



**Audit of the
Superior Court of California,
County of Lassen**

FEBRUARY 2020



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Lassen

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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 Lassen (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 Lassen

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	2019-1-01	Agrees
2	Voided Transactions	Yes	✓		
3	Manual Receipts	Yes	1	2019-3-01	Agrees
4	Mail Payments	Yes	1	2019-4-01	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2019-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	2	2019-7-01; 02	Agrees
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	✓		
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2019-10-01	Agrees
11	Authorization & Authority Levels	Yes	1	2019-11-01	Agrees
12	Competitive Procurements	Yes	1	2019-12-01	Partially agrees
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	✓		
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distribution					
25	CMS-Calculated Distributions	Yes	✓		
26	Manually-Calculated Distributions	N/A	-		
1% Fund Balance Cap					
27	Calculation of the 1% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	Yes	✓		
JBSIS Case Filing Data					
29	Validity of JBSIS Data	Yes	1	2019-29-01	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 payment processing and reporting on limits to its fund balance (1% fund balance cap). For example, our review of the Court's payment processing practices found that its payment processing practices ensure the Court pays for only allowable costs. In addition, our review found that its 1% fund balance cap calculation and reporting process was sound.

However, our audit did identify 10 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 10 findings are identified in Table 1 under the column "Reportable Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective.

One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over the use of manual receipts. Specifically, we found that the Court stored its manual receipt book on top of a filing cabinet near the clerk's windows and that all Court staff had daily uncontrolled access to the manual receipt book. According to the Court, it wanted cashiers to have easy access to the manual receipt book in case its CMS went down and staff with access to the safe were not in the office. However, the FIN Manual requires the payment location supervisor to store and secure receipt books in a locked cabinet or safe when not in use, and to maintain control and oversight of the manual receipt books. When the Court does not properly secure and safeguard its unused manual receipts, it is at increased risk of manual receipts being used inappropriately. The Court indicated it agreed with our finding and it will maintain its manual receipt book in the operation area's safe.

The Court should also focus on ensuring that its procurement process begins with an approved purchase requisition form. The Court does not always use and document written purchase requisitions to demonstrate that an authorized individual approved the purchase request before commencement of the solicitation or vendor selection. When the Court does not have a practice of using written purchase requisitions to document its purchase requests and authorizations, it risks staff initiating and making purchases without the oversight of management, potentially resulting in procurements that may be either inappropriate or not in the Court's best interests. The Court indicated that moving forward, it would require documentation indicating manager approval of purchase requests.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on October 1, 2019, and completed fieldwork on October 25, 2019. Audit Services shared the draft audit findings with the Court's officials on December 3, 2019, and received the Court's final official responses on January 9, 2020. The Court generally agreed with the findings and its specific responses for each are included in the body of the report.

BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Lassen (Court) operates one court facility in the county seat of Susanville. 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 Lassen Superior Court and Average of all Superior Courts

Statistic	Lassen 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 2018-19)						
Total Revenue	\$ 3,250,836	\$ 2,535,365	\$ 11,735,803	\$ 45,358,637	\$205,455,132	\$ 46,372,724
Total Expenditures	\$ 2,981,165	\$ 2,418,934	\$ 11,481,612	\$ 44,497,615	\$204,997,848	\$ 45,997,095
Staff Salaries & Benefits	\$ 1,771,217	\$ 1,566,182	\$ 8,436,099	\$ 33,940,458	\$167,723,925	\$ 36,653,237
As a % of Total Expenditures	59.4%	64.7%	73.5%	76.3%	81.8%	79.7%
Judicial Officers and Staff (2018 Court Statistics Report)						
Judges	2	2	8	27	128	29
Commissioners/Referees	-	-	1	4	21	5
Non-Judicial Staff (approx.)	20	16	87	291	1,281	296
Total	22	18	96	322	1,430	330
New Case Filings (Fiscal Year 2017-18)						
Appeal Filings	9	8	81	190	386	132
Civil Filings						
Civil	354	318	2,291	9,805	67,700	13,485
Family Law	380	284	1,777	6,347	26,237	6,132
Juvenile Delinquency	28	36	230	1,052	2,050	632
Juvenile Dependency	52	34	209	574	3,545	757
Mental Health	18	14	153	731	2,947	670
Probate	57	51	284	972	3,646	888
Small Claims	68	72	413	1,963	13,845	2,730
Criminal Filings						
Felonies	424	419	1,634	4,649	32,109	6,672
Misdemeanors / Infractions	5,330	5,214	23,304	80,405	359,763	82,649
Total	6,720	6,450	30,376	106,688	512,228	114,747

