



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

MARCH 2021



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Napa

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

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

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	2020-1-01	Agrees
2	Voided Transactions	Yes	✓		
3	Manual Receipts	Yes	✓		
4	Mail Payments	Yes	1	2020-4-01	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2020-6-01	Partially agrees
7	End-Of-Day Balancing and Closeout	Yes	1	2020-7-01	Agrees
8	Bank Deposits	Yes	1	2020-8-01	Agrees
9	Other Internal Controls	Yes	✓		
Procurement and Contracts					
10	Procurement Initiation	Yes	✓		
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	1	2020-12-01	Agrees
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	1	2020-17-01	Agrees
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 Distribution					
25	CMS-Calculated Distributions	Yes	1	2020-25-01	Agrees
26	Manually-Calculated Distributions	N/A	-		
1% Fund Balance Cap					
27	Calculation of the 1% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	Yes	✓		
JBSIS Case Filing Data					
29	Validity of JBSIS Data	Yes	✓		
Other Areas					
30	[None]	N/A	-		

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

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

The Court demonstrated consistent adherence to several different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court generally demonstrated good compliance in the areas of reporting on limits to its fund balance (1% fund balance cap) and in reporting new case filings counts and data to JBSIS. For example, our review of the Court's 1% fund balance cap calculation and reporting process was sound. In addition, our review found that its records materially supported the new case filing counts and data it submitted to JBSIS.

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

One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over the payments it receives in the mail. Specifically, the Court does not consistently restrictively endorse checks or other negotiable instruments received in the mail immediately upon receipt. Not immediately endorsing mail payments heightens the risk of theft or loss of these payments. In addition, the Court does not require a court employee who did not prepare the deposit to count the cash and checks to verify the daily deposits before tendering the collections for deposit with the County Treasurer. As a result, there is a risk that the deposits may not be intact at the time they are prepared and deposited, and any potential deposit shortage would be without clear accountability of when or who may have been responsible for the discrepancy. The Court indicated it agreed with our findings and recommendations in this area and indicated taking corrective action to strengthen its controls over mail payments and deposit preparation.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on February 21, 2020. Completion of fieldwork was delayed due to the COVID-19 pandemic, and fieldwork was completed in October 2020. Audit Services shared the draft audit findings with the Court's officials on November 2, 2020, and received the Court's final official responses on January 26, 2021. The Court generally agreed with the findings and its specific responses for each are included in the body of the report.

BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Napa (Court) operates three court facilities in the city of Napa. 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 Napa Superior Court and Average of all Superior Courts

Statistic	Napa 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 2019-20)						
Total Revenue	\$ 10,829,205	\$ 2,715,519	\$ 12,171,790	\$ 47,048,069	\$ 214,574,598	\$ 48,349,317
Total Expenditures	\$ 10,422,282	\$ 2,584,555	\$ 11,944,457	\$ 47,080,729	\$ 213,771,652	\$ 48,111,379
Staff Salaries & Benefits As a % of Total Expenditures	\$ 7,705,466 73.9%	\$ 1,729,229 66.9%	\$ 8,986,460 75.2%	\$ 36,391,318 77.3%	\$ 176,647,522 82.6%	\$ 38,795,932 80.6%
Judicial Officers and Staff (2020 Court Statistics Report)						
Judges	7	2	8	27	131	29
Commissioners/Referees	1	-	1	4	19	4
Non-Judicial Staff (approx.)	71	17	92	311	1,362	315
Total	79	19	101	342	1,512	348
New Case Filings (Fiscal Year 2018-19)						
Appeal Filings	28	4	79	200	273	115
Civil Filings						
Civil	1,891	299	2,321	10,563	60,379	12,513
Family Law	1,117	256	1,742	6,163	25,986	6,034
Juvenile Delinquency	258	68	214	994	2,161	640
Juvenile Dependency	170	58	223	613	3,887	830
Mental Health	199	10	183	840	8,578	1,577
Probate	252	47	277	962	3,695	890
Small Claims	342	54	403	1,968	13,617	2,687
Criminal Filings						
Felonies	857	222	1,185	3,925	11,965	3,175
Misdemeanors / Infractions	14,206	4,104	22,304	83,881	307,010	74,516
Total	19,320	5,122	28,931	110,109	437,551	102,977

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 January 12, 2021, and may not agree with other reports as this data is subject to continuous updates. New Case Filings counts for Alpine Superior Court and Plumas Superior Court, as well as Mental Health, Felonies, and Misdemeanors/Infractions counts for Santa Clara Court, were unavailable as of this date and are not included in the averages above.

