



Audit of the
Superior Court of California,
County of Glenn

FEBRUARY 2019



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Glenn

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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 Glenn (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 improvements. 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 Glenn

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
Cash Handling					
1	Daily Opening Process	Yes	1	2018-1-01	Partially agrees
2	Voided Transactions	Yes	✓		
3	Handwritten Receipts	Yes	✓		
4	Mail Payments	Yes	2	2018-4-01; 02	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2018-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	2	2018-7-01; 02	Partially agrees
8	Bank Deposits	Yes	1	2018-8-01	Agrees
9	Other Internal Controls	Yes	2	2018-9-01; 02	Agrees
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2018-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	1	2018-16-01	Agrees
Payment Processing					
17	3-Point Match Process	Yes	1	2018-17-01	Agrees
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	1	2018-19-01	Partially agrees
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	No	-		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distribution					
25	CMS-Calculated Distributions	No	-		
26	Manually-Calculated Distributions	N/A	-		
1% Fund Balance Cap					
27	Calculation of the 1% Cap	Yes	1	2018-27-01	Disagrees
28	Use of "Held on Behalf" Funds	Yes	✓		
JBSIS Case Filing Data					
29	Validity of JBSIS Data	Yes	2	2018-29-01; 02	Agrees
Other Areas					
30	[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 different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court generally demonstrated good compliance in the areas of procurement and payment processing. For example, our review of the Court's procurement practices found that it demonstrated sound management practices in the areas of authorization and authority levels, in soliciting non-competitive procurements, and in the area of leverage purchased agreements. In addition, the Court's payment processing practices ensure the Court pays for only allowable costs.

However, our audit did identify 16 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 16 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 payments it receives in the mail. Specifically, the Court did not use a payment receipts log to record and track the payments received in the mail and did not restrictively endorse checks or other negotiable instruments received in the mail immediately upon receipt. Without a mail payments receipt log, the Court has no record to reference or research should a mail payment become lost or stolen. Furthermore, not immediately endorsing and not securing unprocessed mail payments heightens the risk of theft or loss of these payments. The Court indicated that it would start using mail log sheets as it did in the past. Additionally, the Court stated that it would order endorsement stamps for all window locations and for staff who open the mail so that the checks, money orders and other negotiable instruments will be endorsed immediately upon receipt.

The Court should also focus on ensuring that its procurement process begins with an approved purchase requisition form. For all 25 procurement transactions reviewed, the Court did not have a purchase requisition form on file to demonstrate that authorized court management approved the initiation of the procurement process. This is because the Court does not use a purchase requisition form to document its purchase requests and associated authorizations before commencing the procurement process. However, without an approved purchase requisition on file to demonstrate authorized court management reviewed and approved the purchase, the Court is at risk of initiating purchases before fully assessing the business need and available funding for the items. The Court indicated that it has developed a written procurement form to use for purchases, and that it will retain these forms, match them to packing lists, and submit them to the accounting department for payment.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on September 25, 2018, and completed its fieldwork on October 26, 2018. Audit Services shared the draft audit findings with the Court's officials on December 12, 2018, and received the Court's final official responses on January 15, 2019. The Court generally agreed with most 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 Glenn (Court) operates two court facilities in the cities of Willows and Orland. 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 Glenn Superior Court and Average of all Superior Courts

Statistic	Glenn Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
Financial Highlights (Fiscal Year 2017-18)						
Total Revenue	\$ 3,055,859	\$ 2,203,781	\$ 10,614,170	\$ 41,408,761	\$ 193,092,791	\$ 43,126,012
Total Expenditures	\$ 3,108,394	\$ 2,238,710	\$ 10,747,319	\$ 41,941,660	\$ 197,901,911	\$ 44,042,048
Staff Salaries & Benefits As a % of Total Expenditures	\$ 1,847,847 59.4%	\$ 1,498,581 66.9%	\$ 8,081,296 75.2%	\$ 32,278,737 77.0%	\$ 159,856,125 80.8%	\$ 34,936,503 79.3%
Judicial Officers and Staff (2017 Court Statistics Report)						
Judges	2	2	8	27	128	29
Commissioners/Referees	-	-	1	4	22	5
Non-Judicial Staff (approx.)	23	17	84	276	1,253	288
Total	25	19	93	307	1,403	322
New Case Filings (Fiscal Year 2016-17)						
Appeal Filings	2	10	74	184	402	131
Civil Filings						
Civil	364	290	2,102	8,984	62,412	12,416
Family Law	408	270	1,793	6,650	27,411	6,379
Juvenile Delinquency	30	36	246	1,129	2,210	679
Juvenile Dependency	29	36	209	617	3,977	833
Mental Health	33	17	149	697	2,602	609
Probate	74	47	273	991	3,394	847
Small Claims	36	51	413	1,954	14,475	2,820
Criminal Filings						
Felonies	1,055	426	1,599	4,706	32,416	6,720
Misdemeanors / Infractions	7,315	4,978	21,872	75,946	342,251	78,405
Total	9,346	6,161	28,730	101,858	491,550	109,839

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 December 12, 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. Glenn Superior Court is a cluster 1 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Glenn (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

	Audit Objective	Method
1	<p>Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court’s compliance.</p>	<p>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.</p>
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court complied with the mandatory requirements in the FIN Manual for internal controls over cash (payment) handling. ▪ Assess the quality of the Court’s internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions. 	<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>
3	<p>Determine whether the Court demonstrated appropriate control over its non-personal services spending activities. Specifically, our review included the following:</p>	<p>We reviewed the Court’s assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving purchases, procuring the goods or services, receiving the goods, and paying for the goods or services.</p>

<ul style="list-style-type: none"> ▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual. ▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules. 	<p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • Was properly authorized and approved by authorized court management. • Adhered to competitive bidding requirements, when applicable. • Had contracts, when applicable, that contained certain terms required to protect the Court’s interests. <p>We selected a sample of 40 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • Whether the payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • Whether the payments for in-court service providers adhered to applicable Judicial Council policies. <p>Note: We did not review court interpreter claims as the Audit Committee suggested we suspend reviewing these types of claims to allow courts time to develop procedures to address previously reported systemic audit findings related to court interpreter service claims. In addition, the Court did not have any jury expenses that met our testing threshold. Therefore, we did not test jury expenses.</p>
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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) had recently completed a revenue audit of the Court's fine and fee distributions. The Court also informed us that it is in the process of implementing a new CMS and will ensure it has adequately corrected any fine and fee calculation or distribution errors as it implements its new CMS. Therefore, since our review of its current CMS distributions would be of limited benefit to the Court, we did not review its current CMS fine and fee calculations and distributions.
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"> • Verified significant calculations and balance amounts. • Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system. <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).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (fiscal year 2016-2017), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant JBSIS case filings data the Court reported to the Judicial Council and reconciled the case filings

		<p>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.</p> <ul style="list-style-type: none">• We selected 10 cases from six case types, for a total of 60 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.
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Assessment of Data Reliability

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

Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on February 8, 2019, 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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Joe Meyer, Senior Auditor (auditor-in-charge), CPA, CIA

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SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Followed Many Required Cash Handling Procedures, But Can Further Strengthen Its Controls Over Certain Payment Collection 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 voided transactions, handwritten receipts, and internet payments.