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 August 15, 2019, 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. Lassen Superior Court is a cluster 1 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Lassen (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 2018-19, 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	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court’s compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> ▪ 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. 	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 manual 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.
3	Determine whether the Court demonstrated appropriate control over its non-personal services spending activities. Specifically, our review included the following:	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,

	<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>receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • 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 FY 2018-19 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.)</p>
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4	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<p>During the planning phase for the audit, the Court informed us that the State Controller’s Office (SCO) recently completed a revenue audit of the Court’s fine and fee distributions and found three Court-related errors. Therefore, we limited our review to verifying that the Court took appropriate corrective action to resolve the errors noted by the SCO.</p>
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 (FY 2017-2018), 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 requests 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	<p>Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).</p>	<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 (FY 2017-2018), 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 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.

		<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 10, 2020, 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 Dawn Tomita, Audit Supervisor:

Joe Meyer, Senior Auditor (auditor in charge), CPA, CIA
Maria Dooley, Auditor, CPA
Usamah Salem, Auditor, CFE

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Should 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 and bank deposits.

Nevertheless, we identified six 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
2019-1-01	Daily Opening Process – Verification of Beginning Cash
2019-3-01	Manual Receipts – Control
2019-4-01	Mail Payments – Endorsement
2019-6-01	Change Fund – Accountability
2019-7-01	End-of-Day Balancing and Closeout – Blind Closeout
2019-7-02	End-of-Day Balancing and Closeout – Verification

FINDING REFERENCE: 2019-1-01

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 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. Instead, each cashier keeps their cash in a locked cash drawer which is kept in the cashier's locked cabinet drawer overnight. The Court's written policies, which are inconsistent with the FIN Manual requirements, require each clerk to

reconcile their cash drawer at the beginning of each day, and only bring the cash drawer to his or her supervisor for correction if the correct amount is not counted.

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. Instead, only the clerk signs and dates a cash log verifying the beginning cash funds. According to the Court, it follows this practice because the beginning cash is counted the day before when submitted for verification during the closeout process and is secured 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 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

The Court agrees. The Court will have employees count their cash drawer in front of a court designee and sign the verification log every morning.

Response provided on 11/27/2019 by: Brandy Cook, Administrative Manager

Date of Corrective Action: 12/9/2019

Responsible Person(s): Administrative Department to oversee new process.

FINDING REFERENCE: 2019-3-01

MANUAL RECEIPTS – CONTROL

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS:

5. Issuance of manual receipt books by trial court to court facility supervisor:
 - d. Once verified, the supervisor must store and secure the receipt books in a locked cabinet or safe.
6. Issuance of manual receipt book by court facility supervisor or his or her designee to cashiers:
 - a. The supervisor or his or her designee must maintain control and oversight of the manual receipt books. When the cashiering system and/or case management system is not

available to process automated receipts, the supervisor or designee will retrieve and issue books of prenumbered receipts to cashiers. Manual receipt books should only be used when the cashiering system and/or case management system is down.

- b. The supervisor or his or her designee issuing the prenumbered manual receipt books must monitor and maintain an accounting of the receipt books, including:
 - i. The receipt books issued;
 - ii. To whom the receipt book was issued;
 - iii. The date issued;
 - iv. The name of the person returning the book;
 - v. The date the books were returned (should be the end of the same day); and
 - vi. The receipt numbers used within each book.

CONDITION

The Court does not maintain control and oversight of its one manual receipt book currently in use. Specifically, the Court's manual receipt book is stored on top of a filing cabinet near the clerks' windows, and all Court staff, including cashiers, have daily uncontrolled access to the manual receipt book. In addition, although the Court uses manual receipts only when the CMS is unavailable for generating receipts, it does not maintain an accounting for the use of its one manual receipt book. For instance, the Court does not maintain an accounting of the manual receipt book usage, such as on a log that includes information of when and to whom the receipt book was issued, when and who returned the book, and the receipt numbers used. According to the Court, it wants cashiers to have easy access to the manual receipt book in case its CMS goes down and staff with access to the safe are not in the office. Nevertheless, the FIN Manual requires the payment location supervisor to maintain control and oversight of the manual receipt books, including retrieving and issuing books to cashiers only when the CMS is unavailable for payment processing, and retrieving the books at the end of the same day. Not maintaining control and oversight of its manual receipts as the FIN Manual requires places the Court at increased risk that staff may use manual receipts inappropriately and possibly without clear accountability of who used the manual receipts.

