



Audit of the Superior Court of California, County of Marin

OCTOBER 2023



Judicial Council of California

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Superior Court of California, County of Marin

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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 Marin (Court) demonstrated compliance with several of the Judicial Council's requirements evaluated during the audit, and should be commended for its receptiveness to suggestions for further improvement. Table 1 below presents a summary of the audit's results, including references to any audit findings discussed in the body of the report, 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 Marin

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	2022-1-01	Agrees
2 Voided Transactions	Yes	✓		
3 Manual Receipts	Yes	1	2022-3-01	Agrees
4 Mail Payments	Yes	2	2022-4-01; 02	Agrees
5 Internet Payments	Yes	✓		
6 Change Fund	Yes	1	2022-6-01	Agrees
7 End-Of-Day Balancing and Closeout	Yes	1	2022-7-01	Agrees
8 Bank Deposits	Yes	✓		
9 Other Internal Controls	Yes	2	2022-9-01; 02	Agrees
Procurement and Contracts				
10 Procurement Initiation	Yes	1	2022-10-01	Agrees
11 Authorization & Authority Levels	Yes	✓		
12 Competitive Procurements	Yes	✓		
13 Non-Competitive Procurements	Yes	1	2022-13-01	Agrees
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 Distributions				
25 Distribution Calculations	Yes	✓		
Fund Balance				
26 Year-End Encumbrances	Yes	✓		
27 Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data				
28 Validity of JBSIS Data	Yes	✓		
Grant Award Compliance				
29 AB 1058 Program	Yes	✓		
Enhanced Collections				
30 Enhanced Collections	Yes	✓		

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 was not applicable, recently reviewed by others, or no transactions were 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 courts with an opportunity to highlight additional areas for potential review depending on available audit resources.

The Court demonstrated consistent adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of reporting year-end encumbrances and in meeting enhanced collections requirements. For example, our review of the Court's fund balance found that the Court properly supported the encumbrances it reported on its final FY 2020-21 calculation form with valid contracts for goods or services not received by June 30, 2021. In addition, our review found that the Court properly supports its timekeeping and other expenses that it charges to enhanced collections activities.

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 Audit Findings" and include reference numbers to assist the reader in locating and viewing 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 cash handling. For example, the Court does not always maintain the FIN Manual 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. However, the Court's different payment collection locations either did not include key identifying information on the mail payment receipts log, or did not have a mail payment receipts log at all. When courts do not capture sufficient information to monitor and track individual mail payments nor have a record they can use to reconcile and ensure the entry of all the mail payments into the CMS, they are at increased risk for lost or stolen mail payments. In addition, the Court does not maintain appropriate segregation of duties related to its mail payments. Specifically, the Court allows staff who open mail and drop box payments to also process payments as well as accept counter payments. However, to maintain appropriate segregation of duties, the FIN Manual suggests that persons opening mail payments should not also enter payments in the CMS. As a result, the Court is at increased risk for "skimming" or "lapping" fraud by those employees who concurrently open and process mail payments as well as counter payments. The Court indicated it agreed with our findings and recommendations in these areas and that it would implement corrective action by the end of 2022.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on May 13, 2022, and completed its fieldwork in January 2023. Audit Services shared the draft audit findings with the Court starting on August 18, 2022, and received the Court's final official responses on March 3, 2023. Overall, the Court agreed with the findings and its specific responses are included in the body of the report after each finding.

BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Marin (Court) operates one court facility in the city of San Rafael. 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 Marin Superior Court and Average of all Superior Courts

