary basis.

**Available** Revenues are available when they will be collected either during the current period or soon enough after the end of the period to pay current year liabilities. For AOC purposes, available will be defined as within 90 days.

**Award** The selection of a vendor, supplier, or contractor for a procurement action.

**Bank Account(s)** Any checking, savings, money market or other account established with an approved financial institution to allow for the deposit and withdrawal funds to facilitate trial court operations.

**Bank Reconciliation(s)** The process of systematically comparing the cash balance as reported by the bank with the cash balance on record and explaining any differences.

**Benefits** Allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Benefits include, but are not limited to; employer-paid social security and Medicare Taxation, state disability insurance, health insurance, workers' compensation, retirement, vision care, and unemployment insurance.

**Bid** A response to an Invitation for Bid (IFB) or informal call for bids that contains an offer to provide goods and/or services at a specified price.

**Blanket Purchase Order (BPO)** An arrangement under which a purchaser contracts with a vendor to provide an undetermined amount or level of goods or services for a specified period of time and up to a maximum dollar amount.



**Block Grant** Grants awarded to the states to provide assistance to State and local units of government for programs according to legislative requirements.

**Bribe** Any giving, offer, or promise of anything of value provided in an attempt to corrupt judgment or conduct, or to influence an official act.

**Budget Act** The legislative action signed into law by the Governor that provides appropriations for the operation of the State government, including the trial courts, for the coming fiscal year.

**Budgetary Comparison** A statement that presents a comparison between budgeted amounts and the actual results of operations.

**Budgetary Control** The management of the trial court according to an approved budget to keep expenditures within the limitations of available appropriations and revenues.

**Budget Change Proposals (BCP)** A proposal to change the level of service or funding sources for activities authorized by the Legislature, or to propose new program activities not currently authorized. Because increases to trial court funding are now primarily provided by the annual State Appropriations Limit (SAL) funding adjustment, budget change proposals for trial court funding are limited to proposals to address new costs that are result of legislative or other changes to operations and programs that are not funded by the SAL funding adjustment. Submission of the budget change proposal to request funding through the annual State budget process in these circumstances is permitted by Government Code Section 77202(2).

**Budget Revision(s)** An adjustment to a trial court's available budget.

**Budget Transfer(s)** A movement of funds in a trial court's budget among program, element, component or task areas, and between objects of expenditure.



**Bureau of State Audits (BSA)** An agency of the executive branch of the state government established in 1993. The Bureau of State Audits is directed by statute to perform the following types of audits:

- Financial audits
- Compliance audits
- Performance audits
- Contract audits
- Investigative audits

The State Auditor is given full access to all records of state and local agencies, special districts, public contractors, and school districts.

**California Rules of Court** Rules established by the Judicial Council to improve the administration of justice. The Judicial Council has constitutional authority to “*adopt rules for court administration, practice and procedure not inconsistent with statute.*” Rules of Court have the force of law. The numbering for the California Rules of Court has been reorganized. See the following web site detailing the reorganization: [http://www.courtinfo.ca.gov/rules/documents/rules\\_conversiontable\\_revers\\_e\\_06.06.06pdf](http://www.courtinfo.ca.gov/rules/documents/rules_conversiontable_revers_e_06.06.06pdf)

**California Multiple Award Schedule (CMAS)** A program created by the Department of General Services (DGS) in 1994 following the 1993 passage of AB 1727 (Polanco). The CMAS Unit establishes agreements with manufacturers and suppliers that offer products and/or services that are currently on an existing multiple award-schedule with the Federal General Services Administration or other approved multiple award contract. CMAS agreements have not been competitively bid and the pricing is generally a ceiling price. Terms and conditions, and pricing should be carefully reviewed to determine if the court’s requirements are met. DGS will bill the court a fee to use the CMAS contract, unless the CMAS vendor is qualified as a small business.





**Capital Projects Fund** A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Cash** All forms of legal payments made in U.S. legal tender.

**Cashier** Any trial court employee who performs the cash collection function whether on a full-time or part-time basis.

**Cash Change Fund** The beginning balance in a cashier's cash drawer or cash register to be used for making change when receiving payments from customers.

**Cash Control** The management of currency, checks, money orders, etc.

**Cash Flow** A measure of the trial court's ability to meet its financial obligations over a defined time period, considering cash on hand, anticipated revenue, and known obligations or debts.

**Cash-in-Transit** The amount of either cash drawn, or cash, checks and other negotiable instruments physically sent to a bank for deposit, but not yet recorded on the depositing bank's general ledger.

**Certificate of Insurance** A document that provides evidence that an insurance policy has been written and that includes a statement of the policy coverage in general terms.

