



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

JULY 2021



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Mono

Table of Contents

EXECUTIVE SUMMARY i

BACKGROUND ON THE COURT’S OPERATIONS..... iv

AUDIT SCOPE AND METHODOLOGY v

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION 1

 CASH HANDLING..... 2

 PROCUREMENT AND CONTRACTS 3

 PAYMENT PROCESSING..... 7

 FINE AND FEE DISTRIBUTIONS..... 10

 ONE PERCENT FUND BALANCE CAP 11

 JBSIS CASE FILING DATA 13

 GRANT AWARD COMPLIANCE..... 18

 OTHER AREAS 19

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

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	N/A	-		
2	Voided Transactions	N/A	-		
3	Manual Receipts	N/A	-		
4	Mail Payments	N/A	-		
5	Internet Payments	N/A	-		
6	Change Fund	N/A	-		
7	End-Of-Day Balancing and Closeout	N/A	-		
8	Bank Deposits	N/A	-		
9	Other Internal Controls	N/A	-		
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2020-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	1	2020-13-01	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	1	2020-19-01	Agrees
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	CMS-Calculated Distributions	No	-		
26	Manually-Calculated Distributions	N/A	-		
1% Fund Balance Cap					
27	Calculation of the 1% Cap	Yes	1	2020-27-01	Agrees
28	Use of "Held on Behalf" Funds	Yes	✓		
JBSIS Case Filing Data					
29	Validity of JBSIS Data	Yes	1	2020-29-01	Agrees
Grant Award Compliance					
30	AB 1058 Program	Yes	✓		
Other Areas					
31	[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 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 payment processing and in meeting AB 1058 grant requirements. 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, the Court properly supports its timekeeping and other expenses that it charges to the AB 1058 grant program.

However, our audit did identify five 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 five 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 ensuring that its procurement process begins with an approved purchase requisition form. Specifically, 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 create a formal purchase requisition form. Additionally, the Court will update its purchasing procedures to require an authorizing signature on the purchase requisition form prior to beginning the procurement process.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on July 28, 2020, and completed its fieldwork in April 2021. Audit Services shared the draft audit findings with the Court starting on February 22, 2021, and received the Court's final official responses on March 12, 2021. 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 Mono (Court) operates two court facilities in cities of Mammoth Lakes and Bridgeport. 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 Mono Superior Court and Average of all Superior Courts

Statistic	Mono Superior Court	Average of All Superior Courts					All 58 Courts
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts		
Financial Highlights (Fiscal Year 2019-20)							
Total Revenue	\$ 2,589,820	\$ 2,715,519	\$ 12,171,790	\$ 47,048,069	\$ 214,574,598	\$ 48,349,317	
Total Expenditures	\$ 2,199,377	\$ 2,584,555	\$ 11,944,457	\$ 47,080,729	\$ 213,771,652	\$ 48,111,379	
Staff Salaries & Benefits	\$ 1,571,016	\$ 1,729,229	\$ 8,986,460	\$ 36,391,318	\$ 176,647,522	\$ 38,795,932	
As a % of Total Expenditures	71.4%	66.9%	75.2%	77.3%	82.6%	80.6%	
Judicial Officers and Staff (2020 Court Statistics Report)							
Judges	2	2	8	27	131	29	
Commissioners/Referees	-	-	1	4	19	4	
Non-Judicial Staff (approx.)	13	17	92	311	1,362	315	
Total	15	19	101	342	1,512	348	
New Case Filings (Fiscal Year 2018-19)							
Appeal Filings	3	5	79	200	271	115	
Civil Filings							
Civil	138	318	2,321	10,563	60,379	12,517	
Family Law	97	272	1,742	6,163	25,986	6,038	
Juvenile Delinquency	20	69	214	994	2,187	644	
Juvenile Dependency	8	61	223	613	3,887	830	
Mental Health	2	10	183	859	8,669	1,595	
Probate	11	51	277	962	3,695	891	
Small Claims	35	56	403	1,968	13,617	2,687	
Criminal Filings							
Felonies	81	230	1,185	3,940	12,791	3,309	
Misdemeanors / Infractions	7,128	4,425	22,304	83,945	324,851	77,380	
Total	7,523	5,497	28,931	110,207	456,333	106,006	