RECOMMENDATION

The Court should require its payment collection location supervisors to consistently maintain constant control and oversight of its manual receipt books. Supervisors can accomplish this by securing manual receipt books in a safe or locked cabinet when they are not in use, and retrieving and issuing the receipt books to cashiers when the system is unavailable and are needed to issue case payment receipts to paying customers. When a supervisor retrieves the manual receipt book and issues it to cashiers, the supervisor should use a log to track to whom the receipt book was issued, when the receipt book was issued, who returned the receipt book, the date returned (should be the same day issued), and what receipt numbers were used.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding regarding manual receipts. The Court will maintain the receipt book in the operation's area safe and will have a log when the receipt books are used. The log will consist of who the receipt book was issued to, the date, the receipt numbers that was used,

and when the receipt books were returned to the supervisor, to secure in the court area operations safe.

Response provided on 11/26/2019 by: Brandy Cook, Administrative Manager

Date of Corrective Action: 12/16/2019

Responsible Person(s): Brandy Cook, Administrative Manager - making receipt log; Marian Tweddell-Wirthlin securing receipt book in the operational area safe.

FINDING REFERENCE: 2019-4-01

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 immediately restrictively endorse checks and money orders received either over the counter or through the mail. Instead, the clerk who opens the mail gives any mail payments to the Administrative Services Manager, who then endorses mail checks and money orders once the payments have been given to her for processing. The Court follows this practice because it believes that it is more efficient to have the Administrative Services Manager endorse the checks as soon as she receives them for processing. In addition, cashiers do not immediately restrictively endorse over-the-counter payments because they do not know which account payments should be deposited into, so they do not restrictively endorse the checks because the Court's endorsement stamps include account information. Nonetheless, endorsing checks and money orders "for deposit only" immediately upon receipt protects courts' interests by limiting the potential for further negotiation. When courts do not immediately restrictively endorse checks or money orders, they risk that unendorsed checks and money orders may be lost or stolen and cashed or deposited in a non-court bank account.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should take steps, such as periodic staff training, to ensure that all staff consistently restrictively endorse all checks, money orders, and other negotiable instruments immediate upon receipt.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees to endorsing checks that come through the mail and over-the-counter payments. The Court will purchase a hand full of stamps "for deposit only" that will be accessible to anyone opening the mail or taking over-the-counter payments. When the checks are ready for deposit then the Court will also stamp them with the correct account they should be deposited into.

Response provided on 11/26/2019 by: Brandy Cook, Administrative Manager

Date of Corrective Action: 12/9/2019

Responsible Person(s): Adam Gaynor, Fiscal Specialist, will be ordering the “deposit only” stamps from Staples

FINDING REFERENCE: 2019-6-01

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

CONDITION

Although the Court maintains a \$500 change fund, it does not require the custodian responsible for the fund to count and verify the change fund at the end of each day while in the presence of a manager or supervisor. Instead, the custodian counts and verifies the change fund alone at his desk only on days when it has been used to make change. In addition, when he verifies the amount in the change fund, he does not document his verification on a log or form of some sort with space for him to indicate the balance, the date, and to fill in his initials. According to the Court, it believes that the change fund does not need to be recounted if it has not been used that day. Additionally, the Court indicated that it was not aware of the FIN Manual requirement to count and verify the fund while in presence of a manager or supervisor, or to document the verification, because the Court does not have local cash handling policies and procedures written for change funds that could help align its change fund administration practices closer to the FIN Manual requirements. As a result, the Court's current practice of counting the change fund absent the presence of a manager 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.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages and overages, 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.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding. The Court will be developing a local cash handling policies and procedures that align with the FIN manual requirement.

Response provided on 11/27/2019 by: Brandy Cook, Administrative Manager

Date of Corrective Action: 1/13/2020

Responsible Person(s): Finance department will be responsible for writing the new policies and procedure.

FINDING REFERENCE: 2019-7-01

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 independent of information contained in the case management 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.

