

SUPERIOR COURT OF CALIFORNIA, COUNTY OF FRESNO

Audit Report

VALIDITY OF RECORDED REVENUES, EXPENDITURES, AND FUND BALANCES

July 1, 2020, through June 30, 2021



BETTY T. YEE
California State Controller

September 2022



BETTY T. YEE
California State Controller

September 2, 2022

Michael Elliott, Court Executive Officer
Superior Court of California, County of Fresno
1100 Van Ness Avenue
Fresno, CA 93724

Dear Mr. Elliott:

The State Controller's Office audited the Superior Court of California, County of Fresno (Court) to determine whether the revenues, expenditures, and fund balances under the administration, jurisdiction, and control of the Court complied with governing statutes, rules, regulations, and policies; were recorded accurately in accounting records; and were maintained in accordance with fund accounting principles. The audit period was July 1, 2020, through June 30, 2021.

Our audit found that the Court substantially complied with governing statutes, rules, regulations, and Judicial Branch policies for revenues, expenditures, and fund balances. However, we also identified accounting errors and internal control deficiencies that warrant the attention of management.

Specifically, we found revenues that were not reported correctly in the Court's financial statements for the fiscal year in which they were earned. We also found errors in computing overtime pay rates, and a judicial officer's timesheet that had not been approved by a supervising authority or an appropriate judicial officer. These issues are described in the Findings and Recommendations section of the report.

This report is for your information and use. The Court's responses to the findings are incorporated into this final report. The Court agreed with our findings and provided a Corrective Action Plan to address the fiscal accounting errors and control weaknesses and recommendations. We appreciate the Court's willingness to implement corrective actions.

If you have any questions, please contact Joel James, Chief, Financial Audits Bureau, by telephone at (916) 323-1573.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

cc: Queenie Hill, Chief Financial Officer
Superior Court of California, County of Fresno
Martin Hoshino, Administrative Director
Judicial Council of California
Millicent Tidwell, Chief Deputy Director
Judicial Council of California
John Wordlaw, Chief Administrative Officer
Judicial Council of California
Zlatko Theodorovic, Chief Financial Officer and Director of Finance
Judicial Council of California
Grant Parks, Principal Manager
Audit Services
Judicial Council of California
Aaron Edwards, Assistant Program Budget Manager
California Department of Finance
Emma Jungwirth, Principal Program Budget Analyst
California Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	6
Follow-up on Prior Audit Findings	6
Views of Responsible Officials	6
Restricted Use	6
Schedule 1—Summary of Revenues and Revenue Test Results	7
Schedule 2—Summary of Expenditures and Expenditure Test Results	8
Schedule 3—Summary of Fund Balances and Fund Balance Test Results	9
Findings and Recommendations	10
Attachment—Superior Court’s Comments Regarding Audit Results	

Audit Report

Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of Fresno (Court) to determine whether the revenues, expenditures, and fund balances under the administration, jurisdiction, and control of the Court complied with governing statutes, rules, regulations, and policies; were recorded accurately in accounting records; and were maintained in accordance with fund accounting principles. The audit period was July 1, 2020, through June 30, 2021.

Our audit found that the Court substantially complied with governing statutes, rules, regulations, and Judicial Branch policies for revenues, expenditures, and fund balances. However, we also identified accounting errors and internal control deficiencies that warrant the attention of management.

Specifically, we found revenues that were not reported correctly in the Court's financial statements for the fiscal year in which they were earned. We also found errors in computing overtime pay rates, and a judicial officer's timesheet that had not been approved by a supervising authority or an appropriate judicial officer. These issues are described in the Findings and Recommendations section of the report.

Background

Superior Courts (trial courts) are located in each of California's 58 counties and follow the California Rules of Court, established through Article IV of the California Constitution. The Constitution charges the Judicial Council of California (JCC) with authority to adopt rules for court administration, practices, and procedures. The Judicial Council Governance Policies are included in the California Rules of Court. Trial courts are also required to comply with various other state laws, rules, and regulations, much of which are codified in Government Code (GC) sections 68070 through 77013, Title 8, "The Organization and Government of Courts."