**Change in Position Authorization Form** A form that is signed by the Presiding Judge, or Court Executive Officer, if designated by the Presiding Judge, and which is maintained by the court to document each change in position authorization. The document must identify the position that is being established, reclassified, or abolished, the annual cost of the position change, and verification by the chief fiscal officer of the court or CEO that sufficient funding or cash flows have been identified to support the position on an ongoing basis or until the limited-term position authorization has



expired. The change in position authorization specified in the document will correspond to changes identified on the court's Quarterly Report of Changes of Authorized Positions (QCAP).

**Change of Venue Case** A criminal proceeding in which the Transferring Court has ordered a change of venue when it appears there is a reasonable likelihood that a fair and impartial trial cannot be had in the Transferring County.

**Change of Venue Reimbursable Costs** Any ordinary expenditure and any extraordinary but reasonable and necessary expenditure that the Receiving Court would not have incurred but for the Change of Venue Case. All Change of Venue Reimbursable Costs must be court operations costs under California Government Code section 77003 and California Rules of Court, rule 10.810.

**Change Order** Documentation of informal and/or immaterial changes to a contract, usually signed by the project managers of each party. A change order may lead to a contract amendment.

**Chart of Accounts** The complete list or index of all the accounts used to record an entity's revenues and expenses. The chart of accounts provides a map of the accounting system.

**Check** A written order on a bank to pay a specified amount to the bearer on demand.

**Claim** A document submitted by a service provider for payment for services rendered.

**Closing Entry** Is an accounting entry that transfers the balance of an operating account (i.e., a revenue or expenditure account) to a fund balance. After all closing entries are made; only balance sheet accounts have balances.



**Collection Record** A document used to record information about all the payments received by the court. The collection record should show in chronological sequence and by receipt number all amounts collected by the court and the nature of the money collected.

**Compensated Personal Time** Time-off for holiday, vacation, sick leave, or other time away from work for which an employee is paid.

**Competitive Procurement** The acquisition process used for procurements that exceed a suggested value of \$25,000. The process requires the solicitation of bids, quotes, or proposals (collectively, offers) from qualified providers, the evaluation of responses against predetermined criteria and the award of a purchase order or contract to the offeror that best satisfies the stated criteria and offers the trial court the best value.

**Compliance Audit** An examination of compliance with applicable laws and regulations.

**Confidential Information** Any information that must not be revealed according to federal, state, or local laws, or court rules or court order.

**Conflict of Interest** A set of circumstances (e.g., a personal or economic interest) that may prevent a trial court employee from acting in the best interests of the trial court in carrying out his or her official duties.

**Consideration** The price, payment, or other compensation made in return for performance of an action under a contract.

**Contract** An agreement between two parties to perform an action in return for some consideration (compensation). The contract defines the scope, schedule, consideration, and general terms and conditions which the parties agree to abide by under the agreement.



**Contract Administration** The post-award administration of a contract to ensure compliance with the contract terms by both the contractor and the trial court, in accordance with applicable rules, laws, and regulations.

**Contract Amendment** A formal contract modification authorized and signed by the contracting parties that describes a material change to the contractor's originally contracted work, price, time for performance, or other contract terms and conditions, and specifies cost and time impacts regardless of whether they are increases, decreases, or zero.

**Contract Claim** A demand or assertion by one of the parties to a contract made in writing and seeking the payment of money, adjustment or interpretation of contract, terms, or other appropriate relief.

**Contract Dispute** A difference of opinion between contracting parties regarding the meaning and interpretation of the contract language, specifications, schedule, price, or other related issues that generally impact performance, completion, payment, amendments, claims, or other contractual rights.

**Contract Law Enforcement Template** A document that accounts for and further defines allowable costs related to law enforcement trial court security services.

**Contract Modification** Any written alteration in an existing contract's specifications, delivery point, and rate of delivery, contract period, price, quantity, or other provision. Modifications can be either bilateral or unilateral and include actions such as change orders or contract amendments.

**Contractor** A person or business that enters into an agreement (a contract) to provide goods or services to another party in return for legal consideration.



**Contract Suspension** A temporary delay of contract performance initiated by a written notice from the trial court to the contractor.

**Control Environment** The cumulative effect of factors including management style, organizational structure, and delegation of authority, control methods, internal audits, personnel guidelines, and others that establish and enhance the effectiveness of specific policies and procedures.

**Cost Information Survey.** The method used to obtain cost information from each trial court for specific program areas, as needed for determining funding allocations.

**County Change of Venue Costs** Costs that are incurred by the Receiving County as a direct result of the transfer of the Change of Venue Case and that are not court operations costs under California Government Code section 77003 and California Rules of Court, rule 10.810.

**Court Attendant** An unarmed, non-law enforcement court employee who performs those functions specified by the court, except those functions that may only be performed by armed and sworn personnel. The court attendant is not a peace officer or public safety officer.

**Court Personal Property** All court property other than real estate.

**Court Security Plan** The plan provided by the court to the AOC that addresses a Law Enforcement Security Plan and all other court security matters.

**Credit** An entry on the right side of an account constituting an increase to revenue, fund, or liability account, or a deduction from an expense or asset account.