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

3. 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

The Court does not require cashiers to follow what is commonly known as a "blind closeout" process when performing their end-of-day closeout. A "blind closeout" is where cashiers count and record their collections on a recap form without any knowledge of the amounts the CMS indicates they collected, before submitting the form and collections to a supervisor for verification of the collections against the recap form and the CMS collections reports. Instead, cashiers 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. According to the Court, cashiers follow this practice because its CMS does not allow for a blind closeout process. As a result, the Court allows cashiers to know in advance when an overage occurs and potentially risks the cashier taking any overage amount 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. If its CMS does not allow it to implement a blind closeout process, the Court should request approval from the Judicial Council for an alternative procedure that mitigates the potential risk created by not being able to follow a blind closeout process.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court is in agreement with this finding. At this time, the Court's CMS system does not allow the blind closeout process. The Court is moving forward to a new CMS system (Justice System). With this new case management in place, the Court will start requiring all employees to blind close nightly.

Response provided on 11/27/2019 by: Brandy Cook, Administrative Manager

Date of Corrective Action: New case management system will be in place in 16-18 months

Responsible Person(s): Administrative Department will implement when new case management system is in place.

FINDING REFERENCE: 2019-7-02

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 independent of information contained in the case management 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 require a designated supervisor 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 noted that while the cashier is present when the designated supervisor verifies that their cash drawer contains the correct beginning cash amount during the end-of-day closeout process, the cashier is not present when the designated supervisor verifies that the cashier's end-of-day collections balance with their recap of daily collections. Instead, after verifying each cashier's beginning cash amount, the designated supervisor combines all of the cashiers' collections and counts them together before verifying the total amount against the CMS total daily collections report. According to the Court, it believes that because cash collections are very low—typically less than \$400—it is more expedient to count the collections at once and compare that amount to the Court's total reported cash collections. Furthermore, because collections are so low, the Court indicated that the designated supervisor would notice if a cashier's collections were incorrect because she scans the cash each cashier submits and would notice if a collection appeared short or inaccurate.

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.

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 with the finding. The Court has put in place that all money is counted, in front of the employee (cashier), by the designated person doing the end of the night accounting. Each employee (cashier) will also sign the closeout paperwork. The deposit is counted in front of every individual cashier, along with the remaining balance that stays in the cash drawer (\$100.00). This is to track any overages or shortage and determine what cashier had the error. After each employee's nightly deposit is counted and their individual drawers, then the designated person doing the nightly deposit will sign, date and put the amount of money that is in each individual employee (cashier) drawer on a log that the employee does daily.

Response provided on 11/27/2019 by: Brandy Cook, Administrative Manager

Date of Corrective Action: In place now.

Responsible Person(s): Designated Person doing the nightly deposit.

PROCUREMENT AND CONTRACTS

The Court Complies with Most Applicable Requirements for Procuring Goods and Services, But Can Strengthen Some of Its Controls Over Procurement Processing

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 various of the procurement areas we evaluated during our audit, including demonstrating good management practices overall in the areas of authorization and authority levels, and in entering into leveraged purchase agreements. Nevertheless, we identified three audit findings that we believe require the Court's corrective action. The findings pertained to the following specific areas of procurement:

Finding Reference	Subject
2019-10-01	Procurement Initiation
2019-11-01	Authorization and Authority Levels
2019-12-01	Competitive Procurements

FINDING REFERENCE: 2019-10-01 *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, 6.10 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

The Court does not consistently document its purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For 11 of the 25 procurement transactions reviewed, the Court did not always document a purchase request and management approval of the request prior to commencing the procurement. Specifically, seven of these procurements—including two transactions totaling \$6,700 to a single vendor for self-help attorney services—did not have a purchase requisition form. Three procurements—including one procurement of IT services at a cost of \$28,000—had purchase requests that were signed and dated after the goods or services had already been procured. The remaining procurement—\$4,800 for maintenance of the Court's jury management software—had a purchase request that covered the period from February 2018

through January 2019, but not one that covered the final executed agreement for the period from February 2019 through January 2020. According to the Court, it was unaware of the requirement to prepare purchase requests and obtain appropriate approvals prior to making purchases. The use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the solicitation and procurement process. When the Court does not consistently document its purchase requests and authorizations, it risks the appearance that it is making purchases that may not be appropriate or not allowed and not in its best interests.

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 approved purchase requisitions prior to the start of the purchasing activity.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees, and will make sure that purchase requisitions and other documents are completed, before the start of the purchasing activity.