Pursuant to California Rules of Court (CRC) rule 10.804, the JCC adopted the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), which provides guidance and directives for trial court fiscal management. As required by CRC rule 10.804, the FIN Manual contains regulations establishing budget procedures, recordkeeping practices, accounting standards, and other financial guidelines; and it describes an internal control framework that enables courts to monitor their use of public funds, provide consistent and comparable financial statements, and demonstrate accountability. Procurement and contracting policies and procedures are addressed separately in the *Judicial Branch Contracting Manual*, adopted by the JCC under Public Contract Code section 19206.

With respect to trial court operations, CRC rule 10.810 provides cost definitions (inclusive of salaries and benefits, certain court-appointed counsel provisions, services and supplies, collective bargaining, and indirect costs), exclusions to court operations, budget appropriations for counties, and functional budget categories. GC section 77001 provides trial courts with the authority and responsibility for managing their own operations.

All trial court employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity, and professionalism. In addition, they must operate within the specific levels of authority established by trial courts for their positions.

The JCC requires that trial courts prepare and submit Quarterly Financial Statements, Yearly Baseline Budgets, and Salary and Position Worksheets. Financial statement components and reporting are the core of our audit's subject matter.

The Trial Court Trust Fund (TCTF) is the primary source of funding for trial court operations. The JCC allocates money in the TCTF to trial courts. The TCTF's two main revenue sources are the annual transfer of appropriations from the State's General Fund and maintenance-of-effort payments by counties, derived from their collections of fines, fees, and forfeitures.

In fiscal year (FY) 2020-21, the Court reported revenues of \$68,043,063. The Court receives the majority of its revenue from state financing sources. The TCTF provided 75.8% of the Court's revenue. During the audit period, the Court incurred expenditures of \$70,284,215. Payroll-related expenditures (salaries and benefits) comprised 81.9% of total expenditures. During this period, the Court employed 503 staff members to serve Fresno County's population of approximately 1,020,300 residents.

Funds under the Court's control include a General Fund, a Special Revenue Non-Grant Fund, and a Special Revenue Grant Fund. The General Fund, Special Revenue Non-Grant Fund, and Special Revenue Grant Fund had revenue and expenditure accounts in excess of 4% of total revenues and expenditures, and were considered material and significant for testing.

We performed the audit at the request of the JCC. Audit authority is provided by Interagency Agreement Number 70343, dated October 26, 2021, between the SCO and the JCC, and by GC section 77206(h)(2).

**Objective, Scope,
and Methodology**

The objective of our audit was to determine whether the Court complied with governing statutes, rules, and regulations relating to the validity of recorded revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control.

Specifically, we conducted this audit to determine whether:

- Revenues were consistent with Government Code, properly supported by documentation, and recorded accurately in the accounting records;
- Expenditures were incurred pursuant to Government Code, consistent with the funds' purposes, properly authorized, adequately supported, and recorded accurately in the accounting records; and
- Fund balances were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles.

The audit period was July 1, 2020, through June 30, 2021.

To accomplish our objective, we performed the following procedures.

General Procedures

We reviewed the *Judicial Council Governance Policies* (November 2017), the FY 2020-21 Budget Act, the Manual of State Funds, Government Code, the California Rules of Court, the JCC's FIN Manual (11th edition, June 2020), and internal policies and procedures to identify compliance requirements applicable to trial court revenues, expenditures, and fund balances.

Internal Control Procedures

- We reviewed the Court's current policies and procedures, organization, and website, and interviewed Court personnel to gain an understanding of the internal control environment for governance, operations, and fiscal management.
- We interviewed Court personnel and prepared internal control questionnaires to identify internal accounting controls.
- We assessed whether key internal controls (such as reviews and approvals, reconciliations, and segregation of duties) were properly designed, implemented, and operating effectively by performing walk-throughs of revenue and expenditure transactions.
- We reviewed the Court's documentation and financial records supporting the validity of recorded revenues, expenditures, and fund balances.
- We assessed the reliability of financial data by (1) interviewing agency officials knowledgeable about the Court's financial and human resources systems; (2) reviewing Court policies; (3) agreeing accounting data files to published financial reports; (4) tracing data records to source documents to verify completeness and accuracy of recorded data; and (5) reviewing logical security and access controls for key court information systems. We determined that the data was sufficiently reliable for the purposes of achieving our objective.
- We selected revenue and expenditure ledger transactions to test the operating effectiveness of internal controls. Using non-statistical sampling, we selected 28 revenue items and 28 expenditure items to evaluate key internal controls of transactions recorded in significant operating funds and the related fund accounts. We expanded testing on accounts with transactions containing errors to determine the impact of identified errors. Errors were not projected to the intended (total) population.