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts information is from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of April 28, 2021, 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. Mono Superior Court is a cluster 1 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Mono (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 periods covered by this audit are noted below in the specific compliance areas. Certain test objectives have differing audit periods. For example, conclusions on cash handling practices are principally based on auditor observations in the current year, while reviewing procurement requires reviewing case file data under JBSIS reporting requires reviewing cases from an earlier period since changes to new filings are permitted for several years until frozen for budgeting purposes. 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. 	The Audits and Financial Accountability Committee approved the fiscal year 2020-21 Audit Plan during the July 14, 2020, meeting. Per the approved Audit Plan, Audit Services proposed temporarily suspending cash handling audit work due to COVID-19. Our audit procedures rely extensively on in-person observations of key controls, and budget reductions and travel restrictions arising from COVID-19 limit our ability to complete this work. Therefore, Audit Services did not review cash handling internal controls and processes for the Court during the course of this audit.
3	Determine whether the Court demonstrated appropriate control over	We reviewed the Court's assignment of purchasing and payment roles to assess whether it

<p>its non-personal services spending activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"> ▪ 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>appropriately segregated staff roles for approving purchases, procuring the goods or services, receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • 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 2019-20 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</p>
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		to address previously reported systemic audit findings related to court interpreter service claims.)
4	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) had recently completed a revenue audit of the Court's fine and fee distributions. The Court also informed us that it is in the process of implementing a new CMS and will ensure it has adequately corrected any fine and fee calculation or distribution errors as it implements its new CMS. Additionally, the court staff with the knowledge of the Court's current CMS distributions is no longer employed by the Court, and the Court is currently unable to provide us with the necessary information. Therefore, since our review of its current CMS distributions would be of limited benefit to the Court, we did not review its current CMS fine and fee calculations and distributions.
5	Determine whether the Court properly calculates its one percent fund balance cap 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 final <i>1% Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (FY 2018-19), and performed the following: <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. 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.
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

		<p>froze and used JBSIS data for funding allocations (FY 2018-19), we performed the following:</p> <ul style="list-style-type: none"> • 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. • We selected 10 cases from four case types, all eight cases for the year from a from a fifth case type, and the only two cases for the year from a sixth case type, for a total of 50 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	<p>Determine whether the Court spent AB 1058 grant awards from the Judicial Council in compliance with the grant award requirements.</p>	<p>We selected one month from fiscal year 2019-20 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.</p>

Assessment of Data Reliability

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

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

Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on July 15, 2021, 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:

Michelle O’Connor, Senior Auditor (auditor in charge), CPA, CFE, CGFM

Joe Meyer, Senior Auditor, CPA, CIA

Veronica Lee, Auditor, CFE

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Tia Thao, Auditor

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

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.

At the Audit Committee's July 2020 meeting, the committee suspended performance of our audit procedures related to Court "cash handling" requirements. Our audit procedures rely extensively on in-person observations of key controls, and budget reductions and travel restrictions arising from COVID-19 limited our ability to perform this work.