Response provided on 1/9/2020 by: Brandy Cook, Administrative Manager

Date of Corrective Action: 1/1/2020 and going forward

Responsible Person(s): Adam Gaynor, Fiscal Specialist

FINDING REFERENCE: 2019-11-01

AUTHORIZATION AND AUTHORITY LEVELS

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.

**JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 1, 1.1 PURCHASING
AUTHORITY OF JUDICIAL BRANCH ENTITIES:**

A. Purchasing Authority Basics

Each JBE possesses its own authority to purchase goods and services (both IT and non-IT). The source of authority is reflected in the table below.

JBE	Legal Basis
Superior Courts	Established by article VI, section 4 of the California Constitution. Pursuant to CRC 10.603(c)(6)(D), authority is vested in the Presiding Judge, who may in turn delegate this authority to the Court Executive Officer.

JBEs must ensure that any delegation of purchasing authority is properly documented.

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 believes that its written procedures, along with its use of the JBCM, serve as its Local Contracting Manual. However, courts are required to adopt a local contracting manual consistent with the requirements of PCC 19206 and to identify individuals with responsibility and authority for procurement and contracting activities. 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. In addition, the Court does not have a written delegation of duties signed by the Presiding Judge that authorizes the Court Executive Officer to approve procurements, contracts, expenditures, and the allocation of funds. As a result, the Court is at increased risk of not procuring and reporting the goods and services it procures in a manner consistent with the law, Rules of Court, 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. The Court should also take steps to ensure it has a written delegation of duties signed by the Presiding Judge that authorizes the CEO to approve procurements, contracts, expenditures, and the allocation of funds.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with finding. The Court will work to develop and adopt a local contracting manual that is consistent with the JBCM and state laws for procurement and contracting activities. The Court will also take steps to ensure it has a written delegation of duties signed by

the PJ that authorizes the CEO to approve procurements, contracts, expenditures, and the allocation of funds, as required by the JBCM and state laws.

Response provided on 1/9/2020 by: Brandy Cook, Administrative Manager

Date of Corrective Action: Working on process going forward

Responsible Person(s): Brandy Cook, Administrative Manager

FINDING REFERENCE: 2019-12-01

COMPETITIVE PROCUREMENTS

CRITERIA

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 2, 2.3 CREATING THE PROCUREMENT FILE:

The Buyer should create a procurement file for each transaction. This section provides guidance on what should be included in the procurement file. Please note that the following list is not exhaustive. A JBE may adopt policies respecting the creation and contents of procurement files in its Local Contracting Manual.

Document decisions: Buyers should develop a strategy of how the procurement activity will be accomplished, and document the rationale for developing that strategy. In simple terms, Buyers should maintain a diary of the events and decisions that lead up to and complete the purchase transaction, providing a timeline and history of the actions and decisions made throughout the procurement process.

Provide the basis of the decisions: Buyers should also describe how competition will be sought, promoted, and sustained throughout the course of the purchasing activity. If open competition is not the method of choice, document the basis of the decision.

Public record: Buyers should create and maintain their procurement files keeping in mind that most procurement records are subject to disclosure under CRC 10.500.

JUDICIAL BRANCH CONTRACTING MANUAL (JBCM), CHAPTER 4, COMPETITIVE SOLICITATION OVERVIEW:

4.1 THE BASICS OF COMPETITION

Competition is one of the basic tenets of procurement under the California Judicial Branch Contract Law. The type of competition will vary depending on the type of goods or services to be procured, as well as the value of the procurement.

A. General Requirements

Judicial Branch Entities (JBEs) must conduct competitive procurements in a manner that promotes open, fair, and equal competition among Prospective Bidders. Generally speaking, a procurement must be competitive unless it falls into one of the categories covered in chapter 5 of this Manual.

Buyers conducting competitive procurements must provide qualified Prospective Bidders with a fair opportunity to participate in the competitive solicitation process, stimulating competition in a manner conducive to sound fiscal practices without favoritism, fraud, or corruption.

4.7 SUMMARY DOCUMENT

The evaluation and selection process for every procurement effort should be documented and referenced in a procurement summary. The purpose of the procurement summary is to create a single document that provides the history of a particular procurement transaction and explains the significant facts, events, and decisions leading up to the contract execution. The procurement summary should be included in the procurement file.