Revenue Testing Procedures

We designed our revenue testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting.

Our procedures included tests of recorded transaction details and of accounting internal controls.

- We tested revenue transactions and account balances in the General Fund and the Non-Grant Special Revenue Fund to determine whether revenue accounting was consistent with Government Code, properly supported by documentation, and recorded correctly in the accounting system.
- We selected all material financial statement accounts that exceeded 4% of total revenues, and determined that the TCTF, MOU (memorandum of understanding) Reimbursements, and Other Miscellaneous accounts were material. We expanded our testing to include the TCTF – Judges Compensation and TCTF – Court Interpreter accounts. We tested accounts through combined sampling and analytical procedures.
- We tested \$62,087,604 of \$68,043,063, or 91.2% of total revenues.

We identified errors in account balances that resulted from an unadjusted difference between revenues earned and accrued in the prior year, and remittances received in the current year. There is no effect to overall total revenue.

Details of our findings are provided in the Finding and Recommendation section of this report. Schedule 1—Summary of Revenues and Revenue Test Results presents, by account, the revenue and test totals, and the error amounts noted.

Expenditure Testing Procedures

We designed our expenditure testing to verify the Court’s adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our procedures included tests of recorded transaction details and of accounting internal controls.

- We tested expenditure transactions and account balances in the General Fund, the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund to determine whether expenditures were incurred pursuant to Government Code, consistent with the funds’ purposes, properly authorized, adequately supported, and accurately recorded in the accounting records.
- We tested all material expenditure accounts that exceeded 4% of total expenditures. Material accounts included payroll-related (salaries and benefits) accounts and non-payroll (Contracted Services) accounts.
- To test payroll-related expenditure accounts, we selected two bi-weekly pay periods occurring in July 2020 and February 2021, and reconciled the salary and benefit expenditures shown on the payroll registers to the general ledger. We further selected 10 of 503 employees from the payroll registers and verified that:
 - Employee timesheets included supervisory approval;
 - Regular earnings and supplemental pay were supported by salary schedules and personnel action forms;

- Employer retirement contributions and payroll taxes were entered into the general ledger accurately; and
- Health insurance premiums shown on the payroll register agreed to the employees' benefit election forms.
- To test material non-payroll expenditure accounts, we:
 - Judgmentally selected a sample of 18 expenditure transactions to test the accuracy of recorded transactions and key internal controls;
 - Selected expenditure transactions that we considered individually significant (material), exceeding \$120,000; and
 - Traced expenditures recorded in the general ledger to supporting documents.
- We tested \$1,096,787 of \$70,284,215, or 1.6% of total expenditures.

We found errors in the Court's computation of overtime pay rates and we found that one timesheet had not been signed by a supervising authority or an appropriate judicial officer.

The details of our findings are provided in the Findings and Recommendations section of this report. Schedule 2—Summary of Expenditures and Expenditure Test Results presents, by account, total expenditures and related amounts tested.

Fund Balance Testing Procedures

We designed our fund balance testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our procedures included review of fund classifications and accounting internal controls.

- We judgmentally selected the General Fund, the Non-Grant Special Revenue Fund, and the Grant Special Revenue Fund, as these funds had revenue and expenditure accounts with significant balances.
- We tested revenue and expenditure transactions in these funds to determine whether transactions were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles (see Schedules 1 and 2).
- We verified the accuracy of individual fund balances in the Court's financial supporting documentation.
- We recalculated sampled funds to ensure that fund balances as of June 30, 2021, were accurate and in compliance with applicable criteria.

We found that fund balances for the tested funds were properly reported. Schedule 3—Summary of Fund Balances and Fund Balance Test Results, presents, by fund, total balances and changes in fund balances.

We conducted this performance audit under the authority of GC section 77206(h) and in accordance with generally accepted government

auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the Court's internal controls to gaining an understanding of the significant internal controls within the context of the audit objective. We did not audit the Court's financial statements.

Conclusion

Our audit found that revenues, expenditures, and fund balances reported by the Court substantially complied with governing statutes, rules, regulations, and Judicial Branch policies; were recorded accurately in accounting records; and were maintained in accordance with appropriate fund accounting principles. However, we also identified accounting errors and internal control deficiencies that warrant the attention of management.