Statistic	Marin 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 2022-23)						
Total Revenue	\$ 19,792,787	\$ 3,516,596	\$ 14,926,999	\$ 56,356,321	\$ 283,441,690	\$ 58,298,424
Total Expenditures	\$ 18,901,246	\$ 3,218,159	\$ 14,532,808	\$ 55,423,780	\$ 255,806,509	\$ 54,050,955
Staff Salaries & Benefits	\$ 13,830,975	\$ 2,037,590	\$ 10,635,517	\$ 42,045,871	\$ 206,241,699	\$ 42,432,330
As a % of Total Expenditures	73.2%	63.3%	73.2%	75.9%	80.6%	78.5%
Judicial Officers and Staff (2023 Court Statistics Report)						
Judges	12	2	8	30	142	30
Commissioners/Referees	1	-	1	4	21	4
Non-Judicial Staff (approx.)	102	16	84	289	1,312	282
Total	115	18	93	323	1,475	316
New Case Filings (Fiscal Year 2021-22)						
Appeal Filings	20	9	74	130	154	81
Civil Filings						
Civil	2,472	263	1,895	8,108	54,067	10,062
Family Law	1,401	240	1,477	5,137	25,312	5,265
Juvenile Delinquency	136	27	130	539	1,303	357
Juvenile Dependency	69	30	171	547	3,486	676
Mental Health	275	15	225	1,359	8,343	1,545
Probate	515	58	325	986	4,623	997
Small Claims	369	31	216	891	6,244	1,151
Criminal Filings						
Felony	1,014	200	1,169	3,686	13,675	3,208
Misdemeanors / Infractions	26,195	3,282	16,654	55,404	239,708	52,647
Total	32,466	4,155	22,336	76,787	356,915	75,989

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 2, 2023, 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. Marin Superior Court is a cluster 2 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Marin (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 (FY) 2020-21, 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	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: <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, receiving the goods, and paying for the goods or

	<p>services.</p> <p>▪ 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.</p> <p>▪ 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> <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 2020-21 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.• The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.• The payments to 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	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	We reviewed the Court's process for updating and controlling access to its distribution tables. We also reviewed the Court's calculations and distributions of fines, penalties, fees, and assessments for certain high volume or complex case types.
5	Determine whether the Court properly classifies its year-end encumbrances for the most recent completed fiscal year. 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.	We obtained the Court's Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2020-21) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system. The Court has not requested to hold any funds on its behalf in either the current or the previous two fiscal years. As a result, no further review was deemed necessary.
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2019-20), we performed the following: <ul style="list-style-type: none"><li data-bbox="812 1294 1418 1558">• Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data.<li data-bbox="812 1600 1418 1812">• 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.

7	Determine whether the Court spent AB 1058 grant awards from the Judicial Council in compliance with the grant award requirements.	We selected one month from fiscal year 2020-21 for each of the Child Support Commissioner and Family Law Facilitator grant awards and obtained the invoices submitted to the Judicial Council to determine whether the Court had sufficient records to support the expenditures charged to the grant. For example, for personnel service costs charged to the grant award, we reviewed the payroll records and employee timesheets to verify the costs and time charged to the grant. We interviewed selected employees to determine how they track and report the time they charged to the grant. We also reviewed other operating costs and expenditures charged to the grant award to determine whether the costs were supported, allowable, and allocable to the grant.
8	Determine whether Enhanced Collection's revenue is funding only collections activities.	We obtained the Court's Collection Report Template for fiscal year 2020-21 and determined whether the Court's collection program met the minimum requirements for a comprehensive collection program as defined in state law. We identified and analyzed the revenues, expenditures, and transfers ins/outs for Fund 120007 (Enhanced Collections) to verify that Enhanced Collections revenue was used only to fund collections activities. For example, for personnel service costs charged to collections activities, we reviewed employee timesheets to verify the costs and time charged to the enhanced collection program. We interviewed selected employees to determine how they track and report the time they charged to collections activities. We also reviewed other operating costs and expenditures charged to determine whether the costs were supported, allowable, and allocable to collections activities.

Assessment of Data Reliability

The U.S. Government Accountability Office (GAO) requires us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. In performing this audit, we obtained and reviewed financial transaction data from the Phoenix financial system—the statewide accounting system used by the

superior courts—for the limited purpose of selecting transactions to test the Court’s compliance with its procurement and related payment activities. Prior to making our selections, we independently queried the Phoenix financial system to isolate distinct types of non-personal service expenditure transactions relevant to our testing—such as by general ledger code—and reconciled the resulting extract with the Court’s total expenditures as noted on its trial balance report for the same period. Our analysis noted no material differences leading us to conclude that use of the Phoenix financial transaction data was sufficiently reliable for the limited purpose of selecting transactions for testing.