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. Napa Superior Court is a cluster 2 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Napa (Court) in order to determine whether it complied with certain key provisions of statute and the policies and procedures adopted by the Judicial Council of California. Our audit was limited to evaluating compliance with those requirements that, in our professional judgment, were necessary to answer the audit’s objectives. The period covered by this audit was generally limited to fiscal year 2018-19, but certain compliance areas noted below required that we review earlier periods or current practices. Table 3 lists the specific audit objectives and the methods we used to address them.

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

	Audit Objective	Method
1	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court’s compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court complied with the mandatory requirements in the FIN Manual for internal controls over cash (payment) handling. ▪ Assess the quality of the Court’s internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions. 	We obtained information from the Court regarding the types and average volume of collections at each of its payment collection locations. For selected locations, we observed the Court’s practice for safeguarding and accounting for cash and other forms of payments from the public. For example, we reviewed and observed the Court’s practice for appropriately segregating incompatible duties, assigning cash drawers to cashiers at the beginning of the day, reviewing and approving void transactions, safeguarding and accounting for manual receipts, opening and processing mail payments, controlling access to change funds, overseeing the end-of-day balancing and closeout process, and preparing and accounting for the daily bank deposits.
3	Determine whether the Court demonstrated appropriate control over its non-personal services spending activities. Specifically, our review included the following:	We reviewed the Court’s assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving purchases, procuring the goods or services,

	<ul style="list-style-type: none"> ▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual. ▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules. 	<p>receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • Was properly authorized and approved by authorized court management. • Adhered to competitive bidding requirements, when applicable. • Had contracts, when applicable, that contained certain terms required to protect the Court’s interests. <p>We selected a sample of 40 FY 2018-19 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • Whether the payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • Whether the payments for in-court service providers adhered to applicable Judicial Council policies. <p>(Note: We did not review court interpreter claims as the Audit Committee suggested we suspend reviewing these types of claims to allow courts time to develop procedures to address previously reported systemic audit findings related to court interpreter service claims.)</p>
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4	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) recently completed a revenue audit of the Court's fine and fee distributions and found three Court-related errors. Therefore, we limited our review to verifying that the Court took appropriate corrective action to resolve the errors noted by the SCO.
5	<p>Determine whether the Court properly calculates its one percent fund balance cap for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court's final <i>1% Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (FY 2018-2019), and performed the following:</p> <ul style="list-style-type: none"> • Verified significant calculations and balance amounts. • Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system. <p>We obtained any Judicial Council-approved requests by the Court to hold excess prior year fund balances. To the extent that the Court had and spent any of these held funds, we verified that such spending was limited for the purposes previously approved by the Judicial Council.</p>
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2018-2019), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant JBSIS case filings data the Court reported to the Judicial Council and reconciled the case filings counts it reported to its underlying records of cases supporting each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data.

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

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

Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on March 10, 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:

Joe Meyer, Senior Auditor (auditor in charge), CPA, CIA

Michelle O'Connor, Auditor, CPA, CFE

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SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Should Strengthen Its Controls Over Certain Payment Collection Processes

Background

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

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

Nevertheless, we identified five 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
2020-1-01	Daily Opening Process – Verification of Beginning Cash
2020-4-01	Mail Payments – Endorsement
2020-6-01	Change Fund – Accountability
2020-7-01	End-of-Day Balancing and Closeout – Verification
2020-8-01	Bank Deposits – Deposit Verification

FINDING REFERENCE: 2020-1-01

DAILY OPENING PROCESS – VERIFICATION OF BEGINNING CASH

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.2 BEGINNING DAILY BALANCE:

2. Cashiers must count and verify receipt of their assigned individual beginning cash funds in the presence of their supervisor or his or her designee, and both must sign and date a cash receipt log for each such verification and receipt.
3. Any beginning cash drawer/bag cash discrepancies (i.e., bag does not contain \$30) must be resolved before the cashier may start his or her daily cash collection duties.