Specifically, we found revenues that were not reported correctly in the Court's financial statements for the fiscal year in which they were earned. We also found errors in computing overtime pay rates and a judicial officer's timesheet that had not been approved by a supervising authority or an appropriate judicial officer. These issues are described in the Findings and Recommendations section of the report.

Follow-up on Prior Audit Findings

We have not previously conducted an audit of the Court's revenues, expenditures, and fund balances; therefore, there are no prior audit findings to address in this report.

Views of Responsible Officials

We issued a draft audit report on June 28, 2022. The Court responded by letter dated July 11, 2022, agreeing with the audit results. This final audit report includes the Court's response as an attachment.

Restricted Use

This report is solely intended for the information and use of the Superior Court of California, County of Fresno; JCC, and SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

September 2, 2022

**Schedule 1—
Summary of Revenues and Revenue Test Results
July 1, 2020, through June 30, 2021**

Revenue Accounts	Revenues Reported		Revenues Tested		Error
	Total ¹	Percentage	Amount ¹	Percentage	Amount ²
<u>State Financing Sources</u>					
Trial Court Trust Funds ^{3,4}	\$ 51,553,240	75.8%	\$ 51,553,240	100.0%	\$ 4,076
Improvement and Modernization Fund	137,472	0.2%	-	0.0%	-
Judges' Compensation	381,900	0.6%	381,900	100.0%	-
Court Interpreter ³	2,207,411	3.2%	2,207,411	100.0%	-
Civil Coordination Reimbursement	-	0.0%	-	-	-
MOU Reimbursements ^{3,4}	4,208,453	6.2%	4,181,764	99.4%	(15,792)
Other Miscellaneous ^{3,4}	3,340,363	4.9%	3,340,363	100.0%	-
Subtotal	61,828,839		61,664,678		(11,716)
<u>Grants</u>					
AB 1058 Commissioner/Facilitator	2,340,079	3.4%	-	0.0%	-
Other Judicial Council Grants	412,536	0.6%	-	0.0%	-
Non-Judicial Grants	419,944	0.6%	-	0.0%	-
Subtotal	3,172,559		-		-
<u>Other Financing Sources</u>					
Interest Income	39,337	0.1%	-	0.0%	-
Investment Income	-	0.0%	-	0.0%	-
Donations	-	0.0%	-	0.0%	-
Local Fees	378,298	0.6%	-	0.0%	-
Non-Fee Revenues	-	0.0%	-	0.0%	-
Enhanced Collections	875,519	1.3%	-	0.0%	-
Escheatment	-	0.0%	-	0.0%	-
Prior Year Revenue	3,099	0.0%	-	0.0%	11,716
County Program – Restricted	164,568	0.2%	-	0.0%	-
Reimbursement Other	968,312	1.4%	-	0.0%	-
Sale of Fixed Assets	-	0.0%	-	0.0%	-
Other Miscellaneous	612,532	0.9%	422,926	69.0%	-
Subtotal	3,041,666		422,926		11,716
Total Revenues	\$ 68,043,063	100.0%	\$ 62,087,604	91.2%	\$ -

¹ Differences due to rounding

² Revenues over/(under) stated; see Finding 1

³ Material account

⁴ Tested account internal controls

Schedule 2— Summary of Expenditures and Expenditure Test Results July 1, 2020, through June 30, 2021