PROCUREMENT AND CONTRACTS

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

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

Finding Reference	Subject
2020-10-01	Procurement - Initiation
2020-13-01	Procurement – Non-Competitive Sole Source

FINDING REFERENCE: 2020-10-01

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 purchase requisitions prior to initiating its procurements. Specifically, for five of the 22 procurement transactions reviewed for which we expected to see a purchase requisition, the Court did not document a purchase requisition form on which the requestor identified and documented the necessity for the requested goods or services, and on which an authorized manager verified the necessity for goods or services and that sufficient funds were available for the purchase given its local budget priorities before approving the initiation of the procurement process. For example, for one procurement the Court entered into a \$25,000 contract for Juvenile Dependency Legal Counsel services through the County of Mono. According to the Court, it uses an email process for approvals in regard to "in-house" procurements. However, the Court was unable to provide documentation of the email approval process. For another procurement, the Court signed a not-to-exceed \$180,000 contract to obtain the services of a project manager to assist with the implementation of the Court's new CMS. The Court stated it did not create or use a purchase request because the Court was using a JCC funds-held-on-behalf request specifically for the new CMS implementation. However, according to the JBCM, the first step of a procurement effort is the purchase request. Best practices dictate that purchase requests should be documented in written or electronic form, and one of the considerations listed in the JBCM is whether there is documentation in sufficient detail to support and justify conducting the procurement. Without a documented purchase requisition to demonstrate that authorized court management reviewed and approved the purchase request before staff initiate and make the purchase, the Court is at increased risk of staff initiating purchases before fully assessing the business need and available funding for the items or of making unauthorized purchases.

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

Court agrees. We will establish policies and procedures that will formalize court contracting practices to ensure that a purchase requisition is completed prior to our procurements and incorporate these into our local contracting manual. The court will create a Purchase Requisition Form and be sure that an authorizing signature is obtained prior to the procurement process. A copy of this form will be kept in our records for future reference.

Response provided on 3/12/2021 by: Tammy Laframboise, Fiscal Director

Date of Corrective Action: Fall 2021

Responsible Person(s): Lester Perpall, CEO

FINDING REFERENCE: 2020-13-01

PROCUREMENT – NON-COMPETITIVE SOLE SOURCE

CRITERIA

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 (refer to Policy No. FIN 12.01, section 6.3.3). Depending on the nature and value of the procurement, procurement files must contain:
 - b. Rationale for method of procurement (quotes, sealed bid, proposal, etc.).

FIN MANUAL, FIN 6.01, 6.11.5 SOLE SOURCE PROCUREMENTS:

2. Justification of the rationale for sole source procurements should predate the actual procurement and must be documented thoroughly and carefully in the event an audit or investigation is performed during or after the procurement. Documentation justifying a sole source procurement should include:
 - a. The effort made to solicit competitive bids or proposals, if any;
 - b. A summary outlining the reason for the sole source, based on the allowable exceptions set forth in paragraph 1 above;
 - c. Cost information in sufficient detail to support and justify the cost of the contract as reasonable and fair;
 - d. Cost information for similar services and differences that should be noted and explained;
 - e. Special factors affecting the cost under the contract; and
 - f. An explanation of why the trial court believes the cost is appropriate.

CONDITION

Our review of selected procurement transactions found that for two of the 25 procurements reviewed, the Court could not provide documentation to justify the non-competitive procurement selection of the vendor. One procurement related to a purchase for postage from a vendor that the Court paid more than \$35,000 to in fiscal year 2019-2020. A second procurement was for the implementation of a new CMS in the amount of \$73,404. According to the Court, it was unaware of the FIN Manual's sole source documentation requirement and was unable to provide documentation for a sole source request and approval for these two procurements. When the Court does not competitively procure services and does not properly approve its requests for conducting non-competitive sole-source procurements, it risks the appearance that it is not seeking to maximize competition to obtain best value.

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

Court agrees. For future sole source procurement, the court will obtain written justification for the purchase from an authorized approver prior to the purchase. The court will also develop a written procedure identifying all steps necessary for the sole source procurement process.

Response provided on 3/12/2021 by: Tammy Laframboise, Fiscal Director

Date of Corrective Action: Fall 2021

Responsible Person(s): Lester Perpall, CEO

PAYMENT PROCESSING

The Court Generally Complied with Most Payment Processing Requirements, But Could be More Consistent with the In-Court Service Provider 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.