**Cure Notice** A formal notice provided to a contractor that is in default of its contractual obligations. The notice provides description of the default, a



prescribed time period in which the contractor must cure the deficiency and demonstrate that contract performance will not be jeopardized. Failure to satisfy the Cure Notice may be cause for the trial court to issue a Notice of Default.

**Customer** A customer is defined as the person paying money to the court. This includes the payment of a filing fee, a fee for service related to a civil or criminal case, a fine or penalty, bail or for any other payment required by the court. The customer may be a party to the case or a person or entity paying on behalf of a party to a case.

**Debit** An entry on the left side of an account constituting an increase to an expense or asset account, or a deduction from a revenue, fund balance, or liability account.

**Debt Service Fund** A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Demand Depository Accounts** In general a non-interest bearing bank account often referred to as a “DDA” from which federal banking law allows withdrawal upon demand.

**Department of Finance (DOF)** The State Executive Branch department that serves as the Governor’s staff arm in preparing the annual Governor’s Budget and administering the final Budget Act.

**Deposit** Cash and negotiable paper (checks, money orders, cashier’s checks, traveler’s checks, etc.) placed in an account with a financial institution.

**Deposit Permit Request** A form prepared to accompany the deposit of funds collected by the court to the county treasury. The deposit permit request must be supported by acceptable documentation such as duplicate receipts or a receipt listing.



**Disbursement** Payment to a vendor from a specific fund(s) or budget unit(s).

**Disposable Item** Items with a value of **less than \$500** that are intended for one time use, or that have an anticipated useful life of less than one year.

**Donation** A voluntary transfer of property (e.g., a financial gift or a non-financial gift) made without expecting or receiving anything of value in return.

**Earnings Statement** The information that is attached to an employee's paycheck regarding payment received and deductions taken for the pay period and year-to-date.

**Encumbrances** Reservation of funds for; Purchase Orders, Contracts, and Memoranda of Understanding (MOUs) for goods and services. Used in budgeting, Encumbrances are not Expenditures or liabilities according to GAAP, but represent the estimated amount of expenditures ultimately to result if contractual obligations in process are completed.

**Enterprise Fund** A fund established to account for operations financed and operated in a manner similar to private business enterprises.

**Equity** The owned value of an asset, the difference between assets and liabilities (equity = assets – liabilities)

**Equipment** Reusable items with a useful life of one year or more, and a value **greater than \$500**. Equipment with a value **greater than \$5,000** is classified as a fixed asset.

**Escheat(s), Escheating** The process of transferring ownership rights in property to a court when the property has no known owner, the owner cannot be found or the owner has refused to accept the property.



**Escheatment** The transfer of unclaimed property (e.g., uncashed checks issued by the trial court) to a government entity.

**Exempt Employee** An employee who is not included under the provisions of the federal Fair Labor Standards Act. Exempt employees do not generally receive overtime compensation.

**Expenditures** The incurrence of an actual expense.

**Fair Labor Standards Act** A federal law (29 USC, Chapter 8) that establishes a minimum wage, maximum working hours with a provision for overtime pay, and prohibitions against oppressive child labor practices.

**Fair Market Value** The price that an item or service would carry in an open market between a willing buyer and a willing seller in an arms-length transaction, where each party has full knowledge of the facts.

**Fiduciary** To act for another party's benefit while subordinating one's individual interests is to act in a fiduciary capacity.

**Fiduciary Fund** The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for others.

**Financial Audit** An audit performed to determine whether financial statements are presented fairly and in conformance with GAAP. Financial audits are performed in accordance with GAAS and GAGAS.

**Financial Gift** A voluntary donation of currency, negotiable instruments, securities, or other intangible interest of any nature or description, made without expecting or receiving a resulting value (e.g., goods, services, or some promised action or forbearance) in return.

**Fiscal Officer** A person who provides daily oversight on how the funds are spent and managed. This oversight includes ensuring funds are budgeted, where appropriate, that they are spent according to fiscal policy, that funds





are spent in alignment with the account purpose, that processes and controls are in place, that the account is reconciled on a monthly basis, and that either the expenditures are in conformity with the budget, or appropriate budget changes have been made to reflect a change in the original budget.

**Fiscal Year** The 12-month budgeting and accounting period. The State of California's fiscal year begins on July 1 and runs through the following June 30.

**Fiscal Year-End GAAP (Generally Accepted Accounting Principles Reports)** Are the overall fiscal report for California state government, including the state trial court system. The trial courts submit financial information to the AOC for consolidation and submittal to the state for inclusion in the State of California CAFR. The CAFR includes financial statements and supporting schedules, documentation, statistics and introductory material to demonstrate conformity to GAAP and compliance with legal requirements, rules and regulations.

**Fixed Asset** Tangible assets of significant value with a useful life of one year or more. Fixed assets are usually classified in four categories: land, buildings and improvements, equipment, and construction in progress.