Report Distribution

The Judicial Council’s Advisory Committee on Audits and Financial Accountability for the Judicial Branch reviewed this report on October 27, 2023, 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, Manager, CFE:

Michelle O’Connor, Senior Auditor (auditor in charge), CPA, CFE, CGFM
Sandra Gan, Senior Auditor, CPA
Joe Meyer, Senior Auditor, CPA, CIA
Lorraine De Leon, Auditor
Usamah Salem, Auditor, CFE
Tia Thao, Auditor

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.

Results

Overall, the Court demonstrated compliance in some of the areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its void transactions and internet payments.

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

Finding Reference	Subject Area
2022-1-01	Daily Opening Process – Verification of Beginning Cash
2022-3-01	Handwritten Receipts – Monitoring
2022-4-01	Mail Payments – Receipts Log
2022-4-02	Mail Payments – Prompt Payment Processing
2022-6-01	Change Fund – Custodians
2022-7-01	End-of-Day Balancing and Closeout – Verification
2022-9-01	Other Internal Controls – Access to Safe
2022-9-02	Other Internal Controls – Separation of Duties

FINDING REFERENCE: 2022-1-01

DAILY OPENING PROCESS – VERIFICATION OF BEGINNING CASH

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.2 BEGINNING DAILY BALANCE:

2. Cashiers who receive money at the beginning of each day 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.

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

3. A presiding judge or his or her designee who wants to establish an alternative procedure will submit a signed and dated Request for Alternative Procedure (RAP) 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 acknowledgment of receipt will be returned to the submitting court. The 60-business-day response time will begin once the court receives that acknowledgment 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

Contrary to FIN Manual Requirements, the Court does not require either the designated supervisor or the cashier to sign and date a log to demonstrate their verification of beginning cash at either of its payment collection locations. Specifically, at the Traffic and Criminal Division payment collection location, the Court does not require either the cashier or the designated supervisor to sign and date a log to demonstrate their verification of the beginning cash amount. At the Civil Division payment collection location, instead of using a log, the cashier dates the calculator tape used for the beginning cash count; however, the supervisor does not also initial or sign the calculator tape to demonstrate their verification of the beginning cash amount. According to the Court, it was unaware of this FIN Manual requirement. 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's practice potentially allows a subsequent cash fund shortage to be without clear accountability of who may have caused the shortage as it would be potentially very difficult to resolve any discrepancy that might arise between the prior day's end-of-day cash count and the beginning cash amount. Such key controls 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 and designated supervisors counting and verifying the beginning

cash counts to sign and date a cash receipt log for each such verification and receipt before cashiers commence their daily payment collection duties.

Alternatively, if the Court cannot implement the FIN Manual's requirements, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure for the count and verification of beginning cash by a designated supervisor and the cashier for its payment collection locations.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree to the alternative recommendation. Under the guidance of the COO and CFO, the Court will modify the current process for counting and verifying the daily cash counts that will only necessitate counting at the end of the business day. After verifying and certifying the cash count at the end of business day, the Court Operations Managers for Criminal/Traffic and Civil or their designee will put the money and supporting paperwork in a safe. Recounting the first thing next day would not be necessary. The Court will submit a request of an alternative procedure when ready.

Response provided on 10/25/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for 2023 Q3 implementation

Responsible Person(s): Sharry Shumaker, Chief Operations Officer; Melissa Hebert, Court Operations Manager for Criminal/Traffic; Christina Young, Court Services Supervisor for Criminal/Traffic; Renee Flemett, Court Operations Manager for Civil; Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor

FINDING REFERENCE: 2022-3-01

HANDWRITTEN RECEIPTS – MONITORING

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS:

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

Although the Accounting Division maintains a central log that identifies the manual receipt books it issues to both payment collection locations, the Traffic and Criminal Division and the Civil Division payment collection location supervisors do not maintain a separate log to monitor and account for those locations' use of the individual manual receipt books. According to the Court, only the Accounting Division maintains the records and details of the manual receipt books. However, the FIN Manual requires location supervisors to monitor and account for each book issued, to whom the book was issued, the date issued, the person returning the book, the date returned, and the receipt numbers used. Without such a log, these locations cannot fully monitor the appropriate use of manual receipts and are without clear accountability of when or who used the manual receipt books, or which receipts they issued.