The Court demonstrated compliance in most of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of three-point match processing, special items of expense, and allowable costs. Nevertheless, we identified one audit finding in the payment processing area that we believe requires the Court's corrective action. This finding pertains to the following specific area of payment processing:

Finding Reference	Subject
2020-19-01	Special Rules – In-Court Service Providers

FINDING REFERENCE: 2020-19-01

SPECIAL RULES – IN-COURT SERVICE PROVIDERS

CRITERIA

FIN MANUAL, FIN 8.02, 6.3 COMPLETE CLAIM DOCUMENTATION:

1. The documentation required to pay a claim consists of a court-approved claim form that includes at least the following information:
 - a. The name and address of the person or business submitting the claim,
 - b. The tax identification number of the person or business submitting the claim. (If the tax identification number is on file with the court, it need not appear on every claim form.),
 - c. The signature of the person making the claim or the person authorized to sign for the business making the claim,
 - d. The case number and name, and
 - e. The amount of compensation claimed.

FIN MANUAL, FIN 8.02, 6.8 RECONCILIATION OF CLAIMS:

After the accounts payable department has received and recorded a claim, it must be reconciled to the court authorization for the services provided and the service provider's invoice. The claim should be reviewed against the court authorization to verify the appointment, rates, and any hour or dollar limits that may apply. The invoice should be reviewed against the court authorization for the rates and hours charged, and other costs incurred. The correctness of unit price extensions and totals should also be reviewed. Previous claims for the same matter should also be reviewed to assure that limits are not exceeded.

CONDITION

For three of the five in-court services claims reviewed, the Court processed and paid claims totaling \$14,900 even though the claimants did not include all the information required for the Court to fully verify the accuracy and validity of the claims. Specifically, court accounts payable staff processed two court reporter claims, totaling \$2,900, for payment without requiring the claimants to include on their claim forms the case numbers and names for which they provided services. In addition, the Court paid a \$12,000 claim submitted by a psychiatrist that did not include the claimant's signature. The Court stated that it tracks the cases and case numbers via calendars, and it was unaware of these requirements. However, the FIN Manual requires claims to include certain information, including the case numbers, case names, and claimant signatures. When courts do not require claimants to provide case numbers and names to help demonstrate the accuracy of their claims, and when they do not ensure written court authorizations are on file for the services provided, they risk claimants submitting duplicate, invalid, or inappropriate claims, and later asserting that the claim was not theirs or unintended.

RECOMMENDATION

To ensure court accounts payable staff responsible for processing in-court service provider claims have the information they need to reconcile and verify the accuracy of these claims prior to payment approval and processing, the Court should require all in-court service providers to use a claim form that includes at least the following information:

- The name and address of the person or business submitting the claim,
- The tax identification number of the person or business submitting the claim. (If the tax identification number is on file with the court, it need not appear on every claim form.),
- The signature of the person making the claim or authorized to sign for the business making the claim,
- The case number and name, and
- The amount of compensation claimed.

In addition, the Court should ensure it prepares and provides copies of written court authorizations to its accounts payable staff responsible for processing in-court service provider claims so that they are able to reconcile the claims to the associated court authorization and verify the appointment, pay rates, and any hour or dollar limits that may apply.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Court agrees. The court will develop a procedure to ensure all payments can be reconciled. Vendors may use their own form for payment submittal as long as all required information is on

the form. This will be verified by the Executive Assistant once the form is submitted. A written procedure of the requirements will be created and be used to train the staff.

Response provided on 3/12/2021 by: Tammy Laframboise, Fiscal Director

Date of Corrective Action: July 2021

Responsible Person(s): Lester Perpall, CEO

FINE AND FEE DISTRIBUTIONS

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

Background

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

During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) had recently completed a revenue audit of the Court's fine and fee distributions. The Court also informed us that it is in the process of implementing a new CMS and that it will ensure it has adequately corrected any fine and fee calculation or distribution errors as it implements its new CMS. Additionally, the court staff with the knowledge of the Court's current CMS distributions is no longer employed by the Court, and the Court is currently unable to provide us with the necessary information. Therefore, we did not review its current CMS fine and fee calculations and distributions.