**Forbearance** A purposeful decision to refrain from acting on something.

**Force Majeure** (literally meaning "greater force") A contract clause that protects the parties to a contract in the event that all or part of a contract cannot be performed due to causes that are outside their control and could not be avoided by the exercise of due care.

**Full-time Employee** An employee who works a 40-hour workweek.

**Full-Time Equivalent (FTE)** Excluding overtime but including holidays and paid vacations, the FTE is the value that results from dividing the maximum amount of regular time a position is authorized to work in a fiscal year (July



1 – June 30) by the standard maximum annual time established by the court (typically 2,080 hours). For example, a position authorized to work no more than 1,040 regular hours in a fiscal year is assigned a FTE value of 0.5. Except for temporary help blankets, the FTE value for each position can equal but not exceed 1.0.

**Fund** A fiscal and accounting entity with a self-balancing set of accounts. A fund is established to record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. A fund allows for the segregation of financial activities for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**General Fixed Assets Account Group** A self-balancing group of accounts set up to account for the fixed assets used in the operations accounted for in governmental funds. This includes all fixed assets not accounted for in proprietary or trust and agency funds.

**General Fund** The fund used to account for all financial resources except those specifically required to be accounted for in other funds.

**General Ledger** A record containing the accounts needed to reflect an entity's financial position and the results of operations. The general ledger may consist of the main ledger, sub ledgers, and other transaction documentation that combine to provide a complete financial profile. The general ledger links the chart of account to the accounting system.

**Generally Accepted Accounting Principles (GAAP)** Uniform minimum standards and guidelines as established by the Financial Accounting Standards Board, for financial accounting and reporting which govern the form and content of the financial statements of the entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practices at a given time. They include not only broad guidelines of general application, but also detailed practices and procedures.



**Generally Accepted Auditing Standards (GAAS)** Standards adopted by the AICPA for the conduct and reporting of financial audits. The GAAS set forth objectives of the audit and establish measures that can be applied to judge the quality of its performance.

**Generally Accepted Government Auditing Standards (GAGAS)** Mandatory standards for conducting both financial and performance audits where federal funds are involved. GAGAS consist of GAAS standards supplemented by additional standards established by the U.S. General Accounting Office.

**Government Accounting Standards Board (GASB)** The authoritative accounting and financial reporting standard-setting body for government entities.

**Governmental Fund** Funds used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities – except those accounted for in proprietary funds and fiduciary funds.

**Grant** Contributions of cash or other assets from a government or other entity that are used or expended for a specific purpose, activity, or facility.

**Grantee** The entity to which a grant is awarded, and which is accountable for the use of the funds or other assets provided by the grant.

**Grantor** The entity that makes a grant award. The grantor may be a federal, state, or local government, a corporation or other business, a private foundation, or other organization.

**Grant Period (also Funding Period)** The time between the effective date of the grant award and the ending date of the award.

**Gratuity** Anything of material value offered to a public official or employee in return for favorable consideration in business dealings.



**Headquarters** The traveler's primary place of assigned employment. This is the place where he/she spends the largest portion of his/her regular working time, or the place to which he/she returns on completion of special assignments.

**Honorarium** Anything of value accepted as consideration for an appearance, speech, or article.

**Indemnification** In a contract, the indemnification clause requires one of the parties to hold the other party harmless from loss, damage, or liability that may arise out of the performance of the contract or other circumstances specified in the contract.

**Identification Number Register** A list containing the identification numbers assigned to assets and equipment and brief descriptions of the items inventoried.

**Independent Audit** An audit performed by an auditor meeting the independence criteria established by GAAS in which an audit opinion is issued. The Bureau of State Audits is the State of California's independent auditor.

**Indirect Cost Rate Proposal (ICRP)** The documentation prepared by the court to substantiate its request for establishing an indirect cost rate.

**Indirect Rates** Fixed rates for overhead or general and administrative expenses established to determine the amounts due to a grantee in addition to its direct costs. Indirect Rates are also referred to as predetermined rates.

**Interagency Agreements (IAs)** An agreement or transaction between two government entities, such as between a trial court and an agency of the Executive Branch.



**Intra-branch Agreement (IBAs)** Agreements between the trial court and either the AOC or another trial court which doesn't include provisions such as indemnification or insurance as both entities are part of the same branch of government.

**Internal Audit** All forms of appraisal of activities conducted by auditors working for and within the organization that they are auditing. Internal auditors may be employees or contractors of the organization.

**Internal Controls** The plan of organization and all the methods and measures used by the court to monitor assets, prevent fraud, minimize errors, verify the correctness and reliability of accounting data, promote operational efficiency, and ensure that established managerial policies are followed.

**Internal Service Fund** A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

**Inventory** A detailed list of the quantities, descriptions and values of property owned by the Trial Court.

**Inventory Item** Any item with a value of **more than \$1,000 and less than \$5,000** and an anticipated useful life of more than one year. In addition, items of lower value that are particularly subject to loss or theft may be classified as inventory items. Examples include cellular telephones, computer monitor, printers, etc.