Expenditure Accounts	Expenditures Reported		Expenditures Tested		Error Amount ²
	Total ¹	Percentage	Amount ¹	Percentage	
<u>Personal Services</u>					
Salaries – Permanent ^{3,4}	\$ 29,773,914	42.4%	\$ 52,645	0.2%	\$ -
Temp Help	292,339	0.4%	-	0.0%	-
Overtime	100,233	0.1%	438	0.4%	-
Staff Benefits ^{3,4}	27,772,645	39.5%	8,061	0.0%	-
Subtotal	57,939,131		61,143		-
<u>Operating Expenses and Equipment</u>					
General Expense	572,340	0.8%	-	0.0%	-
Printing	67,792	0.1%	-	0.0%	-
Telecommunications	139,054	0.2%	-	0.0%	-
Postage	126,992	0.2%	-	0.0%	-
Insurance	69,110	0.1%	-	0.0%	-
In-State Travel	11,267	0.0%	-	0.0%	-
Out-of-State Travel	-	0.0%	-	0.0%	-
Training	11,584	0.0%	-	0.0%	-
Security Services	389,243	0.6%	-	0.0%	-
Facility Operations ⁴	2,677,144	3.8%	362,953	13.6%	-
Utilities	29,654	0.0%	-	0.0%	-
Contracted Services ^{3,4}	6,176,992	8.8%	672,691	10.9%	-
Consulting and Professional Services	24,253	0.0%	-	0.0%	-
Information Technology	1,274,734	1.8%	-	0.0%	-
Major Equipment	547,536	0.8%	-	0.0%	-
Other Items of Expense	18,207	0.0%	-	0.0%	-
Subtotal	12,135,901		1,035,644		-
<u>Special Items of Expense</u>					
Grand Jury	336	0.0%	-	0.0%	-
Jury Cost	208,846	0.3%	-	0.0%	-
Judgements, Settlements and Claims	-	0.0%	-	0.0%	-
Debt Service	-	0.0%	-	0.0%	-
Other	-	0.0%	-	0.0%	-
Capital Costs	-	0.0%	-	0.0%	-
Internal Cost Recovery	-	0.0%	-	0.0%	-
Prior Year Expense Adjustment	-	0.0%	-	0.0%	-
Subtotal	209,182		-		-
Total Expenditures	<u>\$ 70,284,215</u>	100.0%	<u>\$ 1,096,787</u>	1.6%	<u>\$ -</u>

¹ Differences due to rounding

² Expenditures over/(under) stated were not determined; see Finding 2

³ Material account

⁴ Tested account internal controls

Schedule 3—
Summary of Fund Balances and Fund Balance Test Results
July 1, 2020, through June 30, 2021

Balance	General	Special Revenue Fund		Total ¹
	Fund ¹	Non-Grant ¹	Grant ¹	
Beginning Balance	\$ 1,776,540	\$ 1,520,426	\$ -	\$ 3,296,966
Revenues	63,553,403	1,317,101	3,172,559	68,043,064
Expenditures	(64,905,282)	(1,790,154)	(3,588,779)	(70,284,215)
Transfers In	-	731	416,220	416,951
Transfers Out	(416,951)	-	-	(416,951)
Ending Balance	<u>\$ 7,710</u>	<u>\$ 1,048,105</u>	<u>\$ -</u>	<u>\$ 1,055,814</u>
Errors Noted				
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

¹ Differences due to rounding

Findings and Recommendations

FINDING 1— Unadjusted revenues

In our testing of revenue transactions, we noted two instances of unadjusted entries in the Court's current-year (FY 2020-21) operating accounts. In each of these instances, the Court did not adjust its revenue accounts for differences between prior-year (FY 2019-20) revenues that were received during the current year and the amounts that had been accrued in the prior year. Unadjusted differences lead to misstated program revenues for the current-year financial reporting.

All judicial branch trial courts use an accounting system that has automated account closing and opening processes. Year-end accruals are automatically reversed in the subsequent year. Revenue (including reimbursements) that is accrued to an account at the end of a fiscal year, but is not fully collected in the subsequent fiscal year, produces a deficit in the account and understates the current-year account balance. The deficit may be offset by a deposit, another accrual, or an adjusting entry.

Difference adjustments reclassify transactions into the Prior Year Revenue Adjustment account, general ledger (GL) Account Number 899910, and promote more accurate reporting of program revenue earned in the current fiscal year.

We noted the following unadjusted reimbursements:

- GL Account Number 812168 (TCTF – Court Reporter for Proceedings Under One Hour) – The Court received \$4,076 of prior-year revenue. No adjustment was made to reclassify the revenue difference to GL Account Number 899910 (Prior Year Revenue Adjustment). This unadjusted difference resulted in the current year's Court Reporter program account being overstated by \$4,076.
- GL Account Number 832011 (TCTF – Jury) – In FY 2019-20, the Court accrued a jury reimbursement of \$15,792 that was not subsequently received and deposited in the account during the following fiscal year. The reversal created a shortfall difference of program reimbursements in the Jury account. The difference was not reclassified to GL Account Number 899910 (Prior Year Revenue Adjustment) and resulted in current-year operating reimbursements being understated by \$15,792.