Procurement summaries should be written clearly and concisely to support the soundness of the purchasing decision.

Procurement summary information includes but is not limited to:

- Document the prices offered by the Bidders;
- Documenting that the selection process occurred in accordance with the Solicitation Document;
- Determining that the selected Bidder is responsible and the Bid is responsive; and
- Attaching the scoring sheets, if applicable.

5.1 PURCHASES UNDER CERTAIN DOLLAR AMOUNTS

For very small purchases, non-competitively bid procurements are permitted because the cost of conducting a competitive procurement may exceed the savings expected from the competitive process.

JBEs may purchase non-IT goods, non-IT services, or IT goods and services that cost less than \$10,000 (*or \$5,000 prior to August 1, 2018*) without conducting a competitive procurement so long as the Buyer determines that the pricing is fair and reasonable.

CONDITION

For the two procurement transactions we reviewed for which a competitive procurement would normally be expected, the Court could neither demonstrate a competitive procurement process nor document its justification for designating the chosen vendor as a sole-source provider. Competition is one of the basic tenets of the Judicial Branch Contract Law, while the Judicial Branch Contracting Manual stresses the importance of documenting the basis for key procurement-related decisions.

For the first procurement transaction, the Court purchased various IT services costing more than \$29,000 but did not retain key documents—such as the summary document referenced in the Judicial Branch Contracting Manual—to explain whether a competitive or non-competitive procurement had occurred, and the reasons why. This happened because the Court does not always maintain procurement files with the documentation necessary to explain its key procurement decisions.

In the second transaction, the Court sought IT services valued at \$28,000 to support the Court's CMS. The Court ultimately obtained these services from its CMS vendor, which according to the Court, is the only company able to provide the necessary support. Although we would generally agree with the Court that it is likely its CMS vendor is the only one capable of providing certain technical and proprietary support, other IT vendors may also have been able to provide more generalized services at a lower cost depending on the specific type of IT support requested by the Court. Our point in raising this issue is to remind the Court that it should

provide the basis for its key procurement decisions—such as the absence of competition—in each solicitation’s procurement file. In this example, the Court would have been better off by documenting its justification for designating the selected vendor as a sole-source provider based on the specific services needed. This documentation—with the approval of the Court’s management—would have explained the specific goods or services to be obtained along with the reasons why these items cannot be procured competitively. According to the Court, it was unaware of the requirement to document sole-source procurement requests and approvals per the Judicial Branch Contracting Manual.

RECOMMENDATION

To ensure the Court can adequately demonstrate to the public that it maximizes competition and has valid reasons for engaging in non-competitive procurements, it should follow the Judicial Branch Contracting Manual’s guidance in chapters 2 and 4. Specifically, the Court’s procurement files should provide an explanation of the solicitation approach (competitive or non-competitive) and the reasons why it selected its chosen vendor.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the first procurement transaction; the Court will make sure that we follow the contracting manual guidance in Chapters 2 and 4 going forward. The Court does not fully agree with the second transaction, but will make sure going forward to document why the CMS vendor is the only vendor that the Court can use to give the Court the support and access to updating and fixing the Court’s case management system that is in place at this time.

Response provided on 1/9/2020 by: Brandy Cook, Administrative Manager

Date of Corrective Action: Current and continuing through 2020

Responsible Person(s): Adam Gaynor, Fiscal Specialist

PAYMENT PROCESSING

The Court Generally Complied with Applicable Payment Processing Requirements

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.

Our review found that, except for two minor instances of non-compliance that we communicated separately to the Court, it generally complied with the applicable payment processing requirements we evaluated during our audit. Specifically, the Court demonstrated sound management practices in the areas of its three-point match process, review and approval prior to payment, and allowable costs.

FINE AND FEE DISTRIBUTIONS

The Court Is Correcting the Calculation and Distribution Issues Reported by the State Controller's Office in its Recently Completed Revenue Audit of the Court

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 initial audit planning process, the Court informed us that the State Controller's Office (SCO) recently completed a revenue audit of the Court in August 2019. Our review of the SCO audit report noted that the SCO found that the Court did not deduct the 2% State Automation Fee from the State Restitution Fine or from bail bond forfeitures for county arrests pursuant to Government Code 68090.8. In addition, the SCO reported that the Court incorrectly distributed the base fines for city-arrest DUI cases pursuant to Penal Code 1463.002. Specifically, the Court distributed the city portion of the base fine to the county, and the county portion of the base fine to the city. Our review found that the Court is taking appropriate corrective actions to resolve the issues reported by the SCO.