RECOMMENDATION

The Court should require its payment collection location supervisors to maintain constant control and oversight of its manual receipt books, including keeping detailed logs to monitor and maintain an accounting of the receipts books and receipts numbers used. Specifically, when its location supervisors retrieve and issue manual receipt books to cashiers, they 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, and what receipt numbers were used.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. Under the guidance of the COO and CFO, the Criminal/Traffic, Civil, and Finance Division will modify and standardize the control and oversight of the manual receipt books per audit recommendation.

Response provided on 9/28/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for 2023 Q3 implementation

Responsible Person(s): Sharry Shumaker, Chief Operations Officer; Melissa Hebert, Court Operations Manager for Criminal/Traffic; Christina Young, Court Services Supervisor for Criminal/Traffic; Renee Flemett, Court Operations Manager for Civil; Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor

FINDING REFERENCE: 2022-4-01

MAIL PAYMENTS – RECEIPTS LOG

CRITERIA

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL AND DROP BOXES:

3. To provide for the strongest oversight and monitoring of payments received through the mail and drop boxes, courts should maintain a payments receipt log. Without a payment receipts log, courts have no record to reference or research if a mail or drop box payment is lost or stolen. The following method should be used for processing payments received through the mail and drop boxes:
 - 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 or drop box; and
- vi. Name of the person opening the mail or drop box payments and the person recording the payment on the payments receipt log.

CONDITION

The Court does not always maintain the suggested payment receipts log to create a record of the payments received in the mail. Specifically, the Court's Traffic and Criminal Division payment collection location does not maintain any 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. Instead, the Traffic and Criminal Division creates a listing or batch of the total mail payments amounts received, but does not verify the individual mail payments. Additionally, although the Civil Division payment collection location does maintain a mail payments receipt log, the log does not include the names of the court staff opening the mail or the court staff recording the mail payments on the receipt log as suggested by the FIN Manual. According to the Court, it did not follow the FIN Manual suggestion due to limited staffing as a result of the COVID pandemic. As a result, the Court does not capture sufficient information to monitor and track individual mail payments nor have a record that it can use to reconcile and ensure the prompt 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 require the persons who open the mail to complete a payment receipts log with all key information necessary to establish a clear record of all the payments, cash and non-cash, received through the mail. The Court can subsequently use these logs to reconcile and confirm entry of these mail payments into its CMS during the end-of-day closeout process.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. Under the guidance of the COO and CFO, the Court will require the persons who open the mail to complete a payment receipts log (in Excel format) that will be part of the end-of-day closeout process per audit recommendation. In the new CMS that will be launched next year, we will be adding mailed payment as a till type.

Response provided on 9/28/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for 2023 Q3 implementation

Responsible Person(s): Sharry Shumaker, Chief Operations Officer; Melissa Hebert, Court Operations Manager for Criminal/Traffic; Christina Young, Court Services Supervisor for Criminal/Traffic; Renee Flemett, Court Operations Manager for Civil; Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor

FINDING REFERENCE: 2022-4-02
MAIL PAYMENTS – PROMPT PAYMENT PROCESSING

CRITERIA

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL AND DROP BOXES:

4. To provide for strong oversight and monitoring of payments not processed on the day they were received in the mail or drop boxes, courts must adhere to the following steps:
 - a. Trial court staff responsible for processing payments must review on a daily basis all payments that are held over from a previous day's work to determine if any of the held payments can be processed. This requirement can be met by reviewing the held payments receipt log sheets and associated payments to determine if the payment can be processed.
 - b. The supervisor/manager responsible for the trial court staff who process payments must identify and log any payment that has been held for more than 5, 15, and 30 calendar days without being processed. The log must specify the reason why the payment cannot be processed. The log must identify any cash payment being held in suspense for more than 5, 15, and 30 calendar days.
 - c. The supervisor/manager responsible for the trial court staff who process payments must provide a report, at least on a monthly basis, to the court executive officer and the court fiscal officer, and/or to his or her written designee, that lists by age (length of time held) any payment that has been held for more than 15 and 30 calendar days without being processed. The report must provide the following details, if known, for each payment being held:
 - i. Case or docket number;
 - ii. Name of the person mailing the payment;
 - iii. Payment amount;
 - iv. Check number (if applicable);
 - v. Date received in the mail; and
 - vi. Reason why payment cannot be processed.

