



Audit of the  
Superior Court of California,  
County of Siskiyou

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OCTOBER 2018



JUDICIAL COUNCIL  
OF CALIFORNIA

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AUDIT SERVICES

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**Superior Court of California, County of Siskiyou**

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## EXECUTIVE SUMMARY

### Introduction

Government Code, sections 77206(g) and 77009(h) provide the Judicial Council of California (Judicial Council) with the authority to inspect and review superior court records and to perform audits, reviews, and investigations of superior court operations. The Judicial Council's Office of Audit Services (Audit Services) periodically conducts performance audits of the superior courts in order to verify their compliance with the Judicial Council's policies and with state law. These audits, as well as similar audits of the appellate courts, are primarily focused on assisting the courts identify which of their practices, if any, can be improved upon to better promote sound business practices and to demonstrate accountability for their spending of the public's funds.

State law authorizes the Judicial Council to establish each superior court's annual budget and to adopt rules for court administration, practice, and procedure. Most of the criteria used by Audit Services stems from the policies promulgated by the Judicial Council, such as those contained within the *Trial Court Financial Policies and Procedures Manual* (FIN Manual) and the *Judicial Branch Contracting Manual* (JBCM). These policies establish both mandatory requirements that all superior courts must follow, as well as suggestive guidance. California's courts drastically vary in terms of their caseloads, budget, and staffing levels, thus requiring the Judicial Council to adopt rules that at times provide the courts with flexibility given their varying resources and constraints. State law also requires the superior courts to operate under a decentralized system of management, and the Judicial Council's policies establish the boundaries within which courts exercise their discretion when managing their day-to-day operations.

Audit Services' annual audit plan for the Judicial Branch establishes the scope of each audit and provides a tentative schedule for the courts being audited during the fiscal year. The audit plan explains those scope areas deemed to be of higher risk based on Audit Services' professional judgment and recognizes that other state audit agencies may, at times, perform reviews that may overlap with Audit Services work. In those instances, Audit Services may curtail its planned procedures as noted in the scope and methodology section of this report.

### Summary of Audit Results

Our audit found that the Superior Court of California, County of Siskiyou (Court) demonstrated compliance with many of the Judicial Council's requirements evaluated during the audit, and should be commended for its receptiveness to suggestions for further improvement. Table 1 below presents a summary of the audit's results, including references to any audit findings discussed in the body and a summary of the Court's agreement or disagreement with the noted findings. Other matters such as isolated or minor non-compliance—which in our professional judgement do not rise to the level of a reportable finding—were communicated separately to the Court's management in written form.

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

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
<b>Cash Handling</b>					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Handwritten Receipts	Yes	4	2018-3-01; 02; 03; 04	Agree
4	Mail Payments	Yes	2	2018-4-01; 02	Agree
5	Internet Payments	Yes	✓		
6	Change Fund	N/A	-		
7	End-Of-Day Balancing and Closeout	Yes	1	2018-7-01	Partially Agree
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	1	2018-9-01	Agree
<b>Procurement and Contracts</b>					
10	Procurement Initiation	Yes	✓		
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Purchase Cards	N/A	-		
17	Other Internal Controls	Yes	✓		
<b>Payment Processing</b>					
18	3-Point Match Process	Yes	✓		
19	Payment Approval & Authority Levels	Yes	✓		
20	Special Rules - In-Court Service Providers	Yes	✓		
21	Special Rules - Court Interpreters	Yes	✓		
22	Other Items of Expense	Yes	✓		
23	Jury Expenses	Yes	✓		
24	Travel Expense Claims	Yes	1	2018-24-01	Agree
25	Business-Related Meals	Yes	1	2018-25-01	Agree
26	Petty Cash	Yes	2	2018-26-01; 02	Agree
27	Allowable Costs	Yes	✓		
28	Other Internal Controls	Yes	✓		
<b>Fine &amp; Fee Distribution</b>					
29	CMS-Calculated Distributions	Yes	1	2018-29-01	Agree
30	Manually-Calculated Distributions	N/A	-		
<b>1% Fund Balance Cap</b>					
31	Calculation of the 1% Cap	Yes	✓		
32	Use of "Held on Behalf" Funds	Yes	✓		
<b>JBSIS Case Filing Data</b>					
33	Validity of JBSIS Data	Yes	2	2018-33-01; 02	Agree
<b>Grant Award Compliance</b>					
34	AB 1058 Program	Yes	✓		
<b>Other Areas</b>					
35	[None]	N/A	-		

Source: Auditor generated table based on testing results and court management's perspective.

Note: Areas subjected to testing are generally based on requirements in the Trial Court Financial Policies and Procedures Manual, the Judicial Branch Contracting Manual, or California Rules of Court, but may also include other Judicial Council policies and directives. Areas not tested are based on audit determinations—such as area not applicable, recently reviewed by others, or no transactions selected to review—which are described more fully in the Audit Scope and Methodology section of the report. Applicable criteria are cited in each audit finding (as referenced above) in the body of our report. The Judicial Council's audit staff determine the scope of each audit based on their professional judgment and the needs of the Judicial Council, while also providing the Court with an opportunity to highlight additional areas for potential review depending on available audit resources.

The Court demonstrated consistent adherence to several of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of procurement and reporting on limits to its fund balance (1% fund balance cap). Our review found that the Court generally complied with requirements for procuring goods and services. Specifically, the Court demonstrated sound management practices in the areas of authorization and authority levels, in soliciting non-competitive procurements, and in other internal controls over procurements and contracts. In addition, the Court follows proper procedures in calculating its 1% fund balance cap, and the Court ensures it uses funds held on its behalf for their authorized purposes.

Our audit did identify 15 reportable audit findings where we believe the Court should consider taking corrective action to improve its operations and more fully comply with the Judicial Council's policies. These 15 findings are identified in Table 1 under the column "Reportable Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective. One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over the use of manual receipts. Specifically, supervisors at the Court's two payment collection locations did not secure, either in a locked cabinet or a safe, and maintain control over the manual receipt books. According to the civil division manager, the manual receipt books are not kept secured when not in use because the manager wants the manual receipts book available for clerks to use when needed. However, the FIN Manual requires supervisors to store and secure receipt books in a locked cabinet or safe when not in use, and to maintain control and oversight of the manual receipt books. When the Court does not properly secure and safeguard its unused manual receipts, it is at increased risk of manual receipts being used inappropriately. Nonetheless, the Court indicates it will require supervisors to keep the manual receipt books either in a locked cabinet or in the safe. Additionally, the Court uses its manual receipt books for both case payments and non-case payment transactions, does not always enter unprocessed manual receipt payments in the CMS in a timely manner, and does not use three-part manual receipts. The Court indicated it agreed with our findings and recommendations in this area and has taken corrective action to strengthen its controls over manual receipts.

### **Summary Perspective of Court Officials**

Audit Services initiated its audit of the Court on March 13, 2018, and completed fieldwork on April 13, 2018. Audit Services shared the draft audit findings with Court's officials starting on June 21, 2018, and received the Court's final official responses on August 2, 2018. The Court generally agreed with the findings and its specific responses for each are included in the body of the report.

## BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Siskiyou (Court) operates two court facilities, one in the city of Yreka and one in the city of Dorris. The Court operates under the authority and direction of the Presiding Judge, who is responsible for ensuring the effective management and administration of the Court, consistent with any rules, policies, strategic plan, and the funding provided by the Judicial Council.

California's 58 superior courts each have differing workloads, staffing levels, and financial resources. They operate under a decentralized system of governance and are each responsible for their own local court operations and business decisions. The Presiding Judge has the authority to: develop a local budget and allocate the funding provided by the Judicial Council; approve procurements and contracts; and authorize the Court's expenditures. The information in Table 2 is intended to provide the reader with context and perspective on the Court's relative size and workload compared to averages of all 58 superior courts.