**Invitation for Bid (IFB)** A solicitation document used when the goods and/or services to be purchased are very well defined, the primary decision factor is price, and an award (if any) is made without the need to communicate with bidders after bids are received.

**Invoice** A claim for payment submitted by a vendor for goods supplied or services rendered.



**Journal** A book, register, form or electronic record in which a transaction's effects are recorded.

**Journal Entry** The entry of transaction data into a journal. Specific data that should be entered includes appropriate account numbers, transaction dates, transaction amounts (debits and credits), a transaction description, and who prepared the journal entry.

**Judicial Council** The governing body of the California court system, including the trial courts. Consistent with its constitutional authority, the requirements of the Lockyer-Isenberg Trial Court Funding Act of 1997 (AB 233) and other legislation, the Judicial Council has established financial rules that allow and require the trial courts to operate responsibly.

**Kickback** Any money, fee, commission, thing of value or compensation of any kind that is provided directly or indirectly for the purpose of improperly obtaining or rewarding favorable treatment.

**Ledger** A group of accounts used to record the financial transactions of an entity.

**Legal Basis of Accounting** The accounting of financial transactions (e.g., revenues, expenditures, transfers, loans) on the same basis as, and in accordance with, that of the Governor's Budget, Budget Act, state laws, and state accounting procedures. The diverse nature of governmental operations and the need for complying with legal provisions require that the accounts of governmental entities be organized on the basis of funds rather than a single set of accounts commonly used by commercial enterprises.

**Liability** A financial commitment to make a future payment or to provide services to another party in return for the receipt of some benefit.

**Limited-Term Positions** Limited-term positions are authorized positions in which the duration is established for a specific period of time and with a specified date of termination.



**Liquidated Damages** An amount fixed in a contract that is assessed against a contractor when it breaches the delivery provision of a contract (e.g., it fails to complete delivery, installation, services, or the work specified in a contract within a defined period of performance or schedule).

**Lockyer-Isenberg Trial Court Funding Act of 1997 (AB233)** Law enacted by the State of California legislature taking effect on January 1, 1998. Under this law, the funding of the Trial Courts is consolidated at the state level to ensure equal access to justice throughout California. Key provisions of the law include giving the legislature authority to make appropriations and giving the Judicial Council of California authority to allocate funds to the Trial Courts.

**Low Value Purchase** A purchase with a suggested total value of \$500 to \$4,999.

**Master Agreement** A Master Agreement is a contract that is used when the trial court has identified a recurring need for a specific type of service, but the level of effort and timing of the court's need fluctuates or is uncertain. For example, master agreements may be useful to obtain the services of temporary agency employees, translators, court reporters, court-appointed counsel, etc.) Master agreements generally define the types of services to be provided and establish the rates that the provider will charge the trial court for those services.

**Measurable** Revenues are measurable when they are reasonably estimable.

**Memorandum of Understanding (MOU)** A written statement that outlines the terms of an agreement or transaction between two government entities where no funds are involved, such as the trial court and the DMV or other such entity. In the judicial branch, MOUs often include funds and because of the historic relationship between the trial court and the counties, MOUs are commonly used as the form of agreement between the trial court and the county for services, such as security services. Additionally, MOUs are



used between the trial court and the AOC for specific projects where funds are involved.

**Mini Purchase** A purchase that does not exceed a suggested total value of \$500.

**Modified Accrual Basis** A system of accounting in which (i) revenues are recognized in the period in which they become measurable and available, and (ii) expenditures are generally recognized when the fund liability is incurred, if measurable.

**Monthly Cash Settlement Report** A report prepared by the court summarizing the revenues collected by the court each month. The collection record provides the data necessary to prepare the report.

**Mutual Funds** A professionally managed type of collective investment scheme that pools money from many investors and invests it in stocks, bonds, short-term money market instruments, and/or other securities.

**Negotiate** To communicate with another party to arrive at an agreement.

**Nominal Value** Cash or market value not greater than \$10 per item, with an annual aggregate per recipient of \$50 or less.

**Non-exempt Employee** An employee who is included under the provisions of the federal Fair Labor Standards Act. Non-exempt employees are generally entitled to receive overtime compensation when they work over 40 hours per week.

**Non-Financial Gift** A voluntary donation of personal property, not including a financial gift, made without expecting or receiving a resulting value (e.g., goods, services, or some promised action or forbearance) in return. Examples include donated works of art, furniture, computers, or other equipment.





**Notice of Default** A notice from one contract party to the other of the existence of a breach of contract sufficient to constitute a default under the contract's terms.

**Overtime** Authorized time worked in excess of the regularly scheduled workweek.

**Part-time Employee** An employee who works less than a 40 hour workweek.

**Payee** The beneficiary of a check or an electronic funds transfer.

**PECT** The trial court Budget Program Structure consists of four levels of increasing detail that are used to develop and manage the trial court budget:

**Program:** The summary level, which includes all elements of Trial Court Operations – Program 10 and Court Administration – Program 90. Court Administration is reflected as a distributed expense against trial court operations in the Schedule 1 - Baseline Budget.