CONDITION

The Court's Civil Division payment collection location does not identify and log mail payments that have been held for more than 5, 15, and 30 days and specify on the log the reason why the payments haven't been processed. Additionally, the Court does not have a process in place to report to the CEO and CFO any unprocessed mail payments exceeding 15 and 30 days. The FIN manual states that the supervisor/manager responsible for the trial court staff who process payments must identify and log any payment that has been held for more than 5, 15, and 30 calendar days without being processed. The log must specify the reason why the payment cannot be processed, as well as identify any cash payment being held in suspense for more than 5, 15, and 30 calendar days. This is because the payments received by mail are at heightened risk for loss or theft since the payor is neither present during the transaction nor guaranteed to receive a receipt. According to the Court, it was unaware of this FIN Manual requirement. However, not promptly processing mail payments for deposit in the bank and not reporting these unprocessed

mail payments to the CEO and CFO as the FIN Manual requires unnecessarily places these payments at increased risk of loss or theft.

RECOMMENDATION

The Court should ensure that all supervisors/managers responsible for staff who process mail payments take steps to identify and log any mail payment that have been held for more than 5, 15, and 30 calendar days without being processed. For those mail payments held more than 15 or 30 calendar days, the Court should ensure the supervisors/managers consistently provide a report to the CEO and CFO providing the details for each payment held, including the reason why the mail payment cannot be processed.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. Under the guidance of the COO and CFO, the Criminal/Traffic, Civil, and Finance Division will develop process, guideline, and reporting to ensure prompt processing of mail payment per audit recommendation.

Response provided on 9/28/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for 2023 Q3 implementation

Responsible Person(s): Sharry Shumaker, Chief Operations Officer; Melissa Hebert, Court Operations Manager for Criminal/Traffic; Christina Young, Court Services Supervisor for Criminal/Traffic; Renee Flemett, Court Operations Manager for Civil; Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor

FINDING REFERENCE: 2022-6-01

CHANGE FUND – CUSTODIANS

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

6. The court executive officer or his or her designee must appoint a custodian for each Cash Change Fund that is \$500 or more at any separately managed trial court location. The custodian is responsible for the safekeeping, replacement, disbursement, and accounting for the assigned Cash Change Fund. A copy of this policy must be given to the custodian to ensure that he or she understands the requirements for the Cash Change Fund.

CONDITION

Historically, the Court's Chief Financial Officer and Financial Services Supervisor were appointed as the custodians for either the Accounting Division's \$764 change fund, or the Traffic and Criminal Division's \$500 change fund. However, the Court's former Chief Financial Officer unexpectedly retired during the pandemic and the information was never shared properly with the new Chief Financial Officer. As a result, the Accounting Division as a whole maintains its change fund, and the Traffic and Criminal Division's change fund is informally maintained by its Court Operations Manager and Supervisor.

RECOMMENDATION

To ensure that the cash in each change fund remains reasonably secure and fully accounted for, the Court should appoint a single custodian for each of its cash change funds of \$500 or more and provide each assigned custodian with a copy of the FIN Manual policy to ensure they understand the requirements applicable to change funds.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. When the former CFO retired in December 2020, her appointment as the change custodian was not formally reassigned. The CEO will formally appoint change custodians for each of locations with cash change funds of \$500 or more.

Response provided on 10/25/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for October 2022 implementation

Responsible Person(s): Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor

FINDING REFERENCE: 2022-7-01

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 and the designated supervisor, or designee, 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 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, at the Civil Division payment collection location, cashiers do not sign their closeout reports, and a supervisor or lead does not count and verify the cashier's end-of-day collections in front of the cashier or sign and date the closeout report. At the Traffic and Criminal Division payment collection location, although the supervisor initials the closeout report after counting and verifying the collections with the cashier present, the supervisor does not date it.

