

SUPERIOR COURT OF CALIFORNIA, COUNTY OF TULARE

Audit Report

VALIDITY OF RECORDED REVENUES, EXPENDITURES, AND FUND BALANCES

July 1, 2019, through June 30, 2020



BETTY T. YEE
California State Controller

March 2022



BETTY T. YEE
California State Controller

March 4, 2022

Stephanie Cameron, Court Executive Officer
Superior Court of California, County of Tulare
221 South Mooney Boulevard
Visalia, CA 93291

Dear Ms. Cameron:

The State Controller's Office audited the Superior Court of California, County of Tulare (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, 2019, through June 30, 2020.

Our audit found that the Court complied with governing statutes, rules, regulations, and policies for revenue, expenditures, and fund balances.

This report is for the Court's information and use.

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/as

cc: Sophia Almanza, Court Fiscal Officer
Superior Court of California, County of Tulare
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
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Audit Report

Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of Tulare (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, 2019, through June 30, 2020.

Our audit found that revenues, expenditures, and fund balances reported by the Court 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.

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 rule 10.804, the JCC adopted the *Trial Court Financial Policies and Procedures Manual*, which provides guidance and directives for trial court fiscal management. The manual contains regulations establishing budget procedures, recordkeeping practices, accounting standards, and other financial guidelines. The manual 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, California Rules of Court 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 form the core subject matter of our audit.

The Trial Court Trust Fund is the primary source of funding for trial court operations. The JCC allocates monies in the Trial Court Trust Fund to trial courts. The Trial Court Trust Fund'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) 2019-20, the Court reported revenues of \$35,085,043. The Court receives the majority of its revenue from state financing sources. The Trial Court Trust Fund provided 71.2% of the Court's revenue. For this period, the Court incurred expenditures of \$34,913,018. Personal services (salaries and benefits) comprised 74.8% of total expenditures. The Court employs approximately 250 staff members to serve Tulare County's population of approximately 477,000 residents.

Funds under the Court's control include a General Fund, a Special Revenue Non-Grant Fund, a Special Revenue Grant Fund, and a Fiduciary 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.

We performed the audit at the request of the JCC. The authority is provided by Interagency Agreement Number 58163, dated January 6, 2020, between the SCO and the JCC, pursuant to 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.

The audit period was July 1, 2019, through June 30, 2020.

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.

To accomplish our objective, we performed the following procedures.

General Procedures

- We reviewed the *Judicial Council Governance Policies* (November 2017), the FY 2019-20 Budget Act, the Manual of State Funds, applicable sections of Government Code, the California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (10th edition, June 2019), and other relevant internal policies and procedures to identify compliance requirements applicable to trial court revenues, expenditures, and fund balances.

Internal Controls

- 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 with 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 responding to our objectives.
- We selected revenue and expenditure ledger transactions to test the operating effectiveness of internal controls. Using non-statistical sampling, we selected 20 revenue items and 46 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 the identified errors. Errors were not projected to the population.

Revenue Testing

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

- We tested revenue transactions and account balances in the General Fund, the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund to determine whether revenue accounting was consistent with Government Code, properly supported by documentation, and recorded correctly in the accounting system.
- Our testing included tests of accounting internal controls and of recorded transaction details. We selected all material accounts that exceeded 4% of total revenues and determined that the Trial Court Trust Fund, Improvement and Modernization Fund, Court Interpreter, Memorandum of Understanding Reimbursements, and Enhanced Collections accounts were material. We also selected the Other Miscellaneous and Interest Income accounts for testing. We tested accounts through combined sampling and analytical procedures.
- We tested \$32,383,956 of \$35,085,043, or 92.3% of total revenues.

We found no errors in the recording of transactions. Schedule 1—Summary of Revenues and Revenue Test Results, presents, by account, total revenues and amounts tested.