The JCC's uniform trial court Chart of Accounts establishes adjustment accounts in the trial court general ledger. Revenues are reclassified by using GL Account Number 899910 (Prior Year Revenue Adjustment) to record adjustments of accrual-related accounting differences; and to record revenue that was earned and not accrued in the prior year, but received in the current year. Expenditures are reclassified in a similar way by using GL Account Number 999910 (Prior Year Expense Adjustment).

The Prior Year Adjustment accounts reclassify accounting information for financial and budgetary reporting, and isolate differences in prior-year accrued transactions to prevent them from being commingled with current-year transactions and reported in current-year operating accounts. Failure to adjust accounts may lead to material financial misstatements. The JCC's Administrative Division staff provides guidance to courts for

using the Prior Year Revenue Adjustment account in its annual *Year-End Close Training Manual–General Ledger*.

Section 7.1, “Automated Accrual Reversal Process,” of the FY 2020-21 *Year-End Close Training Manual–General Ledger* states, in part:

As previously discussed, most expenditure and revenue accruals are automatically reversed in the new fiscal year by placing Z2 and 07/01/2021 in the last two columns of the ZREVERSAL Journal Entry template. Once period 13 is closed, these adjusting entries will automatically be reversed with a posting date of 07/01/2021.

Note: If an accrual was not recorded at year-end or the difference between the accrual amount and the actual amount received/paid is deemed material, then prior-year accounts are to be used in the subsequent fiscal year.

Policy Number FIN 5.02, section 3.0, “Policy Statement,” of the JCC’s FIN Manual (11th edition, June 2020) states:

It is the policy of the trial court to establish an accounting system with a chart of accounts and general ledger that enables the court to record financial transactions with accuracy and consistency. All the trial courts use a single chart of accounts. This single set of accounts ensures that the financial position of all courts is reported consistently and clearly. The actual accounts each court utilizes may vary depending on the complexity of operations.

Recommendation

We recommend that the Court implement accounting procedures to ensure that accounts are adjusted for prior-year transactions and accrual differences, as described in the JCC’s accounting guidance. Differences between amounts actually received in the current year and the amounts accrued in the prior year should be entered in the adjustment accounts. All unaccrued deposits for the prior year should be either entered in or reclassified to the adjustment account.

FINDING 2— Overtime pay rate error

The Court’s salaries and benefits expenditure accounts were considered material for the audit and our procedures included reviewing a sample of employee time records, payroll registers, and health benefit election forms to verify the accuracy, recording, and authorization of amounts charged.

Our test involved selecting a sample of 10 employees for two bi-weekly pay periods. Two employees in the sample earned overtime pay during the two pay periods. We recalculated overtime salary payments and found that the rates of overtime pay were inconsistent for the two employees. Both employees are entitled to a bilingual pay incentive. The Court included the bilingual pay incentive when it calculated the overtime pay rate for one employee, but it did not include the bilingual pay incentive when it calculated the overtime pay rate for the other employee, who was underpaid. Court staff members acknowledged that the bilingual pay incentive should have been included in calculating the employee’s overtime rate.

We further reviewed the records of all employees in each of the two pay period registers who both earned overtime pay and also received the bilingual pay incentive. We noted three additional employees with overtime pay rates that did not include the bilingual pay incentive.

To clarify our understanding of compensation rules, we reviewed employee-related court policies and agreements with the represented employee service union, and found that the language in all documents specifies a time-associated rate of 1.5 hours in overtime compensation. We located the Court's salary and overtime policies in "Article 9—Classification and Compensation" of the Court's *Personnel Manual*, Amended 2021. The overtime policy specifies that compensation be paid using a "regular" rate of pay. We were unable to find a definition of the "regular" rate, although we noted that a regular employee rate in the pay register is shown as the base salary rate without a pay incentive.

After our discovery of the error, Court staff members indicated that they corrected the employee's pay rate and payroll records. In the context of expenditure accounting, Court staff members indicated that the recalculated difference in the rate of overtime pay was \$0.42 per hour. Although the discrepancy is small, the lack of formal written procedures to calculate a standardized overtime pay rate creates the potential of further pay rate errors, and the risk of employment disputes over salaries and benefits. The methodology for calculating overtime rates of pay should be documented and uniformly performed.