Nevertheless, we identified nine 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
2018-1-01	Daily Opening Process – Verification of Beginning Cash
2018-4-01	Mail Payments – Receipts Log
2018-4-02	Mail Payments – Endorsement
2018-6-01	Change Fund – Accountability
2018-7-01	End-of-Day Balancing and Closeout – Blind Closeout
2018-7-02	End-of-Day Balancing and Closeout – Verification
2018-8-01	Bank Deposits – Deposit Verification
2018-9-01	Other Internal Controls – Separation of Duties
2018-9-02	Other Internal Controls – Safe Combination

FINDING REFERENCE: 2018-1-01

DAILY OPENING PROCESS – VERIFICATION OF BEGINNING CASH

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.2 BEGINNING DAILY BALANCE:

2. Cashiers must count and verify receipt of their assigned individual beginning cash funds in the presence of their supervisor or his or her designee, and both must sign and date a cash receipt log for each such verification and receipt.

CONDITION

Contrary to FIN Manual requirements, the Court does not consistently require cashiers to count and verify receipt of their assigned individual beginning cash funds while in the presence of a

designated supervisor at the beginning of the day. Specifically, for two of the three payment collection locations reviewed—the Willows and Orland locations—the cashiers do not count and verify the receipt of their assigned individual beginning cash funds in the presence of their designated supervisor. Instead, the supervisor or lead assigns the cash bags to clerks, and the clerks count their beginning cash funds alone at their desk.

In addition, contrary to FIN Manual requirements, the Court does not require both the designated supervisor and cashier to sign and date a log to demonstrate their count and verification of the beginning cash funds. Specifically, for two of the three payment collection locations, Willows and Collections, only the clerk signs and dates a cash log verifying the beginning cash funds. The third payment collection location, Orland, does not maintain any such log. According to the Court, it was unaware of these requirements. In addition, the Court indicated that it follows this practice because the beginning cash is counted the day before when submitted for verification during the closeout process and is secured in the safe overnight. However, the FIN Manual requires this count, verification, and log at the beginning of each day to ensure continuous accountability of the cash funds. As a result, the Court potentially allows a subsequent cash fund shortage to be without clear accountability of who may have caused the shortage or when it may have occurred as it would be potentially very difficult to resolve any discrepancy that might arise in between end-of-day cash counts. Following such FIN Manual requirements help protect the integrity of both the Court and all its cash handling employees.

RECOMMENDATION

To ensure clear accountability and to protect the integrity of its cash handling employees, the Court should consistently require cashiers to count and verify receipt of their assigned individual beginning cash funds in the presence of their designated supervisors, and to sign and date a cash receipt log for each such verification and receipt before cashiers commence their daily payment collection duties.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Partially agree. The Court does agree that staff have not been consistently following the requirement to count their cash in front of a supervisor. Additionally, the Orland location does not have a supervisor or manager on-site, so Glenn Court will be requesting an alternate procedure related to that facility. The Court does not agree that the manager is not signing the cash log. Our practice is to have the Reviewer (manager or other designated employee) and the Clerk sign the daily Cash Change Fund Certification Form, which is currently occurring in the Willows and Butte location. We will be instituting the same policy in Orland with an alternative procedure related to the Reviewer, due to the absence of on-site supervision. We will be re-training on this form, which will be updated to address this issue.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: January 3, 2019

Responsible Person(s): Zuheit Hernandez, Court Operations Manager; Julie Leach, Finance Manager; affected court staff

AUDIT SERVICES' COMMENTS ON COURT'S VIEW

To provide clarity and perspective, we are commenting on the Court's response. We agree that the reviewer and the clerk both sign the Cash Change Fund Certification Form at the Willows and Butte locations, as the Court indicates. However, as we noted under the Condition section above, only the clerk signs and dates the cash log at the beginning of the day when verifying the beginning cash funds. The reviewer signs the log the day before when the beginning cash is submitted for verification during the prior day's closeout process. As a result, the cashier and reviewer do not both sign and date the log at the at the beginning of the day, as the FIN Manual requires, when the cashier counts and verifies receipt of the assigned individual beginning cash bag in the presence of the reviewer.

FINDING REFERENCE: 2018-4-01***MAIL PAYMENTS – RECEIPTS LOG*****CRITERIA**

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.

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

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

None of the Court's three payment collection locations maintain the suggested Payment Receipts Log to create a record of the payments received in the mail. The FIN Manual suggests that courts use such a log to capture and record key identifying information—such as the case numbers, the persons making the payment, and the check numbers—that may be useful in tracking lost mail payments and in reconciling mail payments entries in the CMS. According to the Court, it does not use and maintain mail payment receipts logs because it does not have enough staff to maintain such logs. As a result, the Court does not capture sufficient information to monitor and track individual mail payments nor does it have a record that managers can use to reconcile with and ensure the entry of all the mail payments into the CMS, and is therefore at increased risk for lost or stolen mail payments.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should reconsider using and maintaining a mail payment receipts log that contains all the key information necessary to establish a clear record of all the payments, cash and non-cash, received through the mail. Using and maintaining such a log would allow the Court to reconcile its record of logged mail payments to its CMS during the end-of-day closeout process to ensure that staff promptly and completely entered all mail payments in its CMS. If the Court determines that it cannot feasibly prepare and maintain a mail payments receipt log, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure to account for the payments it receives in the mail. For example, instead of using a mail payments log, some courts that receive few mail payments make and retain copies of their daily mail payments, while other courts that receive many mail payments have staff who open mail also batch the daily mail payments for processing and include a batch cover sheet identifying the preparer, date prepared, batch count, batch total, person entering in CMS, date entered, person verifying entry in CMS, and date verified.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The Court used to use a mail log form, but during the recession and downsizing of staff, in an already small court, this was one of the tasks that the remaining staff could no longer do. The Court will start using the mail log sheets again and evaluate if we are

able to keep them maintained daily. If we are unable to continue, the Court will submit an alternate procedure to the JCC as indicated.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: January 1, 2019

Responsible Person(s): Karen Dura, Administrative Assistant; Julie Casaulong, Finance Manager

FINDING REFERENCE: 2018-4-02

MAIL PAYMENTS – ENDORSEMENT

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.4 CHECK, MONEY ORDER, AND CASHIER'S CHECK HANDLING PROCEDURES:

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

CONDITION

The Court does not restrictively endorse checks and money orders received either over the counter or through the mail at any of its three payment collection locations. According to the Fiscal Manager, the Court has not endorsed checks for many months because it does not have the endorsement stamps for either the checks deposited in the County treasury or the checks deposited in the Judicial Council's bank account. The Fiscal Manager plans to order an endorsement stamp for the checks it deposits in its Judicial Council bank account. However, the Fiscal Manager informed us that the County has been unwilling to authorize the Court to endorse checks deposited with the County since its treasury began using a computer printer to endorse checks deposited in the County treasury. Nonetheless, endorsing checks and money orders “for deposit only” immediately upon receipt protects courts’ interests by limiting the potential for further negotiation of these payments. 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.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received in person and through the mail, the Court should promptly obtain and begin using the necessary endorsement stamps for deposits to its Judicial Council bank account. The Court should also coordinate with the County to develop a process for endorsing checks the Court receives in order to ensure it can restrictively endorse all checks, money orders, and other negotiable instruments immediately upon receipt.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that it has not been restrictively endorsing checks, money orders or other negotiable instruments immediately upon receipt and acceptance. This was a practice the Court discontinued when the local Bank of America closed the local branch and new endorsements

stamps were not procured at the time. The Court is ordering endorsement stamps for all window locations and for staff who open the mail so that the checks, money orders and other negotiable instruments will be endorsed immediately upon receipt and acceptance.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: Upon receipt of newly ordered stamps, which will be ordered by January 7, 2019, but no later than January 31, 2019

Responsible Person(s): Karen Dura, Court Administrative Assistant; Zuheit Hernandez, Court Operations Manager; Julie Casaulong, Finance Manager

FINDING REFERENCE: 2018-6-01

CHANGE FUND – ACCOUNTABILITY

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

7. At the end of each business day, individuals responsible for making change from the Cash Change Fund must—in the presence of a court manager, supervisor, or his or her designee—count, verify, and reconcile the Change Fund monies to the day’s beginning balance, and initial and date the verification/reconciliation.
8. A trial court employee, other than the individuals responsible for making change from the Cash Change Fund, should count the Cash Change Fund in accordance with the following schedule and report the count to the Fiscal Officer.

Size of Cash Change Fund	Frequency of Count
• Less than \$200	Annually
• \$200 to \$499.99	Quarterly
• \$500 or more	Monthly

CONDITION

The Court maintains a \$300 change fund at its Willows payment location that it established in September 2018. However, the Court does not require this location to count, verify, and reconcile the change fund at the end of each day while in the presence of a manager or supervisor, even when the change fund has been used to make change during the day. The Court follows this practice because it does not have written local cash handling policies and procedures that could help align its cash handling practices closer to the FIN Manual requirements, and the Operations Manager was not aware of the FIN Manual requirement to count the fund at the end of each day. As a result, the Court's current practice of not counting the change fund at the end of each day potentially allows a change fund shortage to occur without clear accountability of when the shortage may have occurred or who may have caused the shortage.

In addition, the Court does not require individuals who are not the change fund custodians to periodically count and report the count of its change fund to the fiscal officer. The Court follows this practice because it did not establish written local cash handling policies and procedures when it recently set up its \$300 change fund that require someone, other than the change fund custodian, to periodically count and report on the status of the change fund moneys. Nonetheless,

the FIN Manual requires courts to have individuals who are not the change fund custodians count and report on the change fund monies at least quarterly for change funds between \$200 and \$500. As a result, the Court may not know for an extended period of time if its change fund is short funds.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages and overages at its Willows payment location, the Court should create local cash handling policies and procedures that align with the FIN manual requirement to count, verify, and reconcile the change fund monies to the day's beginning balance at the end of each business day. In addition to verifying the change fund at the end of each business day, the Court should ensure that the daily verification is done in the presence of a court manager, supervisor, or designee. Lastly, the Court should ensure that an individual other than the custodian counts and verifies its change funds at the frequency specified in the FIN Manual, such as quarterly for its \$300 change fund.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Court agrees. The Court will immediately begin counting the Cash Change Fund daily, starting on 12/27/18, with or without activity and provide for a random, quarterly count, by someone other than the custodian of the fund. The Court conducted the first quarterly county on 12/26/18. Written policies will be completed to memorialize the procedures.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: December 28, 2018

Responsible Person(s): Karen Dura, Administrative Assistant

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 his or her designee for verification;
 - b. The supervisor or his or her 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 his or her 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 his or her designee must both sign and date the case management system daily collections closeout report.

CONDITION

At all three payment collection locations reviewed, the locations do not require cashiers to count and record their end-of-day collections on a recap report without knowing the amounts the CMS indicates the cashier collected, also known as a "blind closeout." Specifically, cashiers at all three locations count and compare their daily collection totals against CMS reports that indicate how much they collected before submitting their daily collections to a designated supervisor for verification. Cashiers follow this practice because the Court's local cash handling policies and procedures for end-of-day closing do not require cashiers to use 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 without risk of detection of the missing monies when the designated supervisor verifies the end-of-day collections to the CMS reports because all amounts would still balance.

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. Specifically, the Court should 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." Afterwards, cashiers should submit their completed recap report and collections to a designated supervisor for verification of their collections to the recap report, and then complete the verification process by verifying the recap report to the CMS collections closeout report.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Partially agree. The Court does currently have staff balance their daily cash to the CMS recap report and they bring it to a secondary person for verification. However, the current CMS system does not have a process for a "blind close-out" reconciliation as staff can run a recap report at any time to determine the amount of cash they should have. Once the Court converts to Tyler's Odyssey CSM, which does have a "blind close-out" process, we will be able to comply with this requirement.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: New CMS, TBD

Responsible Person(s): Julie Casaulong, Finance Manager; Zuheit Hernandez, Court Operations Manager

FINDING REFERENCE: 2018-7-02

END-OF-DAY BALANCING AND CLOSEOUT – VERIFICATION

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 his or her designee for verification;
 - b. The supervisor or his or her 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 his or her 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 his or her designee must both sign and date the case management system daily collections closeout report.

CONDITION

The Court does not consistently require designated supervisors to count and verify each cashier's end-of-day collections to the CMS daily closeout reports while the cashier is present. Specifically, our observation of two of the three payment collection locations reviewed—the Willows and Orland locations—noted that a designated supervisor did not count and verify the cashier's end-of-day collections while the cashier remained present. At the Willows location, the administrative assistant does not always make cashiers stay to observe the counting and verification of the cashier's collections, unless the collections amount is large. The Orland location does not require a designated supervisor or each of its three clerks count and verify each other's end-of-day collections and beginning cash funds while in their presence at the end of the day because, according to the Court, this location has no onsite supervisor. Instead, fiscal staff verify the Orland collections against the CMS reports when they prepare the deposits the next day. Further, our observation of the Willows location's closeout process also noted that neither the administrative assistant nor the cashier we observed signed and dated the closeout documents as required. According to the Court, the Willows location cashiers are supposed to sign and date the closeout documents and remain present during the closeout verification process, and the administrative assistant is supposed to sign the closeout documentation, but these employees likely forgot that part of the process.

Nonetheless, the FIN Manual requires a designated supervisor to count and verify each cashier's end-of-day collections to their collections recap forms and to the CMS daily closeout reports

while the cashiers are present and before they leave for the day. In addition, both the cashier and the designated supervisor must sign the CMS closeout report to indicate their verification of the collections to the CMS report. As a result, the Court potentially allows a subsequent cash fund shortage to be without clear accountability of who may have caused the shortage or when it may have occurred as it would likely be very difficult to resolve any discrepancy that might arise between the prior day's end-of-day count and verification and the next day's count and verification during the deposit preparation process. Adhering to the daily closeout requirements outlined in the FIN Manual helps protect the integrity of both the Court and all its cash handling employees.