Table 2 – Statistical Data for Siskiyou Superior Court and Average of all Superior Courts

Statistic	Siskiyou Superior Court	Average of All Superior Courts					All 58 Courts
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts		
<b>Financial Highlights (Fiscal Year 2016-17)</b>							
Total Revenue	\$ 4,476,901	\$ 2,250,083	\$ 10,582,305	\$ 41,232,247	\$194,113,750	\$ 43,247,805	
Total Expenditures	\$ 4,381,144	\$ 2,214,461	\$ 10,478,487	\$ 41,316,417	\$194,616,764	\$ 43,294,681	
Staff Salaries & Benefits As a % of Total Expenditures	\$ 3,260,380 74.4%	\$ 1,481,300 66.9%	\$ 7,931,905 75.7%	\$ 31,481,920 76.2%	\$157,192,180 80.8%	\$ 34,297,139 79.2%	
<b>Judicial Officers and Staff (2017 Court Statistics Report)</b>							
Judges	4	2	8	27	128	29	
Commissioners/Referees	1	-	1	4	22	5	
Non-Judicial Staff (approx.)	34	17	84	276	1,253	288	
Total	39	19	93	307	1,403	322	
<b>New Case Filings (Fiscal Year 2015-16)</b>							
<b>Appeal Filings</b>	38	11	63	141	391	116	
<b>Civil Filings</b>							
Civil	664	289	1,927	8,063	57,178	11,346	
Family Law	655	270	1,808	6,952	28,299	6,585	
Juvenile Delinquency	24	36	251	1,260	2,449	745	
Juvenile Dependency	124	40	212	669	4,060	859	
Mental Health	5	20	122	616	2,485	564	
Probate	116	46	252	918	3,299	809	
Small Claims	78	65	391	1,871	13,998	2,724	
<b>Criminal Filings</b>							
Felonies	537	474	2,228	4,960	33,795	7,238	
Misdemeanors / Infractions	11,481	5,164	24,006	86,524	375,819	86,660	
<b>Total</b>	13,722	6,415	31,260	111,974	521,773	117,646	

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts information is from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of April 18, 2018, and may not agree with other reports as this data is subject to continuous updates.

Note: The Judicial Council generally groups superior courts into four clusters and uses these clusters, for example, when analyzing workload and allocating funding to courts. According to past Judicial Council documents, the cluster 1 courts are those superior courts with between 1.1 and 4 judicial position equivalents (JPEs), cluster 2 courts are those with between 4.1 and 20 JPEs, cluster 3 courts are those with between 20.1 and 59.9 JPEs, and cluster 4 courts are those with 60 or more JPEs. Siskiyou Superior Court is a cluster 2 court.

## AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Siskiyou (Court) in order to determine whether it complied with certain key provisions of statute and the policies and procedures adopted by the Judicial Council of California. Our audit was limited to evaluating compliance with those requirements that, in our professional judgment, were necessary to answer the audit’s objectives. The period covered by this audit was generally limited to fiscal year 2017-18, but certain compliance areas noted below required that we review earlier periods or current practices. Table 3 lists the specific audit objectives and the methods we used to address them.

Table 3 – Audit Objectives and the Methods Used to Address Them

	<b>Audit Objective</b>	<b>Method</b>
1	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court’s compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>▪ Determine whether the Court complied with the mandatory requirements in the FIN manual for internal controls over cash (payment) handling.</li> <li>▪ Assess the quality of the Court’s internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions.</li> </ul>	<p>We obtained information from the Court regarding the types and average volume of collections at each of its payment collection locations. For selected locations, we observed the Court’s practice for safeguarding and accounting for cash and other forms of payments from the public. For example, we reviewed and observed the Court’s practice for appropriately segregating incompatible duties, assigning cash drawers to cashiers at the beginning of the day, reviewing and approving void transactions, safeguarding and accounting for handwritten receipts, opening and processing mail payments, controlling access to change funds, overseeing the end-of-day balancing and closeout process, and preparing and accounting for the daily bank deposits.</p> <p>Note: The Court does not maintain a change fund. Therefore, reviewing change fund access and accountability was not applicable.</p>
3	Determine whether the Court demonstrated appropriate control over	We reviewed the Court’s assignment of purchasing and payment roles to assess whether it

<p>its non-personal services spending activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"> <li>▪ Determine whether the Court’s procurement transactions, including purchase card transactions, complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual.</li>   <li>▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments, claim payments, travel expense claim reimbursements—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules.</li> </ul>	<p>appropriately segregated staff roles for approving purchases, procuring the goods or services, receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> <li>• Was properly authorized and approved by authorized court management.</li> <li>• Adhered to competitive bidding requirements, when applicable.</li> <li>• Had contracts, when applicable, that contained certain terms required to protect the Court’s interests.</li> </ul> <p>Note: We did not select any purchase card transactions because the Court does not use purchase cards.</p> <p>We selected a sample of 40 payments pertaining to various purchase orders, contracts, or in-court services, and 10 travel expense claims, and determined whether:</p> <ul style="list-style-type: none"> <li>• The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment.</li> <li>• Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix.</li> <li>• Whether the payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.</li> <li>• Whether the payments for in-court service providers, travel expense claims, and</li> </ul>
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		<p>business meals adhered to applicable Judicial Council policies.</p> <p>Note: The Court used petty cash to pay for its business-related meal expenses, so our review of petty cash also included a review of the Court's business-related meal expenses.</p>
4	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) recently completed a revenue audit of the Court's fine and fee distributions, and found four fine and fee calculation or distribution errors. The Court asked us to ensure the changes it made to its CMS were accurate; therefore, we limited our review of fine and fee calculations and distributions to verifying that the Court took appropriate corrective actions to resolve the errors noted by the SCO.
5	<p>Determine whether the Court properly calculates its one percent fund balance cap for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court's final <i>1% Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (fiscal year 2016-2017), and performed the following:</p> <ul style="list-style-type: none"> <li>• Verified significant calculations and balance amounts.</li> <li>• Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system.</li> </ul> <p>We obtained any Judicial Council-approved request by the Court to hold excess prior year fund balances. To the extent that the Court had and spent any of these held funds, we verified that such spending was limited for the purposes previously approved by the Judicial Council.</p>
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations

		<p>(fiscal year 2015-2016), we performed the following:</p> <ul style="list-style-type: none"><li>• Obtained the relevant JBSIS case filings data the Court reported to the Judicial Council and reconciled the case filings counts it reported to its underlying records of cases supporting each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data.</li><li>• We selected 10 cases from each of five case types, and all five cases for the year from a sixth case type, for a total of 55 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.</li></ul>
7	Determine whether the Court spent significant grant awards from the Judicial Council in compliance with the grant award requirements.	<p>We determined whether the Court had any significant grant activity during the fiscal year 2016-17. We inquired court management about its process for tracking and reporting grant award costs. We selected certain grant awards to review, such as AB 1058 program grants, and identified the applicable grant award requirements, such as allowable activities and costs, period of availability, matching requirements, and reporting requirements.</p> <p>We then selected grant award expenditures and determined whether the Court had sufficient records to support the expenditures charged to the grant. For example, for personal service costs charged to the grant award, we reviewed the payroll records and employee timesheets to verify the costs and time charged to the grant. We interviewed selected employees to determine how they track and report the time they charged to the grant award. We also reviewed other operating costs and expenditures charged to the grant award to determine whether the costs were supported, allowable, and allocable to the grant award.</p>

## **Assessment of Data Reliability**

The U.S. Government Accountability Office (GAO) requires us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. In performing this audit, we obtained and reviewed financial transaction data from the Phoenix financial system—the statewide accounting system used by the superior courts—for the limited purpose of selecting transactions to test the Court’s compliance with its procurement and related payment activities. Prior to making our selections, we independently queried the Phoenix financial system to isolate distinct types of non-personal service expenditure transactions relevant to our testing—such as by general ledger code—and reconciled the resulting extract with the Court’s total expenditures as noted on its trial balance report for the same period. Our analysis noted no material differences leading us to conclude that use of the Phoenix financial transaction data was sufficiently reliable for the limited purpose of selecting transactions for testing.

## **Report Distribution**

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on October 3, 2018, and approved it for public release.

California Rules of Court, Rule 10.500 provides for the public access to non-deliberative or non-adjudicative court records. Final audit reports are among the judicial administrative records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500 (f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. As a result, any information meeting the nondisclosure requirements of rule 10.500(f) have been omitted from this audit report.

## **Audit Staff**

This audit was completed by the following staff under the general supervision of Robert Cabral, Manager:

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**SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION**

## CASH HANDLING

### The Court Generally Followed Required Cash Handling Procedures, But Can Strengthen Its Controls Over Certain Key Processes

#### Background

Trial courts must collect and process customer payments in a manner that protects the integrity of the court and its employees, and promotes public confidence. Thus, trial courts should institute a system of internal control procedures that assure the safe and secure collection, and accurate accounting of all payments. A court's handling of collections is inherently a high-risk activity given the potential incentives for court employees to act inappropriately when mandatory internal controls per the Trial Court Financial Policies and Procedures Manual (FIN Manual) are compromised or not in operation.

Overall, the Court demonstrated compliance in many of the areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its daily opening process, voided transactions process, and deposits process.