ONE PERCENT FUND BALANCE CAP

The Court Appropriately Supported 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.

Our review found that the Court complied with the requirements for its 1% fund balance cap calculations. Specifically, we reviewed the inputs on its final FY 2017-18 calculation form and found that the Court used expenditure amounts that agreed to its accounting records. In addition, the Court supported the encumbrances it reported on its final FY 2017-18 calculation form with valid contracts for goods and services not received by June 30, 2018.

Finally, we found the Court had excess funds held on its behalf at the end of FY 2015-16. We reviewed the Court’s expenditures of a portion of these funds in FY 2016-17 and found that its use of the funds was consistent with the purpose for which they were approved. The remaining balance was held on the Court’s behalf at the end of FY 2017-18. Through our discussion with Court management, we determined that the Court will appropriately dispose of the balance of these funds.

JBSIS CASE FILING DATA

The Court Should Ensure It Reports Accurate Case Filing Counts and Data to JBSIS

Background

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

Our review found that the Court maintained documentation to support the JBSIS case filings data it submitted to Office of Court Research. Nevertheless, our review identified one JBSIS-related audit finding that we believe requires the Court’s continuous monitoring. This finding pertained to the following specific area of the JBSIS case filings data:

Finding Reference	Subject
2019-29-01	JBSIS Data Quality – Case Filing Counts and Data

FINDING REFERENCE: 2019-29-01

JBSIS DATA QUALITY – CASE FILING COUNTS AND DATA

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...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.

JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM MANUAL – VERSION 3.0, APPENDIX H—DATA QUALITY ASSURANCE;

Error Quantification and Acceptable Error Rates

The error rate is determined by the difference of the reported value and the correct value, divided by the reported value. The magnitude of the error relative to the number of filings in a given period affected determines how courts should remedy the error. The JBSIS subcommittee determined that a 2% error rate met the criteria of being rigorous enough to ensure high data quality without posing an undue burden for courts.

The committee determined that an error rate of 2% or more in any one data element for a specific case type or cumulative across case types for one data element—limited at this time to filings, dispositions, trials, and time to disposition, when reported—should be established as the threshold above which courts must submit amended data correcting the report and that amended reports to resolve the error must be submitted within 60 days of error discovery.

CONDITION

To better ensure courts can identify and research potential JBSIS reporting errors, effective July 2018, the JBSIS Manual includes data quality standards that encourage courts to have methods of both routine and non-routine reviews of their data. Examples of these review methods include courts performing random reviews of selected case files to ensure the data reported to JBSIS is consistent with the judicial branch's agreed-upon case type definitions. However, implementing such an approach requires courts to know which cases they have reported to JBSIS and when. Without this information, neither the courts nor external parties are well-positioned to evaluate the accuracy of the reported case filings data, or determine which of the many monthly JBSIS reports require amendment if errors are found. Despite the JBSIS data quality standards not becoming effective until July 2018—after the Court had already submitted its JBSIS data for fiscal year (FY) 2017-18—we chose to evaluate the Court's JBSIS data against these standards since no other comparable criteria exists. Applying the recently adopted standards allows the Court to review the audit's results and potentially take steps to improve its JBSIS reporting.

Reconciliation Between JBSIS Case Filing Counts and Court-Based Records

JBSIS data contains aggregated counts of new case filings, which should be supported by case-specific records at the trial court level. Our review compared the Court's JBSIS case filings data for FY 2017-18 with its underlying listings of cases generated by its CMS. Table 1 compares the JBSIS case filings data the Court reported for FY 2017-18 (reported as of March 2019) against the case-specific listings maintained by the Court. As shown in the table, the Court's underlying case detail sometimes did not materially agree with the aggregated JBSIS data it reported.

Specifically, we noted significant count variances for two of the 21 different case categories reported by the Court for that year. Overall, the Court's total case filings count—as reported to JBSIS—was 6,708 cases, or 0.07% lower than the 6,713 cases the Court was able to identify from its own records.