RECOMMENDATION

To better safeguard its funds and ensure clear accountability for cashier shortages and overages, the Court should consistently require cashiers to remain present during the counting and verification of their collections, and for the cashiers and designated supervisors to sign and date the closeout documentation to indicate verification that the collections balance with the case management system.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that cashiers are required to wait while the daily cash is counted and verified. We have recently moved the secondary review to another employee who is more available at the end of the day. As indicated in our response to Finding Reference 2018-7-01, the Court does currently have staff balance their daily cash to the CMS recap report and they bring it to a secondary person for verification. The daily recap does have a tape attached with the cashier's signature and the secondary reviewer does confirm the balanced report. However, the secondary reviewer was not initialing the recap report to indicate that they had reviewed it. Beginning immediately, the secondary reviewer will initial the recap report before putting the daily collections in the safe.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: December 27, 2018

Responsible Person(s): All staff; Emma Rubio, Business Systems Analyst; Karen Dura, Administrative Assistant

FINDING REFERENCE: 2018-8-01

BANK DEPOSITS – DEPOSIT VERIFICATION

CRITERIA

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

3. Deposits consisting of coin and paper currency in excess of \$100 will be prepared as follows:
 - b. The coin and paper currency portion of any bank deposit must be counted by one person, and verified and initialed by a second person (preferably a supervisor or lead) prior to tendering the deposit to an armored car service, a court employee for deposit to a bank night deposit drop safe, or a bank teller within the lobby of the bank.

- c. Paper currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two court employees who will sign a court copy of the deposit slip indicating they have verified the coin and paper currency amount contained in the deposit bag.

CONDITION

The Court does not require one person to count and a second person to verify and initial its bank deposits. Instead, a single clerk verifies and prepares the deposit with no secondary verification process. According to the Court, it follows this practice due to its limited staffing. In addition, although the clerk signs a deposit permit verifying the monies to be deposited with the County treasury, the clerk does not follow a similar practice of signing a court copy of the deposit slip to indicate the clerk verified the monies contained in the local bank deposit bag. As a result, any potential deposit shortage would be without clear accountability of when the shortage may have occurred or who may have been responsible for the discrepancy.

RECOMMENDATION

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should ensure that a lead or supervisor verifies and initials its daily bank deposits after they are prepared by another court employee. If the Court cannot perform this deposit verification process, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure for verifying the daily deposits. Additionally, to assign clear accountability of the deposit, the court should ensure that the clerk signs a copy of the bank deposit slip to indicate the clerk verified the deposit amount contained in the local bank deposit bag.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Court agrees. Beginning immediately a lead or supervisor will verify the deposit to the County Treasury by making a copy of the Deposit Permit to the County of Glenn and signing off a secondary review. The other two accounts have deposit slips, which are carbonized and will be counter initialed in the lower corner by a secondary reviewer.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: December 27, 2018

Responsible Person(s): Julie Casaulong, Finance Manager and court staff

FINDING REFERENCE: 2018-9-01

OTHER INTERNAL CONTROLS – SEPARATION OF DUTIES

CRITERIA

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

6. Appropriate Segregation of Duties
 - a. An organization plan should be established that provides for an appropriate segregation of duties; this will help safeguard trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction.

- b. Work must be assigned to court employees in such fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties.

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:
 - 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.

CONDITION

At the Willows and Orland payment collection locations, the Court allows the individuals who open the mail to also enter payments received through the mail in the CMS. In addition, the Willows location allows the cashiers who enter mail payments into the CMS to also collect payments from customers at counter windows. According to the Court, low staffing levels cause the duplicate duties and it was unaware of that it should separate these duties. However, to appropriately separate potentially conflicting duties, the FIN Manual suggests that persons opening the mail should not also enter mail payments in the CMS. Also, when courts allow cashiers to concurrently process and enter mail payments while at the counter accepting payments from the public, they are vulnerable to the possibility that staff may steal a cash payment and substitute it with a mail payment. As a result, the Court is at increased risk for "skimming" or "lapping" fraud, especially since it also does not maintain a record, such as a mail payments log, of the payments received in the mail. The Operations Manager indicated the Court was open to arranging for a different employee to open the mail.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should ensure that the same employees do not both process payments received by mail and accept over-the-counter payment transactions. Further, the Court should ensure that the same employees do not both open mail and enter mail payments into the CMS. Alternatively, the Court could choose to maintain and use a mail payments receipt log to reconcile and verify that staff completely entered all the logged mail payments into its CMS.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Court agrees. It is true that with only 20 employees to cover all functions of a Superior Court, it is challenging to segregate all the various duties as there are just not enough staff to do so. The Court will however designate all the mail opening to one employee, who does not enter payments into the case management system. However, in that employee's absence other employees who may enter in the CMS will have to open and process the mail. Additionally, the Court cannot segregate applying mail payments and window payments by employees due to the small number of staff. The Court is however re-instituting the mail log, and this should help ameliorate any theft of payments and verify that all payments have been entered. Mail does

continue to go to all three locations, so it will take some time to change the process to have mail go to only one location. In the meantime, the Court will consolidate the mail opening as much as possible until such time that this occurs.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: April 1, 2019

Responsible Person(s): Julie Casaulong, Finance Manager; Zuheit Hernandez, Operations Manager; Karen Dura, Administrative Assistant

FINDING REFERENCE: 2018-9-02

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:
 - a. The combination will be distributed to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
 - b. The combination should be memorized by trial court employees and should not be kept in legible form. If necessary to maintain the combination in legible form, it should not be kept in any written or electronic document that identifies it as the combination to the safe and should be maintained in a secure location not visible or accessible to anyone else. Only the court executive officer or the court executive officer's designee is approved to maintain the combination to the safe in legible form that identifies it as such.
 - 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 the safes at its three payment collection locations were last changed or the names of individuals knowing the present combinations. In addition, the court does not change the safe combination when it becomes known to an excessive number of trial court employees, any trial court employee having knowledge of the combination leaves employment with the trial

court, any trial court employee no longer requires the combination in the performance of his or her duties, or on a periodic basis defined by the trial court. This occurs because the Court does not have local policies and procedures requiring management to track and monitor the safe combinations. In addition, management was not aware that it needed to maintain such records 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 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.

We also found that the Court does not take precautions to safeguard the contents of its safe at one of its three payment collection locations. Specifically, we observed the Orland location keeps the safe combination written on a piece of paper that is kept on a desk next to the safe. In addition, although the location keeps the safe in a locked room in which the clerks work, the clerks keep the safe unlocked throughout the day. According to the Orland location clerks, they believe it is easier to keep the safe unlocked throughout their workday. However, anyone entering this room, such as the clerks, custodian, or others can easily gain access to the contents of the unlocked safe. As a result, the Court is at increased risk for potentially losing cash and other valuables secured in the Orland location safe.