Nevertheless, we identified eight audit findings that we believe require the Court's attention and corrective action. These findings pertained to the following specific areas of cash handling:

Finding Reference	Subject Area
2018-3-01	Handwritten Receipts – Use of Manual Receipts
2018-3-02	Handwritten Receipts – Control of Manual Receipt Books
2018-3-03	Handwritten Receipts – 3-Part Manual Receipts
2018-3-04	Handwritten Receipts – Prompt Entry
2018-4-01	Mail Payment Processing – Payments and Payment Receipt Log
2018-4-02	Mail Payment Processing - Two-Person Teams
2018-7-01	End-of-Day Balancing and Closeout - End of Day Process
2018-9-01	Other Internal Controls - Safe Combinations

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#### **FINDING REFERENCE: 2018-3-01**

#### *HANDWRITTEN RECEIPTS – USE OF MANUAL RECEIPTS*

#### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS:

1. Manual receipts should only be used as a backup procedure when the cashiering system and/or automated case management system is unavailable or cannot be accessed to enter case payment transactions, including the issuance of system receipts.

2. Manual receipts should not be used for any other nonpayment-related transaction (e.g., for miscellaneous fees such as those for photocopies or print orders or to acknowledge receipt of a personal item or property from a party).
3. Separate receipt books for other payment transactions (such as for photocopies, etc.) must be maintained and appropriately labeled if these payment transactions cannot be entered in the cashiering system and/or automated case management system. For example, some courts with older case management systems are not able to enter fee payments for photocopies into their case management system cashiering systems. In these situations, courts should use separate manual receipt books for photocopies so as not to further complicate the daily case management system closeout process.

### **CONDITION**

Contrary to the FIN Manual, both payment collection locations reviewed use their manual receipt books for both case payments and non-case payment transactions. Specifically, the locations use the same book when taking case payments and when taking other miscellaneous payments, such as for photocopies. According to the Court, it uses the same manual receipt book because its use of manual receipts is minimal and it was unaware of this FIN Manual requirement. Nonetheless, the FIN Manual requires courts to maintain separate receipt books for other payment transactions, such as for photocopy fees or print order fees, to not further complicate the daily CMS closeout process. As a result, the Court is at increased risk of complicating its ability to properly reconcile its use of manual receipts to the manual receipt case payments collected and entered in its CMS system.

### **RECOMMENDATION**

To ensure it does not unnecessarily complicate the CMS daily closeout process and to ensure compliance with the FIN Manual, the Court should use separate manual receipt books for case payment transactions and use separate manual receipt books that are designated and labeled for non-case payment transactions.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and shall purchase additional manual receipt books.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, Court Executive Officer

**Date of Corrective Action:** 7/30/2018

**Responsible Person(s):** Lorena Barnes, Court Fiscal Manager

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### **FINDING REFERENCE: 2018-3-02**

### **HANDWRITTEN RECEIPTS – CONTROL OF MANUAL RECEIPT BOOKS**

#### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS (5):

- d. Once verified, the supervisor must store and secure the receipt books in a locked cabinet or safe.

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS (6):

- a. The supervisor or his or her designee must maintain control and oversight of the manual receipt books. When the cashiering system and/or case management system is not available to process automated receipts, the supervisor or designee will retrieve and issue books of prenumbered receipts to cashiers. Manual receipt books should only be used when the cashiering system and/or case management system is down.

### **CONDITION**

The supervisors at the two payment collection locations reviewed did not secure, either in a locked cabinet or a safe, and maintain control over their manual receipts books. Instead, the criminal division keeps its one manual receipts book on the manager's desk, whereas the civil division keeps its one manual receipts book on a shelf in the manager's office for clerks to retrieve and use when needed. According to the civil division manager, the manager wants the manual receipts book available for clerks to use when needed. However, the FIN Manual requires supervisors to store and secure receipt books in a locked cabinet or safe, and to maintain control and oversight of the manual receipt books. When the Court does not properly secure and safeguard its unused manual receipts, it is at increased risk of manual receipts being used inappropriately.

### **RECOMMENDATION**

The Court should require its payment collection location supervisors to maintain constant control and oversight of its manual receipt books. Supervisors can accomplish this by securing receipt books in a safe or locked cabinet when they are not in use, and retrieving and issuing the receipt books to cashiers when the system is down and are needed to issue case payment receipts to paying customers. When supervisors issue manual receipt books to cashiers, they should also keep the FIN Manual required log to track to whom the receipt book was issued, when the receipt book was issued, who returned the receipt book, the date returned, and what receipts were used.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and Managers of each department will keep the manual receipt books either in a locked cabinet or in the safe.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 7/1/2018

**Responsible Person(s):** Brenda Huston and Rita Koven, Managers

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### **FINDING REFERENCE: 2018-3-03**

HANDWRITTEN RECEIPTS – 3-PART MANUAL RECEIPTS

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS (4):

- b. Each manual receipt within the book will be a sequentially numbered three-part form that includes:

- i. A customer original;
- ii. A deposit record copy; and
- iii. A copy retained in the book.

### **CONDITION**

The Court does not use three-part manual receipts. Instead, the Court uses manual receipts with only two parts -- an original receipt for the customer and one copy for the deposit record. According to the Court, it uses manual receipt forms that are two-part because it purchased two-part manual receipt books. However, the FIN Manual requires courts to acquire manual receipts books with receipts that are sequentially numbered and are a three-part form -- including an original receipt for the customer, one copy for the deposit record, and one copy that is retained as a record in the manual receipts book. As a result, the Court is at increased risk of not being able to fully reconcile and account for its manual receipt payments since it does not retain a record of the manual receipts each cashier used in the manual receipts book.

### **RECOMMENDATION**

To ensure it can reconcile and account for its manual receipt payments, the Court should acquire and implement the use of manual receipt books with three-part manual receipts. This will allow the Court to use the copy of the issued manual receipt in the manual receipt book to independently check and verify that cashiers promptly processed and entered the manual receipt payment transactions in the CMS and deposited the payments in the bank.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and shall purchase manual receipt books that are three-part forms for both departments.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 7/30/2018

**Responsible Person(s):** Lorena Barnes, Court Fiscal Manager

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### **FINDING REFERENCE: 2018-3-04**

*HANDWRITTEN RECEIPTS – PROMPT ENTRY*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS (10):

- a. Handwritten manual receipt transactions must be processed as soon as possible after the automated system is restored to active status.

### **CONDITION**

For two of the ten manual receipt payment transactions reviewed, the Court took nine and 13 days, respectively, to process and enter the payments in its CMS. According to the Court, the criminal division took nine days to process a manual receipt payment transaction because the clerk went on vacation and, after returning, waited for the case to be disposed before applying the payment. According to the criminal division manager, Court policy is to first dispose cases

and then apply payments. This is to ensure it has the correct financial code and so it can adjust the payment amount in the CMS if the judge reduces the bail or fine without having to process a void or reverse the payment. In the second case, the civil division took 13 days to process the manual receipt payment transaction because the clerk was unsure of how to process a payment for rent in an unlawful detainer case. Thus, the Court delays payment processing when it does not promptly dispose cases soon after issuance of a court order, or deposit civil payments into trust until it knows how to process the payment. However, the FIN Manual requires courts to secure and process the manual receipt payment transactions as soon as possible after the CMS is restored to active status. As a result, when the Court unnecessarily delays payments from being entered in the CMS and secured in the bank, it risks losing track of and not being able to fully account for its unprocessed manual receipt payments.

### **RECOMMENDATION**

To ensure the prompt processing of payments and reduce the risk of lost or misplaced payments, the Court should use handwritten manual receipts only when needed, such as when its automated CMS system is down and unavailable for payment processing. After the system is restored and available for payment processing, the Court should verify and ensure that all handwritten manual receipt payment transactions are promptly processed and entered in the CMS, and deposited in the bank as soon as possible.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and will do its best to only use handwritten manual receipts when necessary and if they are used, the Court will ensure that payments are receipted as timely as possible.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 7/1/2018

**Responsible Person(s):** Brenda Huston and Rita Koven, Managers

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### **FINDING REFERENCE: 2018-4-01**

#### *MAIL PAYMENTS – ENDORSEMENT AND RECEIPTS LOG*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.4 CHECK/MONEY ORDER/CASHIER CHECK HANDLING PROCEDURES:

9. The trial court must restrictively endorse all checks, warrants, money orders, and other negotiable instruments immediately upon receipt and acceptance.

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL:

3. To provide for the strongest oversight and monitoring of payments received through the mail, courts should maintain a payments receipt log. Without a payment receipts log, courts have no record to reference or research should a mail payment become lost or stolen. The following method should be used for processing payments received through the mail:
  - a. The payments receipts log sheet should include the following information:

- i. Case or docket number;
- ii. Name of the person making the payment;
- iii. Amount of cash, check, and money order;
- iv. Check or money order number;
- v. Date received in the mail; and
- vi. Name of the person opening the mail and the person recording the payment on the Payments Receipt Log.