ONE PERCENT FUND BALANCE CAP

The Court Should Ensure Its One Percent Fund Balance Cap Calculations Include Only Financial Commitments That Qualify as Year-End Encumbrances

Background

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

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

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

Finding Reference	Subject
2020-27-01	Calculation of the One Percent Cap - Encumbrances

FINDING REFERENCE: 2020-27-01

CALCULATION OF THE ONE PERCENT CAP - ENCUMBRANCES

CRITERIA

FIN MANUAL, FIN 5.01, 6.6, 6.6.1, ENCUMBRANCE GUIDELINES:

1. To encumber current fiscal year money, courts must have a valid contract or agreement by June 30 of the current year. Contracts may be encumbered with current year funds as of the execution date, if the contract does not state or imply a delay in delivery to the next fiscal year. For multiyear agreements, courts must follow the rules in paragraph 3.

FIN MANUAL, FIN 5.01, 6.8, 6.8.3, YEAR-END ENCUMBRANCES:

1. The trial court must review the ending balances for all open POs, MOUs, IBAs, and contracts and the related encumbrances for validity. Unneeded encumbrance balances, including balances for blanket purchase orders that will not be used by the end of the fiscal year (June 30), must be disencumbered and the disencumbrance must be recorded in that fiscal year.

CONDITION

At the end of fiscal year 2018-19, the Court reported year-end encumbrances that exceeded its actual financial commitments. Specifically, the Court's year-end encumbrance amount of \$34,430 included \$7,598 related to a blanket purchase order (BPO) for office supplies that was not used by the end of the year. The FIN Manual states that unneeded encumbrance balances must be disencumbered at the end of the fiscal year. According to the Court, it was unaware of this FIN Manual requirement.

Additionally, the Court encumbered a purchase order (PO) for IT services in the amount of \$1,617 at fiscal year-end that implied a delay in delivery to the next fiscal year. Although the contract was executed in June 2019, the coverage period for the services started in the next fiscal year. The FIN Manual allows courts to encumber contracts with current year funds if the contract does not state or imply a delay in delivery to the next fiscal year. Because the services were not scheduled to begin until fiscal year 2019-20, the Court should not have encumbered these services using fiscal year 2018-19 funds. The Court stated that it had misunderstood this requirement. As a result, the Court encumbered a total of \$9,215 more than it should have at the end of fiscal year 2018-19, and thus overstated its 1% fund balance cap and understated its ending fund balance subject to the cap.

RECOMMENDATION

To ensure the Court does not continue to encumber amounts at fiscal year-end for BPOs or for contracts with delayed delivery dates, the Court should provide training to its fiscal staff to ensure its encumbrance practices are consistent with the intent of the Judicial Council's encumbrance and fund balance policies.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Court agrees. The fiscal staff will reference the FIN manual and attend year end trainings to ensure proper procedures are followed for the encumbrance process. Any new fiscal staff will be provided the FIN manual with the encumbrance guidelines to ensure this will not occur again.

Response provided on 3/12/2021 by: Tammy Laframboise, Fiscal Director

Date of Corrective Action: June 2021

Responsible Person(s): Lester Perpall, CEO

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 the 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
2020-29-01	JBSIS Data Quality – Case Filing Counts and Data

FINDING REFERENCE: 2020-29-01

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.

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. Columns A through D from Table 1 compare the Court's aggregated JBSIS data for fiscal year 2018-19 against its own corroborating CMS data. As shown in columns A through D, we found 3 variances in total (or less than 0.04% of all reporting filings). Nevertheless, the Court's reported filings for Civil – Limited and Civil – Unlimited cases were overstated by 2 filings (or 5.41% of all filings in that case category) and 7 filings (or 9.21% of all filings in that case category) respectively. Additionally, the Court's filings for Small Claims was understated by 2 filings (or 5.71% of all filings in that case category). Since the amount of error exceeds the council's tolerable error rate for JBSIS reporting, the Court will need to amend its reported filings on JBSIS for reports 05a, 05b, and 13a.