RECOMMENDATION

To ensure it properly safeguards the contents of its safes, the Court should require staff to change the combinations to each safe as suggested in the FIN Manual; for example, when the combination becomes known to an excessive number of court employees. The Court should also take steps to better restrict access to its safes at its Orland payment location. Finally, the Court should continuously maintain an accurate up-to-date record of the names of the individuals knowing the current combination to its safes.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The Court will immediately create a list identifying who has access to all three safes at all three locations, which will be held by the CEO and Administrative Assistant. The Court will also require that the Orland Court keep the safe locked during the day and keep the combination in a secured area that is not visible or accessible by others. The Court will also inquire with local locksmiths and/or safe companies to determine how to have the combinations changed. The safe located in the Willows Courthouse is quite old and we are unsure if it can be changed. However, the Court is vacating this building for a remodel project and the safe will be removed and replaced with a smaller safe, likely in early fiscal year 2019/20.

Response provided on 12/28/18 by: Cindia Martinez, CEO

Date of Corrective Action: Partial corrective action January 1, 2019; changing of the safe combinations, TBD.

Responsible Person(s): Karen, Dura, Administrative Assistant; Zuheit Hernandez, Court Operations Manager; Julie Casaulong, Finance Manager

PROCUREMENT AND CONTRACTS

The Court Should Adopt a Local Contracting Manual and a More Formal Purchase Requisition Process

Background

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

The Court demonstrated compliance in many of the procurement areas we evaluated during our audit, including demonstrating sound management practices in the areas of authorization and authority levels, in soliciting competitive and non-competitive procurements, and in entering into leveraged purchase agreements.

Nevertheless, we identified two audit findings that we believe require the Court's corrective action. The findings pertained to the following specific areas of procurement:

Finding Reference	Subject
2018-10-01	Procurement – Procurement Initiation
2018-16-01	Procurement – Local Contracting Manual

FINDING REFERENCE: 2018-10-01
PROCUREMENT – PROCUREMENT INITIATION

CRITERIA**JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 2, 2.1 FORMULATING THE PROCUREMENT APPROACH, C:**

The Buyer's first step in the planning and scheduling of a procurement effort is the initial review of a purchase request. Reviewing the request in terms of the following information will assist the Buyer in determining any impact to the procurement planning and scheduling activities.

1. Internal review and approvals: Consider the following:

- Have the proper approval signatures been obtained to conduct the procurement in conformance with the Judicial Branch Entity's Local Contracting Manual?
- Is the request in compliance with applicable equipment standards?
- Is there documentation in sufficient detail to support and justify conducting the procurement?

FIN MANUAL, FIN 6.01, 6.1 STANDARD PROCUREMENT PROCESS:

1. The procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee who has been given the responsibility for approving the requisition. This is a separate and distinct process from approving the purchase order or executing the contract. Requisition approval authority may be delegated by organizational structure (e.g., manager of a unit) or by the type of goods or services requested (e.g., equipment or services under \$5,000). The individual who approves the requisition is responsible for assessing the need for the requested good or services and assuring that funds are available in the court's budget and that appropriate account codes are provided for the proposed purchase. See Section 6.3, Purchase Requisition Preparation and Approval for suggested requisition approval.

FIN MANUAL, FIN 6.01, 6.3 PURCHASE REQUISITION PREPARATION AND APPROVAL:

1. A written or electronic purchase requisition is used to initiate all procurement actions. The requestor identifies the correct account code(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the trial court employee responsible for approving the requisition. After performing an assessment of the need verifying that the correct account code(s) are specified, and assuring that funding is available, the *requisition* is forwarded to the trial court's buyer.

FIN MANUAL, FIN 6.01, 6.10 ADMINISTRATION AND DOCUMENTATION:

2. A properly documented procurement file for purchase orders and/or contracts provides an audit trail from the initiation of the requirement to the delivery of goods. The file provides a complete basis for informed decisions at each step of the acquisition process. A well-documented file also supports the actions taken, provides information for later review and facts in the event of litigation or an investigation. Depending on the nature and value of the procurement, procurement files must contain:
 - a. Approved purchase requisition.

CONDITION

For all 25 procurement transactions reviewed, the Court did not have a purchase requisition form on file to demonstrate that authorized court management approved the initiation of the procurement process. According to the Court, it does not use a purchase requisition form to document its purchase requests and associated authorizations before commencing the procurement process. Instead, for larger purchases, court management discuss and verbally approve proposed purchases before initiating the procurement process. For small purchases, such as supplies, the Court maintains an electronic spreadsheet into which staff input their purchase requests, the proposed vendors, and the estimated costs. The CEO then reviews the requests in the spreadsheet and signifies approval of the requests by typing her initials in the electronic spreadsheet. However, because all court staff have access to the electronic spreadsheet, the Court leaves itself vulnerable to staff entering the CEO's initials on the spreadsheet to inappropriately approve a purchase request. In addition, without a purchase requisition to document its decisions and verbal approvals to proceed with its large purchases, the Court cannot demonstrate the specifics of the goods or services it intended to procure and how much of its budget it approved for its large procurement decisions. According to the Court, it was unaware that use of a purchase requisition form was required. However, without an approved purchase requisition on file to demonstrate authorized court management reviewed and approved the purchase, the Court is at risk of initiating purchases before fully assessing the business need and available funding for the items.

RECOMMENDATION

To ensure it can demonstrate that its purchases are appropriately justified, funded, and approved, the Court should take steps to ensure it obtains and documents in its procurement files the approval of purchase requisitions prior to the start of the purchasing activity, regardless of whether the activity is for a competitive or non-competitive procurement.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that it has not used a formal written or electronic purchase requisition, although informally, through emails or meetings, has approved purchases and does evaluate against the budget before making such purchases. The Court does agree that formalizing this process on a standard form will improve the process and efficiencies and that the currently used spreadsheet process for supplies, while functional, was not the best process. The Court developed a written procurement form, which will be used for purchases (non-routine supplies), and which will require the manager of the employee requesting to approve first before submitting to the CEO for ultimate approval to purchase. General office supplies will be requested by the Administrative Assistant on the new written procurement form and submitted to the CEO for approval. This replaces the current excel spreadsheet. The procurement forms will be retained, matched to the packing lists, and submitted to Accounting for payment.

Response provided on 1/9/19 by: Cindia Martinez, CEO

Date of Corrective Action: January 9, 2019

Responsible Person(s): Karen Dura, Administrative Assistant; Julie Leach, Finance Manager; Zuheit Hernandez, Court Operations Manager; Cindia Martinez, CEO

FINDING REFERENCE: 2018-16-01
PROCUREMENT – LOCAL CONTRACTING MANUAL

CRITERIA

PUBLIC CONTRACT CODE 19206:

The Judicial Council shall adopt and publish no later than January 1, 2012, a Judicial Branch Contracting Manual incorporating procurement and contracting policies and procedures that must be followed by all judicial branch entities subject to this part. The policies and procedures shall include a requirement that each judicial branch entity shall adopt a local contracting manual for procurement and contracting for goods or services by that judicial branch entity. The policies and procedures in the manuals shall be consistent with this code and substantially similar to the provisions contained in the State Administrative Manual and the State Contracting Manual.