### **CONDITION**

The Court did not restrictively endorse check and money order payments immediately upon receipt in the mail and did not log mail payments, leaving it with a higher risk of lost or stolen payments. Specifically, at both payment collection locations reviewed, we observed that staff did not restrictively endorse the checks and money orders (checks) immediately upon mail opening to protect its interest should the checks become lost or stolen. According to the Court, it believes it is better to restrictively endorse checks after entry into the CMS because the restrictive endorsement allows it to verify that staff entered the payment into the CMS. However, we believe there is little to no downside risk to the Court endorsing checks immediately upon receipt as required by the FIN Manual, including upon mail opening. Specifically, if the Court cannot process the endorsed check and later returns it to the sender, staff could “void” the face of the check to prevent further negotiation. On the other hand, if the endorsed check is not defaced, the sender could resend the endorsed check along with any necessary missing information, or send a replacement check. In either case, endorsing checks and money orders "for deposit only" immediately upon receipt protects the interests of courts by limiting the potential for further negotiation. When courts do not immediately restrictively endorse checks or money orders, they risk that unendorsed checks and money orders may be lost or stolen and cashed or deposited in a non-court bank account.

In addition, at one of the two payment collection locations reviewed, staff did not use a Payment Receipts Log to record and track the payments received in the mail. Also, although the second location uses a log to record a count of the checks received in the mail, it did not record on the log other essential information needed to identify and track the payment such as the associated case number, the name of the person making the payment, the check payment amount, or a check identifying number. According to the Court, it does not use a log because it was unaware of this requirement, though its Criminal Department does maintain a count of the checks received in the mail on a payments receipt log. Additionally, the Court indicated that it has limited resources to perform this task. However, without establishing a clear and complete record of the payments received in the mail, the Court would be unable verify and respond to an inquiry regarding whether it received a check and lost it or whether it never received the check. Furthermore, not maintaining a complete record of the payments and amounts received in the mail prevents the Court from being able to reconcile the payments received in the mail to the payments processed and entered into its CMS. As a result, the Court does not sufficiently record and track individual mail payments and is therefore at increased risk for lost or stolen payments. Without capturing sufficient key identifying information, it is unclear how the Court can effectively monitor whether payments received through the mail are processed correctly and in a timely manner, or

how such payments that go unprocessed for significant periods of time are tracked and reported to its management as required by the FIN Manual.

### **RECOMMENDATION**

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should take steps, such as periodic staff training, to ensure that all staff restrictively endorse all checks immediate upon receipt. The Court should also consider implementing specific local cash handling policies and procedures, as well as periodic training and monitoring, to ensure that staff complete a Payment Receipts Log with all key information necessary to establish a clear record of all the payments, cash and non-cash, received through the mail.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees that our Civil/FL Department currently does not complete a payments receipt log. However, our Criminal/Traffic Department does complete a log and acknowledges that it does not have all the required information on it per the FIN Manual. The Court will be creating a new payments receipt log with the required information pursuant to the FIN Manual. Both departments will collect this information when opening mail money to enter on the log to the best of their abilities. This Court will do its best to endorse all incoming checks and money orders upon receipt.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 9/1/2018

**Responsible Person(s):** Brenda Huston and Rita Koven, Managers

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### **FINDING REFERENCE: 2018-4-02**

*MAIL PAYMENTS – MAIL OPENING PROCESS*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL:

2. To provide for the strongest protection of trial court assets and to protect the integrity and reputation of the trial court, a team approach should be used to maintain accountability for payments received through the mail. When processing mail payments, the court should adhere to the following procedures:
  - a. One person can open the mail and create the payment receipts log if he or she is recorded on video and the video is retained for at least six months.
  - b. Mail should only be processed when both team members are present. Alternatively, if two people cannot be present during mail opening, then one person—without opening the envelopes—should start the payment receipts log by sequentially numbering the envelopes and documenting the envelope number and the sender's name in the payment receipts log. When the second person opens the mail, he or she should complete the payment receipts log for each envelope identified by the first person. A field should be

added to the payment receipts log to indicate when an envelope does not contain a payment; not all fields listed in Paragraph 3(b) below will be completed.

- c. Two-person team combinations should be rotated regularly.
- d. To maintain separation of duties, team members opening and logging mail payments should not also enter the mail payments in the court's cashiering system and/or automated case management system, if possible.

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

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:

Judicial Council of California  
Director of Branch Accounting and Procurement  
Attn.: Trial Court Alternative Financial Policies and Procedures  
2850 Gateway Oaks Drive, Suite 300  
Sacramento, CA 95833-4348  
E-mail: [TCFin@jud.ca.gov](mailto:TCFin@jud.ca.gov)

A written response to the submission of alternative procedures will be returned to the submitting court within 60 business days of receipt of the document. When a Request for Alternative Procedure has been received by Judicial Council of California Staff, an 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 Judicial Council of California Staff within 60 business-days, the alternative procedure will be in effect, subject to further review and consideration by Judicial Council of California Staff. Undocumented procedures or those not approved by Judicial Council of California Staff will not be considered valid for audit purposes.

Once approved, alternative procedures must be documented by the trial court, incorporated into the local trial court manual, and distributed to court personnel. Any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual or the county's policy document must first be approved by Judicial Council of California Staff.

#### **CONDITION**

Our observation of the Court's mail payment processing practices found that at both payment collection locations reviewed, the Court does not follow a two-person "team approach" when opening payments received through the mail. Additionally, it does not adhere to the suggested procedure of opening mail while being recorded on video, or in an open area visible to others, to mitigate the risk of lost or stolen mail payments. Specifically, the individuals who open the mail at these locations do so individually and out of the presence of others and video surveillance. According to the Court, it does not have a sufficient number of available staff to assign two people to open the mail. However, when courts do not use two-person teams to open mail nor implement other mitigating procedures such as those suggested in the FIN Manual, they are at heightened risk for lost or stolen mail payments. Payments received by mail is an area of high-risk—since the payer is neither present during the transaction nor is guaranteed to receive a

receipt—and the FIN Manual’s guidance is intended to mitigate the risk of lost or stolen payments.

### **RECOMMENDATION**

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should monitor to ensure its payment collection locations either consistently follow a two-person team approach where both individuals are present when opening mail payments, or implement alternative procedures, such as those suggested in the FIN Manual, to mitigate the risk of lost or stolen mail payments. If the Court cannot implement a two-person team approach or the alternative procedures suggested in the FIN Manual, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure for opening and accounting for the payments it receives in the mail.

### **COURT’S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees that we do not have a two-person team to open the mail. The Court lacks the necessary funding for additional staffing to accomplish this. This Court will be submitting a Request for Alternative Procedure with the Judicial Council.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 8/31/2018

**Responsible Person(s):** Reneé McCanna Crane, CEO

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### **FINDING REFERENCE: 2018-7-01**

*END-OF-DAY BALANCING AND CLOSEOUT – BLIND CLOSEOUT*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.10 DAILY BALANCING AND CLOSEOUT:

1. At the end of each workday, each cashier must balance the payments collected in his or her individual cash drawer/bag with the payments and collections recorded in the cashiering system and/or automated case management system. Cashiers may not leave the premises or transact new business until the daily balancing and closeout processes are complete.
2. The balancing and closeout process includes the following steps:
  - a. The cashier completes and signs the recap of daily collections report; attaches a calculator tape for checks; and submits the report, collections, and beginning cash to the supervisor or designee for verification;
  - b. The supervisor or designee verifies in the presence of the cashier that the beginning cash is fully accounted for and the submitted collections balance with the recap of daily collections report;
  - c. The supervisor or designee then verifies that the submitted collections balance with the associated payments and collections reported on the cashier’s case management system daily collections closeout report;

- d. If the collections balance with the amounts in the case management system, the cashier and supervisor or designee must both sign and date the case management system daily collections closeout report.

### **CONDITION**

At both payment collection locations reviewed, cashiers do not complete their end-of-day collections recap report before comparing their daily collections to the CMS reported collection amounts, also known as a "blind closeout." Instead, cashiers query the CMS to see how much the CMS indicates they collected before they count and record their end-of-day collections on the recap report. Cashiers follow this practice because the local cash handling policies and procedures for cashier closing do not require a blind closeout process. As a result, the Court's current practice allows a cashier to know in advance when an overage occurs and potentially risks the cashier taking any overage before completing the recap report without risk of detection of the missing overage amount when the designated supervisor verifies the end-of-day collections to the recap and then to the CMS reports because all amounts would still balance.