**Element:** The second level of budget detail, which breaks down the two programs into the major court operations and administration elements.

**Component:** The third level of budget detail. It further segregates trial court operations funds into categories for different types of court cases and other support services.

**Task:** The most detailed budget category. It is used to segregate funds within the Criminal and Families and Children components of the Trial Court Operations Program, Case Type Services element.

**Performance Audit** An audit performed to evaluate the economy and efficiency of an organization's operations, its effectiveness in meeting regulatory requirements, and the correspondence between performance and established criteria. The performance audit provides a review of the



degree to which management's performance meets pre-stated expectations.

**Personal Property** Money, goods, and movable property. (Civ. Code, §§ 14, 657, 663.)

**Petty Cash** An advance of money to be used for small, but necessary operating items, not to exceed \$100.00, exclusive of applicable sales tax.

**Phoenix Shared Services Center** Provides Accounts Payable services for the trial courts as part of the Trial Court Administrative Services Division of the AOC.

**Position Roster** A list of all authorized positions, whether filled or vacant, which must be maintained by each court and which includes information such as: facility code, department or organizational unit code, position number, position classification number, position classification title, employee name (if filled), hourly rate, beginning monthly step, last monthly step, current salary, tenure status code (e.g., regular, limited-term, or temporary), time base code (e.g., full-time, part-time, or intermittent), hire date, appointment date, vacancy date, merit salary adjustment date, FTE, leave status, (workers comp, leave of absence, disability, etc.), exempt vs. non-exempt status, and bargaining unit.

**Procurement** The process of acquiring goods or services to support the operations of the trial court.

**Proposal** A response to a Request for Proposals that describes the proposer's approach, scope of work, schedule and cost to provide goods or services, as well as the ability to meet other relevant criteria established by the requestor.

**Proprietary Fund** Funds used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector (i.e., enterprise and internal service funds).



**Purchase Order (PO)** A form of contract used to document a purchase transaction (usually for goods). Purchase orders are numbered according to a system that allows them to be verified for control purposes, with fields that identify the quantity, price, and description of goods ordered, payment terms, discount factors, and date of delivery or performance.

**Quarterly Financial Statement (QFS)** A report submitted by the trial court according to Judicial Council requirements and Government Code Section 77206, that is used to monitor the financial condition and budgeted expenditures of the trial court throughout the fiscal year. The AOC is required to submit an annual report based on the QFS to the Joint Legislative Budget Committee regarding trial court expenditures.

**Quarterly Report of Changes of Authorized Positions (QCAP)** Report that trial courts use to identify, on a quarterly basis, newly established positions and changes to authorized positions reported in the Schedule 7A.

**Questioned Cost** Expenditure made under a state, local, or federal grant program that may not be allowable under the conditions of the grant agreement. Questioned costs that are disallowed must be refunded to the grantor.

**Quote** An oral or written statement of the proposed price for goods or services, such as a bid that is not sufficiently detailed to legally bind the bidder.

**Real Property** Land, things that are attached or incidental to the land (e.g., buildings, roads, waterways, trees, plants), and things that are immovable by law. (Civ. Code §§ 14, 658.)

**Receipt** A written record of payment for goods or services received and the price paid for them.

**Receiving County** The County in a Change of Venue Case where the Receiving Court is located.



**Receiving Court** The court in a Change of Venue Case to which a criminal trial is transferred.

**Reclassification** The result of changing a position's classification. An example would be reclassifying a clerk position to a senior clerk position.

**Record** Any document, drawing, book, writing, log, data, etc., and supporting evidence recorded in a permanent form and intended to preserve knowledge of an action or an occurrence. Records include computer-stored or generated information, microfilm, computer programs, tapes, disks, etc.

**Record of Equipment Transfer, Acquisition or Disposal** A form used that protects the integrity of the physical inventory by documenting changes due to the transfer, acquisition or disposal of assets or equipment.

**Record of Physical Inventory** A complete listing of all items assigned to a particular unit or location.

**Reimbursable Agreement(s)** An agreement between the trial court and a federal, state, or local government entity in which the federal, state, or local government entity agrees to reimburse certain trial court expenses.

**Reimbursement Grant** A type of grant under which the trial court is reimbursed for work performed and/or costs incurred up to the total amount specified in the grant. Such costs must be allowable in accordance with the applicable cost principles.

**Report of Revenues (ROR)** A supplementary report submitted by the trial court along with the QFS according to Judicial Council requirements and Government Code section 77206. The ROR is used to monitor the receipt of all revenues, including fines, fees and forfeitures, throughout the fiscal year.