Table 1 - Comparison of JBSIS Case Filings Data to Underlying Court Records for FY 2017-18

JBSIS Report	RAS Case Category	A	B	C	(C / A)
		JBSIS Filing Counts	Court Filing Counts	Net Count Difference	Error Rate
05a	Unlawful Detainer	112	112	0	0.00%
05a	Civil – Limited	105	105	0	0.00%
05a	EDD	0	0	0	0.00%
05b	Civil – Unlimited	137	137	0	0.00%
05b	Civil – Complex	0	0	0	0.00%
05b	Asbestos	0	0	0	0.00%
06a	Family Law – Marital	145	146	-1	-0.69%
06a	Family Law – Child Support	101	101	0	0.00%
06a	Family Law – Domestic Violence	69	69	0	0.00%
06a	Family Law – Parentage	38	38	0	0.00%
06a	Family Law – Other	27	28	-1	-3.70%
07c	Felony	424	424	0	0.00%
08a	Juvenile Delinquency	28	28	0	0.00%
09a	Juvenile Dependency	49	49	0	0.00%
10a	Mental Health	18	18	0	0.00%
11a	Misdemeanor – Traffic	267	277	-10	-3.75%
11a	Misdemeanor – Non-Traffic	355	355	0	0.00%
11a	Infractions	4,708	4,701	7	0.15%
12a	Conservator / Guardianship	18	18	0	0.00%
12a	Estates / Trusts	39	39	0	0.00%
13a	Small Claims	68	68	0	0.00%
Overall Total		6,708	6,713	-5	-0.07%

Source: The JBSIS filing counts are from the Judicial Council’s Office of Court Research and represent the case filings data the Court reported to JBSIS for FY 2017-18 and that the Judicial Council used in the WAFM for FY 2019-20. The Court filing counts are from its CMS reports and represent the case filings for FY 2017-18 that its underlying court records supported.

We commend the Court for its very low overall variance rate of less than one percent across all reported filings, as shown in the table. We also note the Court’s overall consistency in following the JBSIS manual’s case-type definitions based on our review of 60 cases. Nevertheless, the two variances shown in the table exceed the recently-adopted 2% tolerable error rate (by case type) published in the July 2018 update to the JBSIS Manual. According to the Court, the variance in the “Misdemeanor – Traffic” category was caused because it inadvertently did not submit its amended reports for July and August 2017 to JBSIS, so the JBSIS data reflects the filings originally reported instead of the updated and correct filings count. In the “Family Law – Other” category, the Court’s system indicates two cases in this category for August 2017, while the JBSIS data shows only one case filing. The Court is not sure why JBSIS only shows one case filing.

Internal Controls to Ensure JBSIS Data Quality

As stated earlier, recent updates to the JBSIS Manual encourage courts to conduct reviews their case file data to ensure they submit quality JBSIS data to the Judicial Council. Data quality

control procedures can include activities such as: comparing the current month's case filing totals by case type to the prior month's totals, and the prior year's data; selecting samples of case files to review in case categories demonstrating large variances compared to prior periods. Currently the Court does not perform such data quality assurance activities.

RECOMMENDATION

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

- Establish a practice of generating and retaining from its CMS systems contemporaneous and detailed case listings that are consistent with the data contained in its monthly JBSIS reports.
- Resubmit updated case filings data to JBSIS for FY 2017-18 via an amended report.
- Develop a local JBSIS data quality plan that describes the monitoring and review procedures court staff will follow both prior to and after the submission of JBSIS data. Such a plan should specify both the specific procedures to be performed, as well as the frequency with which they are performed and by whom. To the extent the Court has any technological limitations that impairs its ability to review the quality of its data, the Court's JBSIS data quality plan should identify these weaknesses and develop a timeline for removing those barriers to data quality.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the recommendation from the Judicial Council Audit Services, and will be implementing these changes. The Court will implement the following by December 31, 2019:

1. JBSIS Reports generated monthly will be retained with the data that is sent to the Judicial Council. These reports will be scanned into the Case Management System for future reference.
2. Amended report 11a for July and August will be updated to JBSIS for the FY 2017-2018.
3. Update the Policy and Procedures for reporting JBSIS to the Judicial Council to include verifying the data that is submitted is the correct information and after the report has been submitted and verified that the verification of receipt is printed and scanned into the Case Management System.

Response provided on 12/12/2019 by: Marian Tweddell-Wirthlin, Operations Manager

Date of Corrective Action: 12/31/2019

Responsible Person(s): Marian Tweddell-Wirthlin, Operations Manager, will be assigned responsibility for the corrective action(s)

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.