Additionally, contrary to FIN Manual requirements, both locations do not complete the daily balancing and closeout process at the end of the day. Instead, administrative division staff pick up and verify the cashiers' end-of-day collections on the next day. Moreover, the administrative staff verify the end-of-day collections to the cashier's recap of daily collections without the cashier being present. This happens because the local cash handling policies and procedures do not specify that the end-of-day collections be verified before the cashiers leave the premises for the day or that the cashier be present when the end-of-day collections are verified. As a result, its current practice allows collection discrepancies to go undetected until the next business day, potentially delaying and complicating the research needed to resolve when or how the discrepancy occurred. Its current practice also potentially allows a shortage to occur without clear accountability of who may have caused the shortage as it could be very difficult to resolve any discrepancy that might arise between the cashier's and the supervisor's independent counts of the collections and cash bag funds. Having both the cashier and supervisor present when verifying cash or collections helps protect the integrity of the collections process for the benefit of the Court and both employees.

### **RECOMMENDATION**

To better safeguard its funds and ensure clear accountability for shortages and overages, the Court should update its local cash handling policies and procedures as follows:

- Require its cashiers to complete their recap of the collections in their individual cash drawer/bag at the end of each workday without knowledge of the CMS collections, a "blind closeout," before submitting their recap and collections to a designated supervisor for verification of their collections to the recap report, and then the recap report to the CMS collections closeout report.
- Require that collections be verified before the cashiers leave for the day.
- Require its cashiers be present when their designated supervisor both verifies and balances the cashier's end-of-day collections with the recap of daily collections, and verifies that the cashier's ending cash bag funds agree with the beginning cash amount.

**COURT'S VIEW AND CORRECTIVE ACTION PLAN**

This Court does require our cashiers to balance to their beginning-of-the-day reports and their end-of-the-day reports. The Court also requires cashiers to closeout and balance to their daily till reports at the end of the day. The managers verify cash box or bag balances at the beginning of the day and at the end of the day with the cashier and they both sign-off on the reports. The Court agrees that we have a designee pick up the daily collections of the cashiers, which are then locked up in the safe and then the next morning the Court-wide deposit for both departments is processed and deposited. This process works best for this Court. This Court will be submitting a Request for Alternative Procedure with the Judicial Council.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 8/31/2018

**Responsible Person(s):** Brenda Huston, Rita Koven (Managers) and Reneé McCanna Crane, CEO

***AUDIT SERVICES' COMMENTS ON COURT'S VIEW***

To provide clarity and perspective, we are commenting on the Court's response. As the Court indicates, the cashiers balance to their end-of-the-day reports and balance to their daily till reports at the end of each day. However, as we noted under the Condition section above, cashiers do not complete their end-of-day collections recap report *before* comparing their daily collections to the CMS reported collection amounts. As a result, the Court's current practice allows a cashier to know in advance when an overage occurs and potentially risks the cashier taking any overage before completing the recap report without the risk of detection of the missing overage amount when the designated supervisor verifies the end-of-day collections to the recap and then to the CMS reports because all amounts would still balance.

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**FINDING REFERENCE: 2018-9-01*****OTHER INTERNAL CONTROLS – SAFE COMBINATION*****CRITERIA**

FIN MANUAL, FIN 10.02, 6.1.1 USE OF SAFES AND VAULTS:

3. When using safes and vaults, the following procedures must be followed:
  - d. The court executive officer or his or her designee will maintain a record showing the following information:
    - i. The date the combination was last changed; and
    - ii. The names of persons knowing the current combination.
  - e. The trial court should change the combination when any of the following occur:
    - i. The combination becomes known to an excessive number of trial court employees;
    - ii. A trial court employee with knowledge of the combination separates from employment in the trial court;

- iii. A trial court employee with knowledge of the combination no longer requires the combination in the performance of his or her duties; or
- iv. The time interval (defined by the trial court) during which the combination shall remain valid has expired.

### **CONDITION**

Contrary to the FIN Manual requirements, the Court does not maintain a record of the date the combinations to its three safes were last changed or the names of individuals knowing the present combinations. This occurs because the Court does not have local policies and procedures requiring the tracking and monitoring of the safe combinations, and management was not aware that it needed to maintain a record of the dates the combinations to each safe were last changed and the persons knowing the combinations to each safe, or to change the combinations periodically. As a result, the Court cannot demonstrate that it distributes the safe combinations to as few people as possible, and may leave itself susceptible to the potential theft of cash by those individuals with knowledge of the safe combinations and unauthorized access to the safes.

### **RECOMMENDATION**

To ensure it properly safeguards the contents of its safes, the Court should require staff to create and maintain a record, such as on a log, of the date the combinations to each of its three safes were last changed and the names of individuals knowing the current combination. Additionally, the Court should require staff to change the combinations to each safe in accordance with the FIN Manual; for example, periodically as determined by the Court or when the combination becomes known to an excessive number of court employees.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees that it did not maintain a record of the date the combinations to its three safes were last changed. However, the Court does restrict who has the combinations to these safes with only certain staff having authorized access and each safe is in a restricted area and attached to the wall or floor, which minimizes the risk of theft. These safes were purchased around 10+ years ago and the instructions were misplaced for a time, but the instructions for two of the safes have been found and the Court will be changing the combinations periodically as suggested by the FIN Manual. The Court will be purchasing a new safe for the other department to have current instructions to be able to change the combination when needed.

**Response provided on 7/19/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 8/31/2018

**Responsible Person(s):** Reneé McCanna Crane, CEO

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## **PROCUREMENT AND CONTRACTS**

### **The Court Generally Complied with Applicable Requirements for Procuring Goods and Services**

#### **Background**

Trial courts are expected to procure goods and services in a manner that promotes competition and ensures best value. To achieve this expectation, the Judicial Branch Contracting Manual (JBCM) and the Trial Court Financial Policies and Procedures Manual provide uniform guidelines for trial courts to use in procuring necessary goods and services and in documenting their procurement practices. Trial courts must demonstrate that their procurement of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and to document approval of the procurement by an authorized individual. The requestor identifies the goods or services, verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the court manager authorized to approve purchase requests. The court manager is responsible for verifying the necessity and appropriateness of the requested items, that the correct account codes are specified and assuring that funds are available before approving and forwarding the requisition form to the staff responsible for procuring goods and services. Depending on the type, cost, and frequency of the goods or services to be procured, court staff responsible for procuring goods and services may need to perform varying degrees of procurement research to generate an appropriate level of competition and obtain the best value. Court procurement staff may need to also prepare and enter the agreed-upon terms and conditions into purchase orders, service agreements, or contracts to document the terms and conditions of the procurement transaction, and maintain a procurement file that fully documents the procurement transaction.

Our review found that, except for four minor instances of non-compliance that we communicated separately to the Court, it generally complied with requirements for procuring goods and services. Specifically, the Court demonstrated compliance in various areas we evaluated during our audit, including demonstrating sound management practices in the areas of authorization and authority levels, in soliciting non-competitive procurements, and in other internal controls over procurements and contracts.

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## PAYMENT PROCESSING

### The Court Generally Complied with Payment Processing Requirements, But Can Strengthen Its Approvals of Some Expenses and Controls Over Petty Cash

#### Background

Trial courts must institute procedures and internal controls to ensure they pay for appropriate goods and services in an economical and responsible manner, ensuring that they receive acceptable goods and services prior to payment. Thus, the FIN Manual provides courts with various policies on payment processing and provides uniform guidelines for processing vendor invoices and in-court service provider claims. All invoices and claims received from trial court vendors, suppliers, consultants and other contractors are routed to the trial court accounts payable department for processing. The accounts payable staff must process the invoices in a timely fashion and in accordance with the terms and conditions of the respective agreements. Staff must match all invoices to the proper supporting procurement and receipt documentation, and must ensure approval for payment is authorized by court management acting within the scope of their authority.

In addition, trial court judges and employees may be required to travel as a part of their official duties, and may occasionally conduct official court business during a meal period. Courts may reimburse their judges and employees for their reasonable and necessary travel expenses, within certain maximum limits, incurred while traveling on court business. Courts may also reimburse their judges and employees, or pay vendors, for the actual cost of providing business-related meals when certain rules and limits are met.

The Court demonstrated compliance in many of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of its three-point match process, special items of expense, and allowable costs.