**Request for Bid (RFB)** See Invitation for Bid, above.



**Request for Proposal (RFP)** A solicitation document used when the goods or services required are not precisely defined. Responses are judged against each other using predetermined selection criteria. The procuring party reserves the right to negotiate after the submittal of proposals, but may also make an award without discussions or negotiations. Most often used to acquire services.

**Request for Quote (RFQ)** A solicitation document used when award (if any) will be made after negotiation with the offeror. Quotations received must be discussed and confirmed to determine which one offers the best value to the court before a purchase order or contract can be awarded.

**Requisition** A written or electronic request to that initiates the procurement process. The requisition clearly describes the required goods or services, the quantity needed, and the schedule for delivery or performance.

**Retention** An amount that is withheld from contractor payments until final and satisfactory project completion.

**Revenue** Monies received in the form of cash, check, money order, credit card payment, or other acceptable payment method, in exchange for court tendered goods, services or accepted satisfaction of fines, fees or other obligations payable to the court.

**Revolving Fund** A Demand Deposit bank account established by the AOC for a court, providing the court the ability to issue properly authorized paper check payments locally.

**Rule 10.810 (California Rule of Court)** Defines the division of responsibility between the state and county for funding the trial courts. Rule 10.810 includes a listing of the types of costs that the county is allowed to charge the court as well as a list of unallowable costs. Function 8 of Rule 10.810 pertains to court security.



**Rule of Court 10.804 (California Rule of Court)** The rule of court that establishes the authority of the Judicial Council to prepare and adopt a financial policies and procedures manual for the trial courts, and defines the comment period and date of adherence for any amendments to the manual.

**SAL (State Appropriations Limit) Adjustment Allocation Process** The annual process for adjusting the trial courts' base budgets by the allocation of resources provided by the SAL Funding Adjustment. The method employed for this process is designed to ensure distribution to courts of new monies to address specified court non-discretionary costs on a state-wide basis, to provide for increases and adjustments in funding for reimbursable costs, to provide for annual consideration of Judicial Council funding priorities, to allocate discretionary funds for the courts to use to address operational needs, and to provide a means of addressing funding for under-resourced courts and courts with growing workloads due to population increases.

**Schedule 1 - Budget** The complete operating budget for the trial court based on existing resources.

**Sealed Bid** A bidder's response to an IFB or RFB that is physically sealed and publicly opened with all other bids received at a specified date and time. Contract award, if any, is made to the lowest responsive, responsible bidder. Sealed bids are used when discussions with offerors are not required and award is based primarily on price.

**Service Provider** An individual or business that contracts to sell its services to the court.

**Simplified Method** A method used to calculate indirect cost rates whereby each major function of an entity benefits from its indirect costs to approximately the same degree.



**Single Audit Act (SAA)** Enacted in 1984 and amended in 1996, the Single Audit Act replaced the duplicative audits of multiple grantor agencies with a single audit designed to meet the needs of all federal grantors. The Bureau of State Audits is responsible for SAA performance.

**Small Purchase** A purchase with a suggested total value greater than \$ 5,000 but less than \$24,999.

**Software** Programs, procedures and related documentation necessary to install and run specific computer applications.

**Sole Source** A single vendor, supplier or contractor that is able or qualified to provide a specific type of goods or services.

**Solicitation Document** A document used to obtain bids, quotes, or proposals (collectively, offers) for required goods or services. The solicitation document describes the needed goods or services, the quantity or level of effort required the conditions under which work will be performed, delivery schedule and other requirements of the requestor. Instructions for the content and submittal of the solicitation response are also provided.

**Special Revenue Fund** A fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

**State Appropriations Limit (SAL) Funding Adjustment.** The annual funding adjustment for trial court operating costs is computed based upon the year-to-year change in the State Appropriations Limit. The State Appropriations Limit is an annual cap on state expenditures, which incorporates changes in the state population, average daily school attendance and the change in California Per Capita Personal Income.

**State Comprehensive Annual Financial Report (CAFR)** The overall fiscal report for California state government including the state trial court



system. The CAFR includes financial statements and supporting schedules, documentation, statistics and introductory material to demonstrate conformity to GAAP and compliance with legal requirements, rules and regulations.

**Statewide Trial Court Concentration Account** A depository bank account established by the AOC for each of the 58 trial courts to be used only for a court's individual deposit of civil fee collections.

**Sub-grantee or Sub recipient** An entity that receives a sub-grant and is accountable to the grantee for the use of the funds. For example, the federal government (the grantor) may award funds to the Judicial Council (the grantee), which are passed through to the trial court (the sub-grantee or sub-recipient).

**Sub Ledger or Subsidiary Ledger** A ledger that contains information on specific accounts that interacts with the general ledger (accounts receivable and accounts payable are common examples of sub ledgers).

**Subordinate Judicial Officer (SJO)** A person who is not a judge but is authorized to adjudicate legal cases. Examples of SJOs include commissioners, referees, and hearing officers.