Recommendation

We recommend that the Court:

- Establish a formal written procedure to define the regular pay rate and describe the calculations used for overtime compensation.
- Have staff members review its personnel policies and agreements and identify incorrect employee pay records to ensure that compensation is sufficiently calculated and documented, to reduce the risk of error and disputes.

FINDING 3— Improper Commissioner timesheet approval

During our review of employee time records, we included a Commissioner in our test sample. While verifying attendance records and authorizations, we noted that the Commissioner's timesheet had been approved by a non-judicial court manager (Division Manager II/Department Manager). In the normal course of attendance recording, a direct supervisor is the approver for an employee's timesheet. Under the California Rules of Court, the Presiding Judge is charged with exercising oversight of judicial officers and should approve the Commissioner's timesheets. Alternatively, the Presiding Judge may delegate this duty to an appropriate judicial officer, such as a Master Calendar Judge, if not the Court Executive Officer. However, the Court did not have a record of delegation from the Presiding Judge for this duty.

CRC rule 10.603, paragraph (d), “Delegation,” states:

The Presiding Judge may delegate any of the specific duties listed in this rule to another judge. Except for the duties listed in (c)(5)(B) and (c)(6)(C) [these sections pertain to Court Executive Officer compensation], the Presiding Judge may delegate to the Court Executive Officer any of the duties listed in this rule that do not require the exercise of judicial authority.

In response to our inquiry, Court staff members immediately provided us with an untitled document signed by the Presiding Judge on May 3, 2022, delegating the Commissioner’s timesheet approval to the “master calendar manager, or their manager.” The document was not prepared using the JCC template approved for courts to use in delegations by the Presiding Judge.

Recommendation

We recommend that the Court follow its own policy and ensure that Commissioner timesheets are delegated to appropriate judicial officers for approval and delegations are documented using the approved JCC template to identify the judicial officers with delegated approval authority.

**Attachment—
Superior Court's Comments
Regarding the Audit Results**



**Superior Court of California
County of Fresno**

Michael L. Elliott
Executive Officer / Clerk / Jury Commissioner

Dawn Annino
Assistant Executive Officer

July 11, 2022

Joel James, Chief, Financial Audits Bureau
State Controller's Office, Division of Audits
PO Box 942850
Sacramento, CA 94250
jjames@sco.ca.gov

(Via email)

RE: Audit of the Superior Court of California, County of Fresno - FY2020-2021

Dear Mr. James,

Thank you for the opportunity to respond to the draft audit report dated June 28, 2022, State Controller's Office audit of recorded revenues, expenditures, and fund balances for the fiscal year 2020-2021. Please find the attached responses from the Court.

If you have any additional questions regarding this information, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in blue ink that reads 'm l e' with a large loop at the end.

Michael L. Elliott
Court Executive Officer

cc: Dawn Annino, Assistant Court Executive Officer, Superior Court of California-County of Fresno
Queenie Hill, Chief Financial Officer, Superior Court of California-County of Fresno

FINDING 1: Unadjusted revenues (Prior-Year Revenues)

Court Response:

The court agrees with the finding. The court has implemented the reporting of prior-year revenues and expenditures in the prior year adjustment accounts as of July 2021, as per the Audit Advisory guidance that was sent to the trial courts in July 2021 by the Judicial Council of California.

FINDING 2: Overtime pay rate error

Court Response:

As discussed in the audit exit conference and noted in the finding, the error regarding the \$0.42 cents overtime calculation was discovered by court staff and the correction was made. The payroll audit and reconciliation is a formal procedure that is completed with every payroll cycle, and is designed as a check and balance to ensure accuracy of system pay calculations and identify other input errors if any. As a result of the payroll audit and reconciliation procedure that is in-place by the court, the system flag error that resulted in the employee \$0.42 cents overtime calculation error was properly identified and corrected by court staff.

FINDING 3: Improper Commissioner time sheet approval

Court Response:

The court agrees with the finding. The court could not locate the delegation specific to this authority, and a substitute document was signed by the Presiding Judge showing his approval of the delegation authority. The court has since revised its template "Delegation of Duties under California Rules of Court, RULES 10.603(c)(6)(D) and 10.603(c)(10)(A)" to include this delegation of authority, signed by the Presiding Judge.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

<http://www.sco.ca.gov>