Nevertheless, we identified four audit findings in the payment processing area that we believe require the Court's corrective action. These findings pertained to the following specific areas of payment processing:

<b>Finding Reference</b>	<b>Subject</b>
2018-24-01	Travel Expense Claims - Approval
2018-25-01	Business-Related Meals
2018-26-01	Petty Cash – Accountability
2018-26-02	Petty Cash – Necessity

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#### **FINDING REFERENCE: 2018-24-01** *TRAVEL EXPENSE CLAIMS - APPROVALS*

#### **CRITERIA**

FIN MANUAL, FIN 8.03, 6.4.1 SUBMITTAL OF TRAVEL EXPENSE CLAIM (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.

### **CONDITION**

The appropriate approval-level supervisor did not approve three of the ten travel expense claim (TEC) forms reviewed. Specifically, the CEO approved one TEC form that a judge submitted and two TEC forms that a commissioner submitted. However, the appropriate approval-level supervisors for judges and judicial officers are the Presiding Judge (PJ) or Assistant Presiding Judge (APJ). If the claimant is the PJ, then the approver would be the APJ. According to the Court, it was previously unaware that Judges' and judicial officers' TEC forms should be approved by the PJ. It reviewed prior audit reports before the audit commenced and became aware that the CEO should not be approving judges' TEC forms. The Court indicates it has since implemented changes to its TEC approval process.

Audit Services raises this issue with the Court because we see a potential control weakness with court employees approving judicial officers' TEC forms. For example, if there were questions or concerns regarding a judge's TEC, the Court's CEO or a lower-level employee may feel uncomfortable making further inquiries and potentially would be less likely to disallow expenses claimed by judges.

### **RECOMMENDATION**

To increase the likelihood that travel expense claims submitted by judges and judicial officers are thoroughly reviewed, and challenged when appropriate, the Court should ensure that all TEC forms submitted by judicial officers be approved by the PJ or a designated judicial officer. Such a process might entail court employees highlighting potential problems with a judicial officer's TEC, which would then be submitted to the designated judicial officer for final review and approval.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and did become aware of this requirement awhile back and has already made the necessary changes to the TEC approval process.

**Response provided on 7/30/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 2/1/2018

**Responsible Person(s):** Reneé McCanna Crane, CEO and Lorena Barnes, Court Fiscal Manager

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### **FINDING REFERENCE: 2018-25-01**

*BUSINESS-RELATED MEALS*

### **CRITERIA**

FIN MANUAL, FIN 8.05, 6.2 GENERAL REQUIREMENTS FOR COURT PAYMENT OF BUSINESS MEAL: EXPENSES:

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.
2. Business meal 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.

#### FIN MANUAL, FIN 8.05, 6.6 AUTHORIZED BUSINESS MEAL RATES:

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 Travel Expense Claim 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 \$8.00 per person
    - Lunch: Actual cost not to exceed \$12.00 per person
    - Dinner: Actual cost not to exceed \$20.00 per person
    - Break: Actual cost not to exceed \$4.00 per person (Group meals are 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.

#### CONDITION

Of the eight business-related meal forms reviewed, although the Presiding Judge (PJ) attended the monthly judges' meetings for which the Court provided meals, the PJ did not approve seven of the business-related meal forms in advance of the meal event. Instead, the Court requested the PJ approve the business-related meal forms after the meetings had taken place. However, the FIN Manual requires the PJ or designee to approve business-related meal expenses in advance of the meal events. According to the Court, it did not obtain advance approval from the PJ because it did not know the total cost of the meals until after the meals had been ordered. Nonetheless, the Court could have estimated and used a not-to-exceed meal expense amount, considering the allowable meal rate and the number of expected attendees, and requested that the PJ approve the

business-related meal form in advance. After ordering and knowing the actual cost of the meals, the Court could have recorded the actual total meal cost on the business-related meal form.

In addition, for four of the eight business-related meals reviewed, the Court exceeded the per person maximum that the FIN Manual allows for lunch. Specifically, for these four business-related meals, the Court paid from \$12.17 to \$13.56 per person for the lunches it provided at court facilities. However, the FIN Manual provides a \$12 per person maximum for such a lunch, including taxes and tip, and does not authorize courts to grant exceptions for exceeding the maximum meal rates. According to the Court, this happened because it was unaware that the \$12 per person limit included tip and taxes. Although the total dollar amount of the finding is not significant, we raise this issue with the Court because the number of these exceptions found in the small sample reviewed are indicative of a systemic weakness.

### **RECOMMENDATION**

To ensure its business-related meal expenses are in line with the Judicial Branch policies and procedures, the Court should provide the PJ with a completed business-related meal expense form prior to meal events so that the PJ can review and approve the form in advance of business-related meal events. In addition, the Court should take steps to limit the cost of these-business related meals so that they remain within the maximum cost allowed per person, including taxes and tip.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and already made the necessary changes to the business meals approval process.

**Response provided on 7/30/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 4/1/2018

**Responsible Person(s):** Lorena Barnes, Court Fiscal Manager

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### **FINDING REFERENCE: 2018-26-01**

*PETTY CASH – ACCOUNTABILITY*

### **CRITERIA**

FIN MANUAL, FIN 8.04, 6.3 ESTABLISHMENT OF A PETTY CASH FUND:

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.

FIN MANUAL, FIN 8.04, 6.6 PETTY CASH FUND REIMBURSEMENT:

3. 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.

FIN MANUAL, FIN 8.04, 6.7 AUDIT OF PETTY CASH FUND:

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 fiscal officer:

<u>Size of Fund</u>	<u>Frequency</u>
\$200 or less	Annually
\$200 to \$500	Quarterly
Over \$500	Monthly

### **CONDITION**

Contrary to the FIN Manual, the Court makes petty cash replenishment checks payable to itself rather than to the petty cash fund custodian. According to its Fiscal Manager, the Court makes petty cash checks payable to itself because it views checks made payable to the Court as more secure since only certain people can cash these checks. Nonetheless, the FIN Manual requires Courts to make petty cash reimbursement checks payable to the petty cash fund custodian. Moreover, because multiple people can cash checks made payable to the Court, there is an increased risk that such a person could potentially steal and cash a petty cash reimbursement check without clear accountability of who may have cashed the check. In contrast, when a petty cash reimbursement check is made payable to the petty cash fund custodian, as required by the FIN Manual, only the custodian can cash the check, thus providing for greater security should a petty cash reimbursement check go missing.

Additionally, the fiscal technician who conducts periodic counts of the petty cash fund reports directly to the petty cash fund custodian, the Fiscal Manager. According to the Court, this happens because it has limited staffing. However, although organizational independence is not specifically prescribed by the FIN Manual, assigning an employee to count the petty cash fund when the fund is administered by the employee's manager may diminish the effectiveness of its system of internal controls. Specifically, subordinate employees may feel uncomfortable making further inquiries or escalating potential issues if they had questions or concerns regarding the manager's administration of the petty cash fund. As a result, petty cash fund discrepancies may potentially go unreported for an undeterminable period of time.

### **RECOMMENDATION**

To ensure it properly safeguards its petty cash funds, the Court should make its petty cash replenishment checks payable to the petty cash custodian instead of to the Court itself. In addition, the Court should strengthen its system of internal controls by either assigning the petty cash fund custodian duties to an individual who is not a manager, or assigning an individual who is organizationally independent of the petty cash fund custodian to periodically count and report on the status of its petty cash fund.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees, however it believes that it is more susceptible to theft if the replenishment checks are made out to the custodian individually. It seems more fiscally responsible to make the replenishment checks out to the Court. The Court lacks the necessary funding for additional staffing to assign the petty cash to another individual.

**Response provided on 7/30/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 8/1/2018

**Responsible Person(s):** Lorena Barnes, Court Fiscal Manager

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**FINDING REFERENCE: 2018-26-02**

*PETTY CASH – NECESSITY OF PETTY CASH FUND*

**CRITERIA**

FIN MANUAL, FIN 8.04, 3.0 POLICY STATEMENT:

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 unless advance approval from the court executive officer or his or her documented designee is obtained in writing or by e-mail.

FIN MANUAL, FIN 8.04, 6.1 INTRODUCTION:

4. 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.
5. Whenever possible, standard procurement methods should be used instead of petty cash (refer to the *Judicial Branch Contracting Manual*). 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

FIN MANUAL, FIN 8.04, 6.3 ESTABLISHMENT OF A PETTY CASH FUND:

2. The petty cash fund should be kept to the lowest amount that is sufficient to meet the needs of the trial court.

FIN MANUAL, FIN 8.04, 6.5 RESTRICTIONS ON THE USE OF PETTY CASH:

2. The petty cash fund cannot be used to:
  - d. Pay travel expenditures, except for local travel (e.g., parking, cab fare, local public transit fares, etc.), or meal expenses.