Expenditure Testing

- We tested expenditure transactions and account balances in the General Fund, the Special Revenue Non-Grant Fund, and 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. We separated accounts into payroll-related expenditures and non-payroll operating expenditures.
- To test payroll, we selected two bi-monthly pay periods, December 2019 (period number 24) and April 2020 (period number 8), and reconciled the salaries and benefit expenditures shown on the payroll registers to the general ledger. We further selected five of 250 employees from the payroll registers and verified that:
 - Employee timesheets included supervisory approval;
 - Regular earnings and other supplemental pay was 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 with the employees' benefit election forms.

- To test material non-payroll accounts, we:
 - Selected all expenditure transactions that exceeded \$67,500;
 - Selected a sample of 41 expenditure transactions to test internal controls and the accuracy of recorded transactions; and
 - Traced expenditures recorded in the general ledger to supporting documents.
- We tested \$1,633,572 of \$34,913,018, or 4.7% of total expenditures.

We found no errors in the recording of transactions. Schedule 2—Summary of Expenditures and Expenditure Test Results, presents, by account, total expenditures and amounts tested.

Fund Balance Testing

- We judgmentally selected the General Fund, Non-Grant Special Revenue Fund, and Grant Special Revenue Fund because these funds had significant balances in revenue and expenditure accounts.
- 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 Schedule 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, 2020, 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 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 internal controls that are significant to 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 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.

**Follow-up on
Prior Audit
Findings**

This is the first audit performed by SCO at the Court pursuant to GC section 77206(h)(2); therefore, there are no prior audit findings to address in this report. The Court was previously audited by JCC's Internal Audit Services, which issued a report in July 2015. We are not including any follow-up to matters presented in JCC's prior report.

**Views of
Responsible
Officials**

We discussed our audit results with the Court's representatives during an exit conference conducted on October 26, 2021. The Court agreed with the audit results and declined a draft audit report. The Court agreed that we could issue the audit report as final.

Restricted Use

This report is solely intended for the information and use of the Superior Court of California, County of Tulare; 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

March 4, 2022

**Schedule 1—
Summary of Revenues and Revenue Test Results
July 1, 2019, through June 30, 2020**

Revenue Accounts	Revenues Reported		Revenues Tested		Errors ⁴
	Totals	Percentage	Amounts	Percentage	Amount
<u>State Financing Sources</u>					
Trial Court Trust Fund ^{1,2}	\$ 24,983,343	71.2%	\$ 24,983,343	100.0%	\$ -
Improvement and Modernization Fund	59,691	0.2%	59,691	100.0%	-
Judges' Compensation	-	0.0%	-	100.0%	-
Court Interpreter ¹	1,587,506	4.5%	1,587,506	100.0%	-
Civil Coordination Reimbursement	-	0.0%	-	100.0%	-
MOU Reimbursements ^{1,2,3}	3,053,103	8.7%	3,055,858	100.1%	-
Other Miscellaneous	33,744	0.1%	33,744	100.0%	-
Subtotal	29,717,387		29,720,143		-
<u>Grants</u>					
AB 1058 Commissioner/Facilitator	936,424	2.7%	-	0.0%	-
Other Judicial Council Grants	120,634	0.3%	-	0.0%	-
Non-Judicial Council Grants	-	0.0%	-	0.0%	-
Subtotal	1,057,058		-		-
<u>Other Financing Sources</u>					
Interest Income	91,437	0.3%	12,242	13.4%	-
Investment Income	-	0.0%	-	0.0%	-
Donations	115	0.0%	-	0.0%	-
Local Fees	271,558	0.8%	-	0.0%	-
Non-Fee Revenues	289,425	0.8%	-	0.0%	-
Enhanced Collections ^{1,2,3}	2,423,615	6.9%	2,651,571	109.4%	-
Escheatment	58,893	0.2%	-	0.0%	-
PY Revenue	(3,290)	0.0%	-	0.0%	-
County Program – Restricted	798,724	2.3%	-	0.0%	-
Reimbursement Other	373,140	1.1%	-	0.0%	-
Sale of Fixed Assets	-	0.0%	-	0.0%	-
Other Miscellaneous	6,981	0.0%	-	0.0%	-
Subtotal	4,310,598		2,663,813		-
Total Revenues	<u>\$ 35,085,043</u>	100%	<u>\$ 32,383,956</u>	92.3%	<u>\$ -</u>

¹Material account.