Additionally, the cashier does not sign or date the closeout report to indicate agreement. According to the Court, it is unable to consistently follow this FIN manual requirement due to limited staffing as a result of the COVID pandemic. 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, the FIN Manual requires both the cashier and the designated supervisor to sign and date the closeout report to indicate agreement of the collections. 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 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 such key controls 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 shortages and overages, the Court should:

- Require a designated supervisor or his or her designee to verify the cashiers end-of-day collections in front of the cashier.
- Require the cashier and the supervisor or his or her designee to sign and date the closeout documentation to indicate verification and agreement that the collections balance with the case management system.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. Under the guidance of the COO and CFO, the Court Operations Managers for Criminal/Traffic and Civil will work with Finance Division on the daily closeout verification process and requirements per audit recommendation.

Response provided on 9/16/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for 2023 Q3 implementation

Responsible Person(s): Sharry Shumaker, Chief Operations Officer; Melissa Hebert, Court Operations Manager for Criminal/Traffic; Renee Flemett, Court Operations Manager for Civil; Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor

FINDING REFERENCE: 2022-9-01

OTHER INTERNAL CONTROLS – ACCESS TO SAFE

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:
 - 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.

CONDITION

The Court does not take adequate precautions to safeguard the contents of the safe maintained by its Accounting Division. Specifically, the combination is noted on a document that is accessible to multiple staff members that may or may not need to know the combination. According to the Court, the combination was recorded on the document by a former court staff member prior to their retirement in an effort to aid the transition process for new court staff. Nonetheless, the FIN Manual states that the combination should be memorized and not be kept in legible form. If it is necessary to maintain the combination in legible form, the Court should not document the combination in any written or electronic document that identifies it as the combination to the safe. As a result, the Court may leave itself susceptible to the potential theft of cash by those individuals with knowledge of the safe combination and unauthorized access to the safe.

RECOMMENDATION

To ensure it properly safeguards the contents of its safe, the Court should require staff memorize the combination to the safe and not keep the safe combination in legible form. If necessary to maintain the combination in legible form, only the court executive officer or the court executive officer's designee should maintain the safe combination in legible form that identifies it as such in a secure location not visible or accessible to anyone else.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The CFO will modify the safe log that's accessible to the Facilities and Procurement Specialist and Financial Services Supervisor. The only legible safe combination will be maintained by the Facilities and Procurement Specialist and stored in a secured location that is also known to the CFO. All other members of the Finance team will memorize the safe combination.

Response provided on 9/28/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for October 2022

Responsible Person(s): Jacalyn Mah, Chief Financial Officer

FINDING REFERENCE: 2022-9-02

OTHER INTERNAL CONTROLS – SEPARATION OF DUTIES

CRITERIA

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

- a. 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, the trial court should use a team approach to maintain accountability for payments received through the mail and drop boxes. When processing such payments, the court should adhere to the following procedures:
 - c. To maintain separation of duties, team members who open and log mail and drop box payments should not also enter the mail and drop box payments in the court's cashiering system and/or automated case management system, if possible.

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

4. A presiding judge or his or her designee who wants to establish an alternative procedure will submit a signed and dated Request for Alternative Procedure (RAP) 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 acknowledgment of receipt will be returned to the submitting court. The 60-business-day response time will begin once the court receives that acknowledgment 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 maintain appropriate separation of duties related to its mail payments. Specifically, at the Court's Traffic and Criminal Division payment collection location, the Court allows staff who open mail and drop box payments to also process payments as well as accept counter payments. According to the Court, it was unaware of the guidance to separate mail payment opening and processing duties as well counter payment duties. Nonetheless, to maintain appropriate separation of duties, the FIN Manual suggests that persons opening mail payments should not also enter payments in the CMS. As a result, the Court is at increased risk for "skimming" or "lapping" fraud by those employees who concurrently open and process mail payments as well as counter payments.

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, if the Court cannot implement the FIN Manual's requirements, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure to ensure the safe, secure collection, and accurate accounting of all payments received through the mail.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree to the alternative recommendation. Under the guidance of the COO and CFO, the Criminal/Traffic, Civil, and Finance Division will ensure separation of duties with regards to processing and entering payments. Given the smaller size of our Court staff, we disagree that processing mail and over the counter payments need to be separated. We do agree that the person who opens the mail payment should not process it in our CMS. We will request for approval of an alternative procedure if needed.