**CONDITION**

The Court maintains a \$200 petty cash fund, as well as a \$200 Wal-Mart gift card that is kept with its petty cash funds. Our analysis of its use of its \$200 petty cash fund and its \$200 Wal-Mart gift card indicates that the Court could either reduce or eliminate both. Specifically, for eight of the nine petty cash expenditures reviewed, the Court used the petty cash fund to pay for a total of more than \$500 in business-related meals. However, the FIN Manual intends that courts use petty cash funds to purchase low-value supplies and services, such as stamps, postage, parking, cab fare, and rapid transit tickets that cannot be practically purchased by other means, and prohibits the use of the petty cash fund for meal expenses. The FIN Manual envisions other means of paying for business-related meal expenses, such as by individuals paying for business meals with personal funds then claiming reimbursement through the TEC reimbursement process, or using a court purchase card, which the Court is considering obtaining, to pay for

these business-related meals. Additionally, in regards to the \$200 Wal-Mart gift card, the FIN Manual does not expressly authorize the use of gift cards as an acceptable form of purchasing and payment for courts. On the contrary, gift cards create additional accountability and security risk concerns for courts since these gift cards are easily used if lost or stolen. Nonetheless, the Court has not used its \$200 Wal-Mart gift card since 2015, and indicates it is considering eliminating the use of this card.

### **RECOMMENDATION**

To ensure it uses its petty cash fund consistent with the petty cash procedures outlined in the FIN Manual, the Court should consider restricting the use of its petty cash fund for the purchase of low-value supplies and services, not including meal expenses, that cannot be practically purchased by other means. The Court should discontinue using any gift cards for court purchases, including its Wal-Mart gift card, and should also consider evaluating the necessity of maintaining its petty cash fund.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and will pursue getting a purchase card for Judges' meeting meals. This Court has already eliminated the Wal-Mart gift card for use.

**Response provided on 7/30/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** Hope to obtain purchase card by end of 2018.

**Responsible Person(s):** Lorena Barnes, Court Fiscal Manager

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## FINE AND FEE DISTRIBUTIONS

### CMS Updates are Needed for Certain Fine and Fee Distributions

#### Background

Trial courts must accurately calculate and distribute the monies they collect so that State and local funds receive the amounts State law designates for each. State statutes and local ordinances govern the distribution of the fines, penalties, fees, and other assessments that courts collect. In addition, courts rely on the State Controller's Office *Trial Court Revenue Distribution Guidelines* and the Judicial Council *Uniform Bail and Penalty Schedules* to calculate and distribute these court collections to the appropriate State and local funds. Courts may use either an automated system, manual process, or a combination of both to perform the often-complex calculations and distributions required by law.

Our review of its fine and fee distributions found that the Court configured its automated case management system (CMS) to accurately calculate and distribute most fines, penalties, assessments, and fees collected to the appropriate funds and entities.

Nevertheless, we identified one audit finding in the fine and fee distribution area that we believe requires the Court's corrective action. This finding pertained to the following specific area of CMS distributions:

Finding Reference	Subject
2018-29-01	CMS – Calculated Distributions

#### **FINDING REFERENCE: 2018-29-01**

#### *CMS-CALCULATED DISTRIBUTIONS*

#### **CRITERIA**

FIN MANUAL, FIN 10.01, 6.1 TRIAL COURT UCF AND CRIMINAL AND TRAFFIC COLLECTION ACTIVITIES:

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.
10. It is the responsibility of the trial court to assure the accurate distribution of the funds that it collects.

FIN MANUAL, FIN 10.01, 6.10 CRIMINAL AND TRAFFIC CASE MANAGEMENT SYSTEM REVENUE DISTRIBUTION:

1. Each payment received by the trial court is ultimately distributed according to a schedule established by the Legislature.

2. The court must assure that:
  - a. The state schedule for revenue distribution is accurately entered in the court's case management system.
  - 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.

## CONDITION

Our review of its fine, penalty, and assessment calculations and distributions for selected case types found that the Court did not always calculate and distribute collections consistent with applicable state laws. Specifically, the Court did not correctly calculate and distribute some of the fines and penalty assessments for four of the seven distributions reviewed. Our review covered variations of three distinct case types and code violations under the Vehicle Code (VC) and Penal Code (PC). Although not a complete listing of all the variances noted and communicated to the Court, a few of the systemic calculation and distribution errors found include the following:

- The Court's calculations of assessed fines and penalties on cases with Driving Under the Influence (DUI) violations overstate the applicable total fine. State law requires the Court to reduce its \$510 local base fine for DUI violations by the \$120 that must be deposited into three specific accounts *before* distributing the remaining base fine to the county and the city as outlined in state law. Therefore, the Court should use the remaining base fine of \$390 (\$510 less \$120) to calculate the amount to distribute to the county and the city. However, our review found that the Court uses the \$510 local base fine for DUI violations instead of the remaining \$390 base fine to calculate the amount to distribute to the county and the city. As a result, the Court assesses \$120 more in total fines than it should on DUI violations and distributes this excess as a base fine distribution to the county and the city.
- The Court does not distribute the correct fines and penalties collected on red light bail forfeiture cases. First, the Court does not distribute 2% of all the fines and penalties that are included in the 30% red light allocation amount to the State Automation account. Government Code (GC) 68090.8 requires that 2% of all fines, penalties, and forfeitures collected in criminal cases be transmitted to the state to help pay for state trial court automated systems. Secondly, the Court also does not exclude the GC 76000.5 Emergency Medical Services (EMS) additional penalties from the 30% allocation calculation on red light cases. PC 1463.11 requires courts to allocate the first 30% of the amount collected on red light violations to the general fund of the city or county in which the offense occurred. However, state law excludes certain penalties from this allocation, including the GC 76000.5 EMS additional penalties that are to support local emergency medical services. Finally, for red light violations that occur in a city, the Court does not include the State Court Facilities Construction Fund (SCFCF) penalty in the 30% allocation calculation. Because of these distribution discrepancies, the Court is not transferring the correct amounts to the State Automation account, is understating

distributions to the local EMS fund, and on red light city arrest cases is overstating distributions to the SCFCF.

According to the Court, all the calculation and distribution discrepancies noted occurred because its CMS is not currently configured correctly. The Court stated that its CMS tables will require additional modifications to ensure correct calculations and distributions of all fines and assessments. Until these CMS tables are reconfigured and corrected, the Court will continue to incorrectly assess and collect some fines and penalties and will therefore distribute less than required to some entities and more than required to other entities. As a result, the Court is at risk of continuing to not accurately calculate and distribute the fines, penalties, and assessments it collects for an undetermined period of time.

### **RECOMMENDATION**

To ensure the Court accurately calculates and distributes the fines and penalties it assesses and collects, the Court should do the following:

- As soon as possible, partner with its CMS vendor to modify or reconfigure the CMS tables to correctly calculate and distribute all the fines, penalties, and assessments on DUI and Red-Light cases, and perform follow up reviews to ensure the corrections are working properly, and
- Develop a process to periodically monitor its calculations and distributions of collections to ensure they remain accurate.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees with the finding regarding DUI cases. Back in 2007 the Judges of this Court approved a base fine for DUI violations of \$510. However, some of the associated assessments and distributions were incorrect and have now been corrected.

The Court agrees with the finding regarding red light bail forfeiture cases. The Court has made or will shortly be making the appropriate corrections to these case types.

**Response provided on 7/30/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 7/1/2018 – DUI

10/1/2018 – Red Light

**Responsible Person(s):** Lorena Barnes, Court Fiscal Manager

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## ONE PERCENT FUND BALANCE CAP

### The Court Appropriately Supported Its 1% Fund Balance Cap Calculations

#### Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed one percent of its prior fiscal year operating budget. To assist in ensuring compliance with this requirement, the Judicial Council requires courts to prepare and submit a final *1% Fund Balance Cap Calculation Form* (calculation form) approximately six months after the end of the fiscal year, which calculates the amount of fund balance that a court may carry over into the next fiscal year. Courts self-report the inputs on the calculation form, such as year-end expenditures, expenditure accruals, and encumbrances.

In addition, should a court need to retain funds that exceed its one percent fund balance cap, the Judicial Council adopted a process whereby courts that meet certain specified guidelines may request approval from the Judicial Council to hold excess funds “on behalf of the court.” The request specifies how the funds will be used and requires the court to explain why such spending could not occur through its annual operating budget. If the Judicial Council approves the court’s request, the Judicial Council may impose additional terms and conditions that courts must accept, including separately tracking the expenditures associated with these funds held on behalf of the court. As a part of the Judicial Council-approved process for approving funds held on behalf of a court, Audit Service is charged with reviewing funds held on behalf of the courts as a part of its normal court audit cycle to confirm that the courts used the funds for their approved stated purpose.