Our audit also reviewed the Court's ability to support the 2018-19 case filings data that existed in August 2020 when it was used by the Judicial Council as part of the trial court budget allocation process. We performed this analysis in columns E through G on Table 1, identifying instances when CMS records at the Court did not fully support the filings counts used for budget allocation purposes.

Table 1 - Comparison of JBSIS Case Filings Data to Underlying Court Records for FY 2018-19

JBSIS Report / Case Category	JBSIS versus Court Records				WAFM versus Court Records			
	A	B	(A-B)	(C/A)	E	F	(E-F)	
			C	D			G	
Filings in JBSIS(*)	Court Records(#)	Net Difference	Error Rate	Filings WAFM(^)	Court Records WAFM (^)	Over / (Under)	Case Weight (&)	
05a Unlawful Detainer	25	25	-	0.00%	25	25	-	
05a Civil – Limited	37	35	2	5.41%	37	35	2	182
05a EDD	-	-	-	0.00%	-	-	-	
05b Civil – Unlimited	76	69	7	9.21%	76	69	7	719
05b Civil – Complex	-	-	-	0.00%	-	-	-	
05b Asbestos	-	-	-	0.00%	-	-	-	
06a Family Law – Marital	49	49	-	0.00%	49	49	-	
06a Family Law – Child Support	16	16	-	0.00%	16	16	-	
06a Family Law – Domestic Violence	16	16	-	0.00%	16	16	-	
06a Family Law – Parentage	16	16	-	0.00%	16	16	-	
06a Family Law – Other	1	1	-	0.00%	1	1	-	
07c Felony	81	81	-	0.00%	81	81	-	
08a Juvenile Delinquency	20	20	-	0.00%	20	20	-	
09a Juvenile Dependency	8	8	-	0.00%	8	8	-	
10a Mental Health	2	2	-	0.00%	2	2	-	
11a Misdemeanor – Traffic	433	433	-	0.00%	433	433	-	
11a Misdemeanor – Non-Traffic	615	619	(4)	-0.65%	615	619	(4)	478
11a Infractions	6,080	6,080	-	0.00%	6,080	6,080	-	
12a Conservator / Guardianship	4	4	-	0.00%	4	4	-	
12a Estates / Trusts	7	7	-	0.00%	7	7	-	
13a Small Claims	35	37	(2)	-5.71%	35	37	(2)	259
Overall Total	7,521	7,518	3	0.04%	7,521	7,518	3	

Source: Judicial Branch Statistical Information System (JBSIS) and the Court's CMS records.

Notes:

- * Reported case filings for fiscal year 2018-19, by JBSIS report and case category, as accessed by Audit Services in August 2020.
- # Court CMS data provided by the Court to substantiate the aggregate filings data reported to JBSIS.
- ^ Aggregate counts of the Court's filings, by case type, used by the Judicial Council for the purpose of calculating WAFM allocations. These numbers may vary from columns A and B for a variety of reasons, including timing differences between when the Judicial Council "freezes" and combines certain cases from different JBSIS reports that have the same case weight and subsequent data updates from the Court.
- & Applicable case weight (shown as minutes per filing), which is eventually applied to filings to determine WAFM budget allocations.

In short, columns A through D illustrate whether the Court can support its JBSIS filings data for fiscal year 2018-19 based on the summary CMS data provided at the time of our fieldwork at the end of August 2020; while columns E through G evaluate whether the Court can support the 2018-19 filings data that was used by the council at the beginning of August 2020 when determining trial court budget allocations for fiscal year 2020-21. We noted the following discrepancies in the filings data (column G) that was used for trial court funding purposes.