Response provided on 9/16/2022 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: Planned for 2023 Q3 implementation

Responsible Person(s): Sharry Shumaker, Chief Operations Officer; Melissa Hebert, Court Operations Manager for Criminal/Traffic; Christina Young, Court Services Supervisor for Criminal/Traffic; Renee Flemett, Court Operations Manager for Civil; Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor

PROCUREMENT AND CONTRACTS

The Court Should Ensure Its Procurement Practices Are Closer Aligned with the JBCM Requirements

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.

Results

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, such as entering into leveraged purchase agreements and other internal controls.

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

Finding Reference	Subject
2022-10-01	Procurement Initiation
2022-13-01	Non-Competitive Procurements

FINDING REFERENCE: 2022-10-01 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?

CONDITION

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For five of the procurement transactions reviewed, the Court either did not document or require a purchase request and management approval of the request prior to commencing the procurement, or did not have a purchase request at all.

Specifically, for three procurement transactions reviewed, the Court did not have a purchase request. For example, one of these procurements—related to storage—did not have a purchase request because it has been a known recurring budget item for at least 15 years, according to the Chief Financial Officer (CFO). Additionally, for the fourth procurement transaction, which is related to printing services, the Court did not increase its original purchase request of \$15,215, nor create a new one, for additional orders to the vendor totaling an extra \$7,559. According to Court staff, the prior CFO was okay with the additional orders and her verbal approval was not documented. Finally, for the fifth procurement transaction, the Court did not create and approve the purchase request until after the contract for the procurement was already signed. The contract, related to CMS services for the Court, was signed by the Presiding Judge in July 2020; however, the purchase request was not signed and approved by the Chief Executive Officer until September 2020. Nonetheless, 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 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 more formal steps to ensure it consistently obtains and documents in its procurement files the approved purchase requests prior to its staff starting the purchasing activity.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will start a formal procurement document checklist as part of the procurement documentation and purchase review and approval process to ensure purchases are appropriately justified, funded, and approved.

Response provided on 3/3/2023 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: FY 2022-23 Q4

Responsible Person(s): Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor; Bill Bretag, Facilities and Procurement Specialist

FINDING REFERENCE: 2022-13-01

NON-COMPETITIVE PROCUREMENTS

CRITERIA

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 5, 5.9 SOLE SOURCE:

JBEs may purchase non-IT goods, non-IT services, and IT goods and services of any value without conducting a competitive procurement if (i) the vendor is the only source of the goods and/or services that meet the JBE's need, or (ii) a grant application submittal deadline does not permit the time needed for a competitive procurement of services.

A sole source request must be provided to the sole source approver.

The sole source request should include the following information:

- Description of the non-IT goods, non-IT services, or IT goods and services to be procured;
- Explanation of why the non-IT goods, non-IT services, or IT goods and services cannot be procured competitively;
- The effort made to solicit competitive Bids, if any;
- Documentation that the pricing offered is fair and reasonable; and
- Special factors affecting the cost or other aspect of the procurement, if any.

CONDITION

For four of the procurement transactions reviewed, the Court was unable to justify its use of non-competitive procurement for goods that exceeded the \$10,000 JBCM non-competitive bid threshold. Specifically, for three of the procurement transactions, ranging in amounts from \$30,000 to more than \$162,000, the Court did not provide the solicitation documents or support for its justification of the use of non-competitive procurement practices, such as sole source procurements. For the fourth procurement transaction, related to printing services totaling more than \$22,700, the Court indicated that the procurement was done during a busy period, but it acknowledged that it should have done a competitive procurement. As a result, the Court risks not adequately satisfying the disclosure requirements of its procurement practices and is unable to demonstrate that it followed the competitive solicitation process when required, or that it properly procured goods or services without competitive bidding, including the basis for those decisions. When courts do not reasonably justify a reason for not following the JBCM competitive bidding requirements when procuring goods or services, they risk both not obtaining the best value procurements and creating the appearance of not fairly awarding their procurement contracts.