JUDICIAL BRANCH CONTRACTING MANUAL, INTRODUCTION, 4. LOCAL CONTRACTING MANUAL:

PCC 19206 requires the Judicial Council to include in this Manual a requirement that each JBE shall adopt a Local Contracting Manual for procurement and contracting for goods and services by that JBE. The content of each Local Contracting Manual must be “consistent with” the PCC and “substantially similar” to the provisions contained in the SAM and the SCM.

- Each JBE must adopt a manual consistent with the requirements of PCC 19206.
- Each JBE must identify individual(s) with responsibility and authority for procurement and contracting activities as required by this Manual.
- Each JBE may include in its Local Contracting Manual policies and procedures governing its procurement and contracting activities, and those policies and procedures must not be inconsistent with this Manual or with applicable law.

CONDITION

The Court has not adopted a Local Contracting Manual, as required by state law and the Judicial Branch Contracting Manual (JBCM). According to the Court, it was unaware of this requirement. Therefore, the Court has not officially documented various internal control procedures related to delegations of authority, the use of purchase cards, or other required tasks, such as providing notice to certain state agencies when entering into certain large contracts. As a result, the Court is at increased risk of not procuring and reporting the goods and services it procures as required by law or the JBCM.

RECOMMENDATION

To ensure its procurement practices are documented and in compliance with the JBCM requirements, the Court should take steps to develop and adopt a Local Contracting Manual that is consistent with the JBCM and applicable state laws for its procurement and contracting activities.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that it has not adopted a local contracting manual, although it has documented certain internal control procedures related to the delegations of authority, such as authority levels. The Court also uses the services of LA procurement, which handles all the court’s large

purchases that must be put out to bid and follows the JBCM processes. The Court will work on and adopt a local contracting manual to provide a central depository for all the various internal control procedures.

Response provided on 1/9/19 by: Cindia Martinez, CEO

Date of Corrective Action: June 30, 2019, or sooner if resources are available sooner to complete.

Responsible Person(s): Julie Leach, Finance Manager; Moneek Graves, Fiscal Technician; Karen Dura, Administrative Assistant; Cindia Martinez, CEO

PAYMENT PROCESSING

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

Background

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

The Court demonstrated material compliance in many of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of its allowable costs and other internal controls.

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

Finding Reference	Subject
2018-17-01	Payment Processing – Three-Point Match
2018-19-01	Special Rules – In-Court Service Providers

FINDING REFERENCE: 2018-17-01

PAYMENT PROCESSING – THREE-POINT MATCH

CRITERIA

FIN MANUAL, FIN 8.01, 6.3.2 DOCUMENT MATCHING:

1. At the scheduled time and depending on the court's invoice payment cycle, an accounts payable employee will match the vendor invoices to all appropriate supporting documentation. The court will adopt the "three-point match" procedure to process vendor invoices.
2. A three-point match procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods or services. For example:
 - a. All details of the invoice, including a description of the goods and services ordered, quantities involved, unit prices billed, and other applicable charges, must be matched

- to the details and terms and conditions of the court's purchase agreements or contracts.
- b. All invoice details, including a description of the goods or services ordered and quantities invoiced must be matched to the details of packing slips, shipping orders, receiving reports, or other forms of acknowledgement of delivery of products or completion of work by an authorized court employee.

CONDITION

For most of the 40 payment transactions reviewed, the Court could not demonstrate that it completed the entire three-point-match verification process when paying invoices and claims. Specifically, accounts payable staff could not demonstrate how they matched and agreed the invoices or claims to the terms in an applicable contract or equivalent purchase order for 28 of the payment transactions reviewed. In addition, for 35 payments, they could not demonstrate how they matched and agreed the invoices or claims to proof that the Court received and accepted the goods or services. Accounts payable staff stated that they stapled the documents used in the three-point match to a "Claim for Payment" sheet that is forwarded to the CEO for payment approval. However, the "Claim for Payment" sheets the Court provided for our review lacked the documents needed to complete a three-point-match review, and it could not always locate the missing documents. According to the Court, it may have removed the documents from the payment package when approving the payment or entering the payment into the accounting system. Nonetheless, when courts do not require their accounts payable staff to retain the documents that support their three-point-match verification process, they cannot ensure staff thoroughly verified and appropriately paid invoices and claims.

In addition, for the five court reporter payment transactions reviewed, the Court did not perform a complete review of the claims before approving them for payment. For example, the court staff person responsible for reviewing and approving court reporter claims does not verify that the Court received the number of pages and folios (100 words) per page that is used to calculate the cost of each transcript. Instead, this court staff simply verifies that the number of transcripts billed agrees with the number of transcripts requested before initialing and approving the claim for payment. However, the FIN Manual requires courts to verify quantities, rates, and calculations, as well as verifying they received acceptable goods or services, before approving invoices or claims for payment. According to the Court, it was unaware of this requirement. When the Court does not require its staff to verify that it received the goods or services for which it is being billed, it risks paying for unnecessary items or costs.

RECOMMENDATION

To ensure that it can demonstrate it pays the proper amounts for the goods and services it receives, the Court should take steps to strengthen its process for approving vendor payments. For instance, the Court should ensure that its accounts payable staff file and retain the purchase agreements and receiving reports they used to perform the three-point match and verify the vendor invoices prior to payment approval and processing.

To ensure that it pays only for the goods or services it receives, and to minimize the risk of paying for unnecessary items or costs, the Court should ensure that staff verify the items and

recalculate the costs claimed on court reporter claims. For example, court staff should verify that the Court received the number of pages and folios used to calculate the cost of each transcript prior to approving the court reporter claims for payment.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that it can improve on its processes, but does acknowledge that packing slips are retained and attached to invoices and invoices are reviewed for proper charging, both by the Fiscal Technician and again by the CEO upon approving the invoices for payment. The three-point match process will further be improved by our formalized procurement request form, which will assist in verifying the costs. Court staff will also be advised to further evaluate the claims for the court reporter transcripts to verify the number of pages and folios, against the transcript rates.

Response provided on 1/9/19 by: Cindia Martinez, CEO

Date of Corrective Action: January 9, 2019

Responsible Person(s): Moneek Graves, Fiscal Technician; Julie Leach, Finance Manager; staff assigned to court reporter coordination and transcript receipt; Zuheit Hernandez, Court Operations Manager

FINDING REFERENCE: 2018-19-01

SPECIAL RULES – IN-COURT SERVICE PROVIDERS

CRITERIA

FIN MANUAL, FIN 8.02, 6.3 COMPLETE CLAIM DOCUMENTATION:

1. The documentation required to pay a claim consists of a court-approved claim form that includes at least the following information:
 - c. The signature of the person making the claim or the person authorized to sign for the business making the claim.