CONDITION

Contrary to FIN Manual requirements, the Court does not require cashiers to count and verify receipt of their assigned individual beginning cash funds while in the presence of a designated supervisor at the beginning of the day. Instead, the Court's written policies, which are inconsistent with the FIN Manual requirements, require each clerk to verify receipt of their

beginning cash funds at the beginning of each day, and resolve any discrepancies by the end of the workday during daily balancing and closeout instead of before the cashier begins his or her daily cash collection duties. The Court's policies do not require a person other than the cashier to count and verify their beginning cash funds, or to resolve any discrepancies before the cashier begins their daily cash collection duties.

In addition, contrary to FIN Manual requirements, the Court does not require both the designated supervisor and cashier to sign and date a log to demonstrate their count and verification of the beginning cash funds. According to the Court, it was unaware of these current FIN Manual requirements. However, the FIN Manual requires this count, verification, and log at the beginning of each day to ensure continuous accountability of the cash funds. As a result, the Court potentially allows a subsequent cash fund shortage to be without clear accountability of who may have caused the shortage or when it may have occurred as it would be potentially very difficult to resolve any discrepancy that might arise in between end-of-day cash counts. Following such FIN Manual requirements help protect the integrity of both the Court and all its cash handling employees.

RECOMMENDATION

To ensure clear accountability and to protect the integrity of its cash handling employees, the Court should require cashiers to count and verify receipt of their assigned individual beginning cash funds in the presence of their designated supervisors, and to sign and date a cash receipt log for each such verification and receipt before cashiers commence their daily payment collection duties. The Court should also require cashiers to resolve any discrepancies in their beginning cash funds before the cashier begins their daily collection duties instead of by the end of the workday.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding. The Court will revise its daily opening process to align with the FIN manual requirement or submit an alternative procedure request if staffing resource levels don't support it.

Response provided on 12/9/2020 by: Bob Fleshman, CEO

Date of Corrective Action: By March 31, 2021

Responsible Person(s): Maureen Larsen, Deputy CEO/Operations and new CFO – the Court is currently recruiting for this position.

FINDING REFERENCE: 2020-4-01

MAIL PAYMENTS – ENDORSEMENT

CRITERIA

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

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

CONDITION

The Court does not restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail at the Historic Courthouse. Specifically, the specialist opens the mail, then gives the checks to another clerk for logging, who then forwards the checks to another clerk for processing. The checks are not restrictively endorsed immediately upon receipt, but instead after they have been processed. This occurs because the Court's mail payment processing procedures do not require immediate endorsement. Nevertheless, the FIN Manual requires courts to restrictively endorse checks immediately upon receipt. Endorsing checks "for deposit only" into the court bank account immediately upon receipt protects a court's interests by limiting the potential for further negotiation of the checks. When courts do not restrictively endorse checks immediately upon receipt as required, they risk that unendorsed checks may be lost or stolen and cashed or deposited in a non-court bank account.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding. The Court will adopt mail payment processing procedures that align with the FIN manual requirement.

Response provided on 12/9/2020 by: Bob Fleshman, CEO

Date of Corrective Action: By March 31, 2021

Responsible Person(s): Maureen Larsen, Deputy CEO/Operations, and new CFO – the Court is currently recruiting for this position.

FINDING REFERENCE: 2020-6-01

CHANGE FUND – ACCOUNTABILITY

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

2. The trial court must not commingle the Cash Change Fund with the Petty Cash Fund or any other fund. The Cash Change Fund must not be used for any other purpose other than for the making of change for trial court customers tendering cash.
7. At the end of each business day, individuals responsible for making change from the Cash Change Fund must—in the presence of a court manager, supervisor, or his or her designee—count, verify, and reconcile the Change Fund monies to the day's beginning balance, and initial and date the verification/reconciliation.
8. A trial court employee, other than the individuals responsible for making change from the Cash Change Fund, should count the Cash Change Fund in accordance with the following schedule and report the count to the fiscal officer.