RECOMMENDATION

The Court should take steps to ensure it documents its justification for not competitively bidding goods or services before continuing with the procurement process.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will document its justification for not competitively bidding goods or services before continuing with the procurement process.

Response provided on 3/3/2023 by: Jacalyn Mah, Chief Financial Officer

Date of Corrective Action: FY 2022-23 Q4

Responsible Person(s): Jacalyn Mah, Chief Financial Officer; Michelle Sesaldo, Financial Services Supervisor; Bill Bretag, Facilities and Procurement Specialist

PAYMENT PROCESSING

The Court 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.

Results

Our review found that the Court complied with applicable requirements in the payment processing areas we evaluated during our audit. Specifically, the Court demonstrated sound management practices in the areas of in-court service providers, jury expenses, and allowable costs.

FINE AND FEE DISTRIBUTIONS

The Court Calculated Accurate Fine and Fee Distributions for the Case Types Reviewed

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.

Results

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

FUND BALANCE

The Court Appropriately Supported Its Year-End Encumbrances

Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed a defined percentage of a court's prior fiscal year operating budget. Operating budget is defined as the court's total expenditures from all funds (excluding fiduciary funds) that are expended for operating the court. Certain types of funds received by the court and restricted for certain purposes—as specifically designated in statute, and including year-end encumbrances—are exempt from this requirement. The intent of the legislation was to prevent trial courts from accumulating significant fund balances instead of spending the funds on court operations. Audit Services reviews year-end encumbrances to ensure courts do not inflate their calculated fund balance caps by overstating total year-end encumbrance amounts for the current fiscal year, avoiding any required reductions in their budget allocation.

In addition, should a court need to retain funds that exceed its three 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.

Results

Our review found that the Court complied with the requirements for reporting year-end encumbrances. Specifically, the Court supported the encumbrances it reported on its final FY 2020-21 calculation form with valid contracts for goods or services not received by June 30, 2021. Finally, we did not review its use of any excess funds because the Court has not requested the Judicial Council to hold any such funds on its behalf.

JBSIS CASE FILING DATA

The Court Reported Materially Accurate New 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.

Results

Our review found that the Court's records materially supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2019-20.

GRANT AWARD COMPLIANCE

The Court Followed Appropriate Grant Accounting and Administrative Procedures

Background

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

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

Results

Our review of its grant administration practices found that the Court followed appropriate grant accounting and administrative procedures and demonstrated material compliance with the Child Support Services grant and the Family Law Facilitator grant (AB 1058 program components) terms and conditions.

ENHANCED COLLECTIONS

The Court Appropriately Recovered Costs for its Enhanced Collections Program

Background

Penal Code section 1463.010(a) requires the Judicial Council to adopt guidelines for a comprehensive program concerning the collection of monies owed for fees, fines, forfeitures, penalties, and assessments imposed by court order. In addition, as part of its guidelines, the Judicial Council may establish standard agreements for entities to provide collection services. Section (b) requires courts and counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county. The program may be in whole or in part staffed and operated in the court itself, in the county, or contracted with a third party. Also, in carrying out its collection program, each superior court and county is required to develop a cooperative plan to implement the Judicial Council guidelines. Section (c) requires the Judicial Council to develop performance measures and benchmarks to review the effectiveness of the cooperative superior court and county collection programs operating pursuant to this section. Further, it requires each superior court and county to jointly report to the Judicial Council information requested in a reporting template on an annual basis.

The standards by which a court or county may recover the costs of operating a comprehensive collection program are provided in Penal Code section 1463.007. Collection costs (with the exception of capital expenditures) may be recovered from the collection of delinquent court-ordered fines, fees, forfeitures, penalties, and assessments imposed on infraction, misdemeanor, and felony cases before revenues are distributed to any other government entity. A comprehensive collection program is a separate and distinct revenue collection activity that meets certain requirements and engages in certain collection activity components as defined in state law. Eligible costs that can be recovered include staff costs, costs paid to another entity under an agreement for their collection activities, and indirect costs.

Results

Our review found that the Court had a qualified enhanced collections program. Furthermore, we found that the Court appropriately recovered only eligible collections costs.