Our review found that the Court complied with the requirements for its 1% fund balance cap calculations. Specifically, we reviewed the inputs on its final FY 2016-17 calculation form and found that the Court used expenditure and accrual amounts that agreed to its accounting records. In addition, the Court supported the encumbrances it reported on its final FY 2016-17 calculation form with valid contracts for goods and services not received by June 30, 2017.

Finally, we found the Court had excess funds held on its behalf at the end of FY 2016-17. We reviewed the Court’s FY 2017-18 expenditures of these funds, and our review found that the Court’s use of the funds was consistent with the purpose for which they were approved.

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## JBSIS CASE FILING DATA

### The Court Should Ensure It Reports Accurate Case Filings Data to JBSIS

#### Background

The Judicial Branch Statistical Information System (JBSIS) is a reporting system that defines and electronically collects summary information from court case management systems for each major case processing area of the court. JBSIS directly supports the technology goals of the Judicial Council's strategic plan, providing information for judicial branch policy and budgetary decisions, management reports for court administrators, and the Judicial Council's legislative mandate to report on the business of the courts. Authorization for JBSIS is found in California Rules of Court, rule 10.400: "Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, JBSIS is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch, the Legislature, and other state agencies that require information from the courts to fulfill their mandates. Each trial court must collect and report to the Judicial Council information according to its capability and level of automation as prescribed by the JBSIS Manual adopted by the Judicial Council..." The Court Executives Advisory Committee is responsible for oversight of this program.

Our review found that the Court maintained documentation to support the JBSIS case filings data it submitted to the Judicial Council's Office of Court Research. Nevertheless, our review identified two JBSIS-related audit findings that we believe require the Court's corrective action.

Finding Reference	Subject
2018-33-01	Validity of JBSIS Data – Exclusion of Cases
2018-33-02	Validity of JBSIS Data - Classification

#### **FINDING REFERENCE: 2018-33-01**

##### *VALIDITY OF JBSIS DATA – CASE FILINGS COUNTS*

#### **CRITERIA**

##### **CALIFORNIA RULES OF COURT, RULE 10.400, JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM:**

Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, the Judicial Branch Statistical Information System (JBSIS) is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch, the Legislature, and other state agencies that require information from the courts to fulfill their mandates. Each trial court must collect and report to the Judicial Council information according to its capability and level of automation as prescribed by the *JBSIS Manual* adopted by the Judicial Council.

#### **CONDITION**

For fiscal year 2015-16, the Court reported 13,675 new case filings to JBSIS. Each month, the Court reported each new case filing as a count in one of 89 possible case categories (such as

“civil limited” or “felony”). Audit Services reviewed the Court’s underlying listings of cases supporting its reported case counts for fiscal year 2015-16 and found that the Court reported data that matched its listings of new cases. Specifically, in fiscal year 2015-16 the Court provided 1,068 individual monthly counts of new case filings by category (89 categories per month x 12 months), and we did not note any count differences.

However, our more in-depth review of selected case files found that, due to CMS program errors, the Court reported civil unlimited case filing counts to JBSIS that it should not have reported because they were not new case filings. Specifically, for one of the ten civil unlimited case files reviewed, the Court reported a "Request for Disclosure of Juvenile Case File" form to JBSIS as a new case. However, these disclosure requests do not qualify as new cases. This happened because its local process is to open a new case number in the CMS when processing a "Request for Disclosure of Juvenile Case File" form. Because this disclosure request does not actually establish a new case, staff also enter a specific code in CMS when opening a new case number for these disclosure requests so that the CMS can exclude these cases when reporting case filings data to JBSIS. However, although the Court configured its old CMS, that it used through January 2016, to exclude cases with that specific code when reporting case filings data to JBSIS, it overlooked configuring its new CMS, which it began using in February 2016, to also exclude cases with that code when reporting case filings data to JBSIS. As a result, from February 2016 through May 2016, the Court incorrectly reported to JBSIS a total of 15 "request for disclosure" cases as new case filings in fiscal year 2015-16. These 15 over-counted cases represent only .11 percent of the 13,675 case filings the Court reported in fiscal year 2015-16. After informing the Court of this issue, it subsequently modified its new CMS in April 2018 to no longer report these "request for disclosure" cases to JBSIS as new case filings.

Although we commend the Court on its relatively low overall error rate, Audit Services raises this JBSIS reporting discrepancy as an audit finding since the Judicial Council has yet to establish data quality standards that (1) define an acceptable error rate for reporting and (2) define what steps each court is expected to take to reasonably ensure accurate and complete reporting. Until such standards exist, courts should continue to focus on monitoring and further improving its JBSIS reporting practices to ensure case counts are fully supported by its records and are not double-counted.

### **RECOMMENDATION**

To ensure the Court is doing all it reasonably can to ensure accurate and complete JBSIS reporting, it should do the following:

- Seek guidance from the Judicial Council on acceptable error rates when reporting JBSIS case counts, so it can determine when its reports are sufficiently flawed and require an amended report.
- Periodically review listings of reported case filings, such as monthly or quarterly, to identify individual cases that it may have improperly counted.

### **COURT’S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees and as indicated in your condition section above, once the Court was notified we promptly made the corrections.

**Response provided on 7/30/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 4/1/2018

**Responsible Person(s):** Brenda Huston and Rita Koven, Managers

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**FINDING REFERENCE: 2018-33-02**

*VALIDITY OF JBSIS DATA – DATA QUALITY*

**CRITERIA**

CALIFORNIA RULES OF COURT, RULE 10.400, JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM:

Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, the Judicial Branch Statistical Information System (JBSIS) is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch, the Legislature, and other state agencies that require information from the courts to fulfill their mandates.

JBSIS [MANUAL], VERSION 2.3, [CHAPTER 6. FAMILY LAW (REPORT 6a)], FAMILY LAW 6a—DATA ELEMENT DEFINITIONS:

FAMILY LAW – A major classification category of cases involving family actions, such as marital actions (e.g., dissolution), custody matters, family support, parental rights, and adoption.

Column 80: domestic violence prevention with minor children. A family law case type based on a Request for Order (form DV-100) and Temporary Restraining Order and Notice of Hearing (form DV-110) seeking protection under the Domestic Violence Prevention Act, in which there are minor children of the relationship (Fam. Code, § 6200).

Column 90: domestic violence prevention without minor children. A family law case type, based on a Request for Order (form DV-100) and Temporary Restraining Order and Notice of Hearing (form DV-110) seeking protection under the Domestic Violence Prevention Act, in which there are no minor children of the relationship (Fam. Code, § 6200).

**CONDITION**

Our review of selected case file records associated with its fiscal year 2015-16 JBSIS case filings data found that the Court reported five of the 10 Family Law-Domestic Violence cases reviewed in a manner that did not agree with the JBSIS Manual data element definitions for the case type. Specifically, the Court classified three "domestic violence without minor children" cases as "domestic violence with minor children." Conversely, the Court classified two "domestic violence with minor children" cases as "domestic violence without minor children."

According to the Court, these classification errors occurred because a clerk misunderstood the JBSIS definitions regarding "with minors" versus "without minors." As a result, the Court did not report accurate Family Law-Domestic Violence case filings data to JBSIS during fiscal year 2015-16.

### **RECOMMENDATION**

To ensure it reports JBSIS case filings data to the Judicial Council that are accurate and consistent with the rules established in the JBSIS Manual, the Court should monitor and periodically review the accuracy of its monthly case filings data. In addition, the Court should take steps to amend its JBSIS data, as necessary, when it identifies case filing errors. The Court should also consider taking steps, such as periodic staff training, to ensure its staff accurately code its case types, such as its “domestic violence with minor children” and “domestic violence without minor children” case types.

### **COURT’S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees. The Court is fully aware of the differences between a Domestic Violence case with children and without children. This was actually a court clerk training issue, which has been addressed and corrected.

**Response provided on 7/30/2018 by:** Reneé McCanna Crane, CEO

**Date of Corrective Action:** 4/1/2018

**Responsible Person(s):** Brenda Huston, Manager

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## **GRANT AWARD COMPLIANCE**

### **The Court Generally Follows Appropriate Grant Accounting and Administrative Procedures**

#### **Background**

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

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

Our review of its grant administration practices found that, except for a minor instance of non-compliance communicated separately to the Court, it generally followed appropriate grant accounting and administrative procedures and demonstrated material compliance with the Child Support Services grant and the Family Law Facilitator grant (AB 1058 program components) terms and conditions.

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## **OTHER AREAS**

### **Background**

We did not identify any other significant areas during the initial audit planning process that, based on our professional judgement, warranted any additional audit work. Therefore, we did not review compliance with any other areas.

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