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

CONDITION

Contrary to FIN Manual requirements, the change fund at the Criminal Courthouse is commingled with other funds. While the change fund amount at this location should be \$550, the actual amount in the change fund can fluctuate daily. Specifically, the Court adds the starting till amount for each cashier not assigned a till to the change fund, thus commingling the change fund with the funds that should be kept separate for the cashiers' beginning cash. On the date of our observation, the change fund amount noted in the Court's records at this payment location was \$700 at the beginning of the day at 9:00 a.m., \$550 for the change fund plus \$150 for the cashiers' beginning cash. According to the Court, it was unaware of this requirement.

Although the Court currently maintains a \$700 change fund at the Historic Courthouse and a \$550 change fund at the Criminal Courthouse, it does not require the custodian responsible for the fund to count and verify the change fund at the end of each day while in the presence of a manager or supervisor. Instead, the custodian at the Historic Courthouse counts and verifies that location's change fund alone at her desk twice per week, but she does not document her verification on a log or form of some sort with space for her to indicate the balance, the date, and to fill in her initials. While the custodian at the Criminal Courthouse verifies her change fund on a daily basis and documents her verification, she performs this verification alone at her desk, not in the presence of a manager or supervisor. The change fund custodians indicated that they were unaware of these specific FIN Manual requirements. As a result, the Court's current practice of counting the change fund absent the presence of a manager potentially allows a change fund shortage to occur without clear accountability of when the shortage may have occurred or who may have caused the shortage.

In addition, the Court does not require individuals who are not the change fund custodians to periodically count its change funds at the frequency specified in the FIN Manual. The Court follows this practice because it was unaware of this requirement. Nonetheless, the FIN Manual requires courts to have individuals other than the change fund custodians count change funds at least monthly for change funds of \$500 or more. As a result of its current practice, the Court may not know for an extended period of time if one of its change funds is short funds.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should establish local cash handling policies and procedures that align with the FIN Manual requirement. Specifically, the Court should ensure that it does not commingle its change fund monies with any other funds. The Court should also ensure that individuals responsible for making change from the change funds count, verify, and reconcile the change fund monies to the day's beginning balance at the end of each business day. In addition to verifying the change fund at the end of each business day, the Court should ensure that the daily verification is performed while in the presence of a court manager, supervisor, or designee. Finally, the Court should

ensure that an individual other than the custodian counts and verifies its change funds at the frequency specified in the FIN Manual.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court has differing positions on the various findings as noted in each section below. The Court will revise its local cash handling policies and procedures to align with the FIN manual requirement, as appropriate, and/or submit an alternative procedure request if staffing resource levels don't support the changes.

Commingling of funds

Criminal Courthouse: Disagree. The Court doesn't consider what we do as commingling funds. The total amount assigned as the change fund in the criminal courthouse is \$1,000. Part of the change fund is assigned to the change fund custodian. The remaining amounts are assigned to clerks as part of their \$50 beginning daily balance. The only time the amount of the change fund fluctuates is when we have a clerk leave or bring someone in new. At that time, we would take back their \$50, or assign them \$50, respectively. When we do our change fund counts/surprise audits, we account for the full \$1,000. A sample spreadsheet is provided below:

Clerk	Clerk Status	Amount	Money Status
Division Specialist	Division Specialist	\$600	Change Drawer
Clerk 1	Criminal	\$50	Assigned
Clerk 2	Criminal	\$50	Assigned
Clerk 3	Criminal	\$50	Assigned
Clerk 4	Criminal	\$50	Assigned
Clerk 5	Traffic	\$50	Assigned
Clerk 6	Criminal	\$50	Assigned
Clerk 7	Criminal	\$50	Assigned
Clerk 8	Traffic	\$50	Assigned
Total		\$1,000	

Daily count and verification

Criminal Courthouse: Agree. We do not currently require the change funds to be counted in front of a manager or supervisor, and we do not log the counting of the change fund.