CONDITION

For three of the eight in-court services claims reviewed, the Court processed and paid claims totaling \$3,348 for which the claimants did not sign the claims as required by the FIN Manual. Specifically, the Court's dependency counsel submitted a claim that included the counsel's name, address, and an itemized list detailing how much time was spent working on specific cases. In addition, two contract court reporters submitted claims listing the reporters' names and addresses, case numbers and names, number of transcript pages and folios, and total compensation claimed. However, although the FIN Manual requires in-court service providers to sign their claims for payment, the Court did not require the dependency counsel nor the court reporters to sign their claims. According to the Court, it processed and paid the claims without a signature because it was unaware of this FIN Manual requirement. As a result, when courts do not require claimants to sign certifying the authenticity and accuracy of their claims, courts risk paying invalid or inappropriate claims that the claimants may later assert was not theirs or was unintended.

RECOMMENDATION

To ensure the Court protects its interests against invalid or inappropriate claims, the Court should ensure that all claims for payment include a signature. If the Court receives a claim for payment that does not include the claimant's signature, it should notify and inform the claimant that their signature is required on the claim and that the Court is unable to process the payment request until it receives a signed claim.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that it has not always had the in-court service providers sign their individual invoices, however in the case of the dependency counsel, the court does have signed contracts outlining the monthly services and charges and we believe that does not require the vendor to sign each invoice, since it is matched against the monthly fixed price in the contract. The court will require the reporters to sign their claims for reporter services, and believes this was already occurring, but was not aware that invoices for transcripts required the reporters' signature as well, so will institute that as well.

Response provided on 1/9/19 by: Cindia Martinez, CEO

Date of Corrective Action: January 31, 2019

Responsible Person(s): Zuheit Hernandez, Court Operations Manager; Julie Leach, Finance Manager

FINE AND FEE DISTRIBUTIONS

The Court Expects to Correct Its Fine and Fee Calculation and Distribution Findings as It Transitions to a New Case Management System

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.

During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) had recently completed a revenue audit of the Court's fine and fee distributions. The Court also informed us that it is in the process of implementing a new CMS and that it will ensure it has adequately corrected any fine and fee calculation or distribution errors as it implements its new CMS. Therefore, we did not review its current CMS fine and fee calculations and distributions.

ONE PERCENT FUND BALANCE CAP

The Court Should Ensure It Includes Only Valid Encumbrances in Its One Percent 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.

We identified one audit finding in the one percent fund balance cap area that we believe requires the Court’s corrective action. This finding pertained to the following specific area of the one percent fund balance cap calculation:

Finding Reference	Subject
2018-27-01	Calculation of the One Percent Cap - Encumbrances

FINDING REFERENCE: 2018-27-01

CALCULATION OF THE ONE PERCENT CAP – ENCUMBRANCES

CRITERIA

“TRIAL COURT BUDGET: ENCUMBRANCES” POLICY MEMO (JCC 6/27/2014 BUSINESS MEETING; AGENDA ITEM H):

4. To encumber current fiscal year money, courts have to have a valid contract or agreement by June 30 of the current year. Contracts may be encumbered as of the execution date, as long as the contract does not state or imply a delay in delivery to the next fiscal year.
5. Courts have the current fiscal year plus two subsequent fiscal years to liquidate the encumbrance.

“TRIAL COURT ALLOCATIONS: TRIAL COURT RESERVES HELD IN THE TRIAL COURT TRUST FUND” POLICY MEMO (JCC 4/15/2016 BUSINESS MEETING; AGENDA ITEM 16-055):

[Excerpt] Effective June 30, 2014, Government Code section 77203 authorizes trial courts to carry over unexpended funds in an amount not to exceed 1 percent of the court’s operating expenses from the prior fiscal year. The section also exempts certain funds from the calculation of the 1 percent authorized to be carried over from the prior fiscal year. Section 68502.5(c)(2)(A) directed the Judicial Council, in setting allocations for the fiscal year, to reduce a trial court’s allocation in the amount that its prior fiscal year ending fund balance exceeded 1 percent of its prior fiscal year operating expenses. Courts are also allowed to exclude encumbered funds from the cap.

CONDITION

At the end of fiscal year 2016-17, the Court reported year-end encumbrances that exceeded its actual financial commitments. Courts self-report their annual expenditures and year-end expenditure accrual amounts on the 1% Fund Balance Cap Calculation Form, including their year-end encumbrances. If a court overstates year-end encumbrance information on the form, it may potentially inflate how much fund balance it may carry over from one year to the next.

Specifically, the Court reported fiscal year 2016-17 year-end encumbrances totaling \$143,092, which included a \$24,499 encumbrance for services related to IT support. However, because the Court received and paid for these IT support services prior to the end of the fiscal year, the financial commitment underlying this \$24,499 encumbrance no longer existed, thus eliminating the need for it to encumber and reserve fund balance for these costs at fiscal year-end. According to the Fiscal Manager, the Court reported this encumbrance amount at year-end in error. As a result, the Court understated its fund balance subject to the cap by \$24,499 when it subtracted this encumbrance error from its available fund balance in order to calculate its year end fund balance subject to the cap. Based on the Court’s calculations—and after adjusting for the \$24,499 encumbrance error—the Court exceeded its 1 percent fund balance cap by nearly \$24,000.

RECOMMENDATION

To ensure the Court does not continue to improperly reserve its current year budget allocation by encumbering expended funds at year-end—and thus prevent the Judicial Council from reallocating these funds among the State’s 58 superior courts in future budget years—the Court should provide training to its budget and accounting staff to ensure its encumbrance practices are consistent with the Judicial Council’s encumbrance and one percent fund balance policies.

In addition, the Court should refer this audit finding to the Judicial Council’s Branch Accounting and Procurement Office and Budget Services so that they can determine how best to work with the Court and the Judicial Council to possibly adjust the Court’s budget allocation or take other appropriate measures.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court disagrees with this audit finding. While the invoice in question for IT services for the fourth quarter of FY 2016-17 was paid in FY 2016-17 and not applied against the original PO due to problems with the way the invoice was coded, the amount encumbered at year end would have remained the same since the Court could have encumbered its remaining fund balance to cover additional charges expected for FY 2017-18. The Court has an agreement to pay \$24,500 per quarter for IT support services, and contracts for this service in three-year cycles. The Court has historically only encumbered the amount needed to bring the fund balance below the 1% cap. Therefore, the Court did not encumber at year end the full amount of the obligation remaining on the contract. Had the FY 2016-17 invoice in question for the fourth quarter been paid and liquidated against the PO, the Court would still have had a need to encumber the \$147,000 remaining on the contract, which will be liquidated this fiscal year. The Court will continue to work with JCC Procurement and Finance staff to help the Court address and resolve the PO amounts and future encumbrances.