- *Civil – Limited (182 minutes/filing)*: For filings applicable to this case weight, the Court's filings are understated by two. According to the Court, its Form 2C Reports for the months of September and December 2018 show beginning pending cases that are different from ending pending on the previous months' reports, so the Court reported an additional case to reconcile the difference. Thus, this variance is a result of data programming errors that may exist within its legacy CMS. The Court is currently transitioning to a new CMS system since its legacy CMS is no longer supported.

- Civil – Unlimited (719 minutes/filing): For filings applicable to this case weight, the Court overstated this total by seven filings. According to the Court, part of this variance is explained by two cases that were double-counted. Specifically, the Court had two small claims appeals cases during the fiscal year, and it inadvertently reported these cases in both the months the appeals were filed as well as in the months the trials took place. Thus, four new case filings were reported instead of only two. For the remaining five cases, the Court stated that it is unable to explain the variance, but that it was perhaps due to clerical error.
- Small Claims (259 minutes/filing): For filings applicable to this case weight, the Court understated this total by two filings. According to the Court, data was taken directly from its Form 2C Report at the time of submission to JBSIS, but it is now apparent that the number of Small Claims filings differs from the generated report due to a data programming error that may exist within its legacy CMS.
- Misdemeanor – Non-Traffic (478 minutes/filing): For filings applicable to this case weight, the Court understated this total by four filings. However, since the variance was less than 2% as noted at Table 1, column D, the difference was deemed immaterial and Audit Services did not investigate further.

Review of Case Files for JBSIS Data Quality

Aside from reconciling JBSIS case filings data to its underlying case-specific records, we also selected a sample of case files to review and determine whether the Court followed the JBSIS Manual's case-type definitions. Our review of 50 case filings from FY 2018-19 found the issues noted in Table 2 on the next page.

Table 2 - Misclassification and Other Errors Identified During Review of Case File Records

Selected Case Type	# of Case Files Reviewed	# of Case Files With Errors	Error Description
Civil – Unlimited	10	1	Incorrectly reported a case in the wrong category.
Family Law – Child Support	10	1	Unable to provide case documentation.
Family Law – Domestic Violence	10	0	
Felony	10	0	
Juvenile - Dependency	8	0	
Mental Health	2	0	
Total	50	2	

The specific errors noted above are as follows:

- Civil – Unlimited: For one of 10 Civil – Unlimited cases reviewed, the Court incorrectly reported the filing. Specifically, per the civil case cover sheet for the case we reviewed, as well as supporting documents, the case should have been reported as Other PI/PD/WD. However, this case was reported as Other Civil. According to the Court, it was inadvertently reported in the wrong field due to a clerical error.
- Family Law – Child Support: For one of the 10 Family Law – Child Support cases reviewed, the court was unable to provide support that the case was reported accurately to JBSIS. According to the Court, this case was reported to JBSIS, but it is no longer in the court's CMS and there is no paper file to be found. The Court stated that it was unsure of what happened, and that the case may have been deleted from the system accidentally.

RECOMMENDATION

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

- Resubmit updated case filings data to JBSIS for FY 2018-19 via an amended report.
- Provide training to clarify for staff certain JBSIS case type definitions and the required case file records.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Court agrees. The court will submit amended data to correct reports 05a, 05b and 13a. The court will also develop an internal policy and procedure manual listing the proper JBSIS case type definitions and how they should be reported that can be used to train the staff. The court will also adapt a process to review our data on a routine and non-routine basis. A new Case Management System is being implemented in June 2021 offering more capability of accurate reporting.

Response provided on 3/12/2021 by: Tammy Laframboise, Fiscal Director

Date of Corrective Action: July 2021

Responsible Person(s): Lester Perpall, CEO

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. Non-compliance with the terms of significant grant awards may result in the Court losing access to this grant funding in future years, or may result in the Court repaying funds spent inappropriately.

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

Our review of its grant administration practices found that 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.

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.