Historic Courthouse: Agree. HCH does not count changed daily, unaware of this requirement.

Periodic count

Criminal Courthouse: Disagree. The change funds are counted by a member of the Accounting staff on a quarterly basis during a surprise audit.

Historic Courthouse: Agree. Accounting does not count the funds on a monthly basis. Our understanding was that it was required quarterly.

Response provided on 12/11/2020 by: Bob Fleshman, CEO

Date of Corrective Action: No later than March 31, 2021

Responsible Person(s): New CFO – the Court is currently recruiting for this position.

AUDIT SERVICES' COMMENTS ON COURT'S VIEW

The Court is comingling funds because it is combining its tracking of money from the change fund with the pool of money provided to cashiers at the start of each day. This is problematic because different people are accountable for each fund and combining both—as the court does in its example spreadsheet—can erode that accountability. For example, cashiers and their supervisors are accountable for the beginning balance in the cash drawer or till, and for any subsequent payments received from the public. At closeout, cashiers prepare the amounts collected for deposit and secure the cash drawer's beginning balance for use during the next business day. Separately, the Court's change fund is managed by a "custodian" who helps cashiers break large denominated bills, such as by exchanging a \$100 bill for five \$20-dollar bills. Therefore, the daily balance in the change fund should be static since equal-value exchanges between the custodian and the cashier should be taking place throughout the day. Variations in the change fund's balance, combined with comingling cashier beginning balances, may make it more difficult for the Court to isolate the cause of any fund balance shortfalls. Finally, the Court states that its verification of the change fund's balance is performed on a quarterly basis by independent accounting staff. Our audit finding simply points out that based on the value of the change fund—\$500 or more—the FIN Manual suggests these independent counts occur monthly.

FINDING REFERENCE: 2020-7-01***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 must balance the payments collected in his or her individual cash drawer/bag with the payments and collections recorded in the cashiering system and/or automated case management system. Cashiers may not leave the premises or transact new business until the daily balancing and closeout processes are complete.
2. The balancing and closeout process includes the following steps:
 - a. The cashier completes and signs the recap of daily collections report; attaches a calculator tape for checks; and submits the report, collections, and beginning cash to the supervisor or his or her designee for verification;
 - b. The supervisor or his or her designee verifies in the presence of the cashier that the beginning cash is fully accounted for and the submitted collections balance with the recap of daily collections report;
 - c. The supervisor or his or her designee then verifies that the submitted collections balance with the associated payments and collections reported on the cashier's case management system daily collections closeout report;
 - d. If the collections balance with the amounts in the case management system, the cashier and supervisor or his or her designee must both sign and date the case management system daily collections closeout report.

CONDITION

The Court does not require a supervisor or his or her designee to count and verify each cashier's end-of-day collections to the CMS daily closeout reports while the cashier is present.

Specifically, our observation noted that clerks at both of the Court's payment locations verified their daily collections at their desks, then submitted their daily collections and closeout documentation to the lead for review and verification. However, the cashier is not present when the lead verifies that the cashier's end-of-day collections balance with their recap of daily collections. According to the leads, they were unaware of this FIN Manual requirement.

Nonetheless, the FIN Manual requires a supervisor or his or her designee 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. Adhering to the daily closeout requirements outlined in the FIN Manual helps protect the integrity of both the Court and all its cash handling employees.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding. The Court will revise its daily balance and closeout procedures to align with the FIN manual requirement or submit an alternative procedure request if staffing resource levels don't support it.

Response provided on 12/9/2020 by: Bob Fleshman, CEO

Date of Corrective Action: By March 31, 2021

Responsible Person(s): Maureen Larsen, Deputy CEO/Operations and new CFO – the Court is currently recruiting for this position.

FINDING REFERENCE: 2020-8-01*BANK DEPOSITS – DEPOSIT VERIFICATION***CRITERIA**

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

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

indicating they have verified the coin and paper currency amount contained in the deposit bag.