Response provided on 1/15/19 by: Cindia Martinez, Interim CEO

Date of Corrective Action: As needed

Responsible Person(s): Cindia Martinez, Interim CEO; Julie Casaulong, Finance Manager

AUDIT SERVICES' COMMENTS ON COURT'S VIEW

To provide clarity and perspective, we are commenting on the Court's response. Although the Court asserts it could have encumbered other amounts at the end of fiscal year 2016-17, we did not review these other amounts because our audit reviewed only the encumbrances the Court reported to support the amounts used in its FY 2016-17 1% Fund Balance Cap Calculation Form.

JBSIS CASE FILING DATA

The Court Should Ensure It Reports Accurate Case Filing 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 some of the JBSIS case filings data it submitted to Office of Court Research. Nevertheless, our review identified two JBSIS-related audit findings that we believe require the Court's continuous monitoring. These findings pertained to the following specific areas of the JBSIS case filings data:

Finding Reference	Subject
2018-29-01	Validity of JBSIS Data – Case Filings Counts
2018-29-02	Validity of JBSIS Data – Data Quality

FINDING REFERENCE: 2018-29-01

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

Case filings data is a significant input in the Workload Allocation Funding Methodology (WAFM), and thus can negatively affect annual budget allocations of both the Court and/or other superior courts if significant numbers of cases are reported incorrectly. Having a process to verify and correct case counts that have been reported to JBSIS is necessary in order to provide the judicial branch, and other interested stakeholders, with confidence in the overall accuracy of a court's case filings data.

Although the Court reported to JBSIS a materially accurate total count of 7,855 new case filings in fiscal year 2016-17, this count did not always agree to the number of filings supported by its monthly case filings reports. For each month of the fiscal year, the Court reported each new case filing as a count in one of 34 possible case categories (such as "civil limited" or "felony"). Audit Services reviewed the underlying court records supporting the case counts the Court reported to JBSIS for fiscal year 2016-17 and found that it reported case count data that generally matched its supporting case count records. Specifically, Court reporting to JBSIS of its new case filing counts in fiscal year 2016-17 provided 408 individual monthly counts of new case filings by category (34 categories per month x 12 months). Our review noted count differences in 70 of the 408 individual monthly counts (or approximately 17 percent of the time). The differences varied across each of the 70 monthly counts, with its underlying monthly case filing count records supporting the counts it reported to JBSIS at times being higher or lower than the corresponding count totals in JBSIS. The sum of all over and under-counted case filings in absolute terms and without regard to case weights was 237 cases, or approximately three percent of the 7,855 new case filing counts the Court reported. According to the Fiscal Manager, the Court is unsure why the counts do not agree as the former Operations Manager was responsible for reporting the JBSIS data.

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 it is doing all it reasonably can to report accurate and complete JBSIS data, the Court should do the following:

- Seek guidance from the Judicial Council on acceptable error rates when reporting JBSIS case counts, so that it can determine when its reports are sufficiently flawed and require an amended report.
- Generate and retain from its CMS systems, or require staff to compile and retain, detailed listings of the case numbers that support its case filing counts that are both contemporaneous and consistent with its monthly JBSIS reporting.
- Periodically review listings of case numbers for its reported case filings, such as monthly or quarterly, to identify individual cases that may not have been included, or that may

have been double-counted in the same reporting period or across previous reporting periods or that may have changed case-types.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court is pleased with a 3% overall error rate, given the challenges with an old case management system and timing of entry into the system. As the audit indicates, the JCC has not yet determined an acceptable standard, but once it does, the Court will be sure to comply as the case management system allows. The Court does agree to begin assuring that all the backup reports are kept with the filed JBSIS reports. Since the Court cannot guarantee that all case filings will be entered before the month ends, it will do an annual shore-up to make sure that the fiscal year annual numbers are balanced and amend any JBSIS reports if there are discrepancies. The Court also discovered that while the Court was submitting felonies through the portal, apparently, we were supposed to summarize all felonies on one report (7A), instead of submitting them on two reports (7A and 7B), so while the Court submitted numbers every month, they were not entered into our total stats, actually understating our filings. We are working with the JCC staff to amend our reports going back, and will consolidate the numbers going forward and report the felony totals on report 7A.

Response provided on 1/15/19 by: Cindia Martinez, Interim CEO

Date of Corrective Action: Today, and on-going.

Responsible Person(s): Julie Casaulong, Finance Manager

FINDING REFERENCE: 2018-29-02

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. 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.

JBSIS [MANUAL], VERSION 2.3, [CHAPTER 6. FAMILY LAW (REPORT 6a)], FAMILY LAW 06a—DATA ELEMENT DEFINITIONS:

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

OTHER FAMILY LAW, Other family law petitions and complaints not specified in columns 10–120, including but not limited to:

- Statement for Registration of California Support Order (form FL-440) filed by a private party (Fam. Code, § 5602). [Case in second bullet]
- Petition for Protective Orders (Elder or Dependent Adult Abuse) (form EA-100). [Case in first bullet]

CONDITION

Our review of selected case file records associated with its fiscal year 2016-17 JBSIS case filings data found that the Court reported some of the 60 cases reviewed in a manner inconsistent with the JBSIS Manual data element definitions for the case types. Specifically, the cases were valid cases, but were not classified or reported in their correct corresponding case types as follows:

- The Court classified three of the 10 "Civil Unlimited—Other Civil" cases reviewed under this classification even though their respective case file records indicate that these were elder abuse cases and did not have any of the documents needed to classify the cases under the "Civil Unlimited—Other Civil" classification. Instead, according to the JBSIS Manual, the Court should have classified these three elder abuse cases as "Family Law—Other Family Law" cases because they were initiated through the filing of Request for Elder or Dependent Adult Abuse Retraining Orders forms (form EA-100). According to the Fiscal Manager, the reason why this misclassification occurred is unknown, but would nonetheless monitor and review future JBSIS filings for this error.
- In addition, the Court misclassified one of the 10 "Family Law—Child Support" cases reviewed. Based on the filing document in the case file—a Statement for Registration of California Support Order (form FL-440) filed by a private party—the Court should have instead classified the case as a "Family Law—Other Family Law" case. According to the Fiscal Manager, this situation is rare and would be very difficult to detect when reporting JBSIS filings data because whether a support order is filed by the Department of Child Support Services or a private party is not evident in the case detail report the Court uses to count and report to JBSIS these case filings.

When courts do not classify and report case filings in the correct case type, not only may the Judicial Council report flawed JBSIS case filings data to internal and external stakeholders, it may also use filings data that can negatively affect annual budget allocations of both the Court and/or other superior courts.

RECOMMENDATION

To ensure it reports JBSIS case filings data to the Judicial Council that are accurate and consistent with the rules and definitions 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 "Other Family Law" case types.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees that the two cases examples cited were incorrectly mapped to the proper JBSIS case types. The Court will work with our staff and vendor to assure that it can be correctly recorded. As the Court moves to a new case management system, tracking and correcting such errors will be easier than in the current old legacy case management system.

Response provided on 1/15/19 by: Cindia Martinez, Interim CEO

Date of Corrective Action: June 30, 2019

Responsible Person(s): Zuheit Hernandez, Court Operations Manager; Emma Rubio, Business Systems Analyst

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.