²Tested account internal controls.

³Account balances displayed in financial statements are the net amounts after off-setting adjustments. A test total may exceed its account balance when adjustments are not included in the tested transactions.

⁴Revenues over/(under) stated; no exceptions are reported.

**Schedule 2—
Summary of Expenditures and Expenditure Test Results
July 1, 2019, through June 30, 2020**

Expenditure Accounts	Expenditures Reported		Expenditures Tested		Errors ²
	Totals	Percentage	Amount	Percentage	Amount
<u>Payroll</u>					
Salaries – Permanent ^{1,2}	\$15,190,762	43.5%	\$ 29,724	0.2%	\$ -
Temporary Help	39,284	0.1%	-	0.0%	-
Overtime	139,157	0.4%	-	0.0%	-
Staff Benefits ^{1,2}	10,737,735	30.8%	15,502	0.1%	-
Subtotal	26,106,937		45,226		-
<u>Operating Expenses and Equipment</u>					
General Expense	889,533	2.5%	-	0.0%	-
Printing	111,020	0.3%	-	0.0%	-
Telecommunications	246,419	0.7%	-	0.0%	-
Postage	180,107	0.5%	-	0.0%	-
Insurance	14,889	0.0%	-	0.0%	-
In-State Travel	46,403	0.1%	-	0.0%	-
Out-of-State Travel	108	0.0%	-	0.0%	-
Training	10,440	0.0%	-	0.0%	-
Facility Operations	400,369	1.1%	-	0.0%	-
Utilities	5,731	0.0%	-	0.0%	-
Contracted Services ^{1,2}	5,612,657	16.1%	1,588,346	28.3%	-
Consulting and Professional Services	31,675	0.1%	-	0.0%	-
Information Technology	796,155	2.3%	-	0.0%	-
Major Equipment	229,191	0.7%	-	0.0%	-
Other Items of Expense	3,979	0.0%	-	0.0%	-
Subtotal	8,578,677		1,588,346		-
<u>Special Items of Expense</u>					
Jury Costs	114,775	0.3%	-	0.0%	-
Judgments, Settlements, and Claims	75,200	0.2%	-	0.0%	-
Capital Costs	35,048	0.1%	-	0.0%	-
Internal Cost Recovery	-	0.0%	-	0.0%	-
Prior Year Expense Adjustment	2,382	0.0%	-	0.0%	-
Subtotal	227,404		-		-
Total Expenditures	<u>\$34,913,018</u>	100.0%	<u>\$1,633,572</u>	4.7%	<u>\$ -</u>

¹ Material account.

² Tested account internal controls.

**Schedule 3—
Summary of Fund Balances and Fund Balance Test Results
July 1, 2019, through June 30, 2020**

Balance¹	General Fund	Non-Grant Special Revenue Fund	Grant Special Revenue Fund	Fiduciary Fund	Total
Beginning Balance	\$ 792,403	\$ 380,693	\$ -	\$ -	\$ 1,173,096
Revenues	29,542,843	4,485,140	1,057,058	-	35,085,041
Expenditures	(29,006,139)	(4,653,854)	(1,253,025)	-	(34,913,018)
Transfers In	-	-	-	-	-
Transfers Out	(284,078)	88,111	195,967	-	-
Ending Balance	<u>\$ 1,045,029</u>	<u>\$ 300,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,345,120</u>
Errors Noted					
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

¹ Differences due to rounding.

**State Controller's Office
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