**Subrogate** To substitute one party for another in a legal proceeding.

**Technology Equipment** Any piece of tangible equipment or automatic electronic device used to perform mathematical or logical operations to acquire, store, manipulate or disseminate electronic data including, but not limited to, central processing units, monitors, keyboards, mouse units, etc.

**Temporary Employee** An employee hired for occasional or seasonal work when there is a need for additional staff, or where the scheduling of work requires the services of a person(s) on an intermittent basis.





**Termination** An action by the trial court or contractor to unilaterally end all or part of the work under a contract.

**Termination for Convenience** A contract clause giving the trial court the right to unilaterally terminate all or a portion of a contract without cause and for its own convenience. The contractor is paid the fair value of work performed up to the effective date of the notice of termination.

**Termination for Default (or Termination for Cause)** A contract clause giving the trial court the right to terminate a contract if the contractor fails to meet a material condition of the contract. If provided for in the contract, the contractor is responsible for any net increase in cost that the trial court may incur in completing the work upon termination for cause. A contractor may also terminate a contract for cause if the trial court does not meet its material obligations.

**Termination for Non-Availability of Funds.** A contract clause giving the trial court the right to terminate a contract if the funds required for payment under the contract are not appropriated or are otherwise unavailable to the trial court as anticipated.

**Timesheet** The form used to record the distribution of all time charges for trial court employees.

**Total Recorded Hours** The sum of total direct (court program chargeable), indirect (non-court program chargeable), and compensated personal time (paid time off) hours recorded on an employee's timesheet.

**Transaction** A financial activity that must be recorded.

**Transferring County** The County in a Change of Venue Case where the Transferring Court is located.

**Transferring Court** The court in a Change of Venue Case from which a criminal trial is transferred.



**Travel Expense Claim (TEC) Form** A form used to record business travel, business meals and other business related expense costs when requesting reimbursement. The form must be signed by the person requesting reimbursement, his/her appropriate approval level and accompanied by appropriate receipts before payment of the claim may be processed.

**Travel Request** A form used to obtain approval for planned business travel prior to making travel arrangements. Travel costs incurred without a completed Travel Request form may be subject to rejection when reimbursement is requested.

**Trust Fund** A fund used to account for assets held by a government in a trustee capacity for individuals, private organizations other governments and/or other funds.

**Two-party Checks** Checks made payable to two persons/entities, i.e. co-payees, in the payee line of the check. Checks endorsed on the back of the check by the payee as “payable to: [another person/entity]” is a “special endorsement”.

**Unencumbered Balance of Fund** That portion of a fund not yet expended or encumbered. Any such balance remaining at the end of the fiscal year shall revert to the available balance of the fund.

**Unobligated Balance** The amount of funds awarded by the grantor that are not committed or expended by the trial court.

**Unsolicited Proposal** A written proposal to supply goods or perform services that was not requested by the trial court. Unsolicited proposals are normally received in one of the following ways: (1) a bid solicitation is issued and a supplier that was not solicited submits a bid; or (2) a supplier, on its own initiative, offers to supply goods or perform a service for which no solicitation has been issued.

**Vendor** A person or business that contracts to sell goods or services.



**Voucher** A written document that evidences the propriety of transactions and which is normally used to indicate the accounts (codes) in which they are to be recorded.

**Warrant (Check)** An order drawn by a county officer on the treasury, directing payment of a specified amount to a specific person or entity. A warrant is similar to a bank check.

**Warranty** A promise of a contractor, vendor, or supplier or guarantee regarding the nature, usefulness, service life, or conditions of the goods or services provided.

**Yield** Return on an investment in a security generally expressed as a percentage of the security's price.



# **Judicial Council of California**

## **Administrative Office of the Courts**

Trial Court Financial Policies and Procedures

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Many of the revisions made to the 7th Edition of the Trial Court Financial Policies and Procedures Manual are made to ensure that recurring words are used consistently with the intended meaning. As a result the terms **SHALL** and **SHOULD** are often replaced with the term **WILL** when appropriate.

- **Shall:** The term “shall” is properly used only when the intended meaning is “a duty to”, e.g. According to federal law, the court shall impose the maximum sentence. In contract and legal drafting the term is most often replaced with the term “will”, “may”, or “should”, as appropriate.
- **Must:** The term “must” is considered inappropriately “bossy” in everyday language and may be considered more important than other words such as “will” when both terms are used in a document. The word “will” is an appropriate replacement when it is used consistently throughout the document. If both words (shall and will) are used when the drafter intends the same level of commitment, it may be confusing and should be avoided.
- **Will:** The term “will” ought to bear a consistent meaning within a document. It may express the obligations of both parties when the relationship is more or less between equals or it may express one party’s obligations in an adhesion contract when it is used with the term “must” for the other party. The term may also be used to express a future contingency, although this is not the common usage in modern drafting.
- **May:** The term “may” means “has discretion to” or “is permitted”. It should be the only term to denote these senses.
- **Should:** The term “should” denotes a directory provision.