CONDITION

The Court requires one person to count and a second person to verify its bank deposits; however, the Court does not require the second person verifying the bank deposit slip to count the cash and checks to verify that the actual amounts being deposited are correct. Instead, a single employee verifies and prepares the deposit with no secondary count of the cash and checks. In addition, the Court does not require the person preparing the deposit to sign the deposit slip. According to the Court, it believes that since the deposits are done with the County, and a County employee counts the checks and cash before accepting the deposit, any overage or shortage would be caught by the County employee. However, when the Court does not perform the required review and verification of its deposits, there is a risk that the daily deposits may not be intact at the time they are prepared and deposited. As a result, any potential deposit shortage would be without clear accountability of when or who may have been responsible for the discrepancy.

RECOMMENDATION

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should ensure that a second person verifies and initials its daily bank deposits after they are prepared by another court employee.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding. The Court will revise its deposit handling procedures to align with the FIN manual requirement or submit an alternative procedure request if staffing doesn't allow.

Response provided on 12/9/2020 by: Bob Fleshman, CEO

Date of Corrective Action: By March 31, 2021

Responsible Person(s): New CFO – the Court is currently recruiting for this position.

PROCUREMENT AND CONTRACTS

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

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 one audit finding that we believe requires the Court's corrective action. The finding pertained to the following specific area of procurement:

Finding Reference	Subject
2020-12-01	Competitive Procurements

FINDING REFERENCE: 2020-12-01 *COMPETITIVE PROCUREMENTS*

CRITERIA

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

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

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

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

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

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 4, COMPETITIVE SOLICITATION OVERVIEW:

4.1 THE BASICS OF COMPETITION

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

A. General Requirements

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

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

CONDITION

For two of the procurement transactions reviewed for which the JBCM competitive solicitation requirements applied, the Court could not demonstrate that it competitively bid the procurements when it first entered into contracts or agreements with various service providers. Specifically, in fiscal year 2018-19 the Court spent \$225,000 on security services and \$70,700 on traffic school administration. However, the Court could not demonstrate following a competitive solicitation process for these procurements or justifying a sole-source procurement. According to the Court, archived documents could not be located for these two evergreen contracts. When the Court does not follow and use the proper JBCM competitive solicitation procedures, it cannot ensure it receives the best value for goods and services, and also risks the appearance that it is not awarding its procurements fairly.

RECOMMENDATION

To increase transparency to the public and to demonstrate it performed its due diligence to consistently procure goods and services through a fair and competitive procurement process, the Court should ensure it uses the solicitation appropriate for the amount and type of procurement. It should also retain appropriate procurement documents in a procurement file to substantiate its compliance with all applicable JBCM requirements.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will initiate competitive bids in the next calendar year as appropriate.

Response provided on 11/24/2020 by: Bob Fleshman, CEO

Date of Corrective Action: Summer 2021

Responsible Person(s): Bob Fleshman, CEO

PAYMENT PROCESSING

The Court Generally Complied with Most Payment Processing Requirements, But Could be More Consistent with the Three-Point Match and 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 its payment approval and authority levels, jury expenses, and allowable costs. Nevertheless, we identified two audit findings in the payment processing area that we believe requires the Court's corrective action. These findings pertain to the following specific areas of payment processing:

Finding Reference	Subject
2020-17-01	Three-Point Match
2020-19-01	Special Rules – In-Court Service Providers

FINDING REFERENCE: 2020-17-01

THREE-POINT MATCH

CRITERIA

FIN MANUAL, FIN 8.01, 6.3.2 DOCUMENT MATCHING:

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

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

CONDITION

For three of the 40 payment transactions reviewed, the Court could not demonstrate completing the entire three-point-match verification process when paying invoices and claims. Specifically, accounts payable staff could not demonstrate how they matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization for these transactions. For one transaction we reviewed, the Court paid a vendor \$532 for 2,000 copies of a form, but did not provide us with an order form showing how Court staff were able to match the amount ordered or the contracted price against the amount on the invoice. For two other payment transactions accounts payable staff paid court reporters without any written contract or court authorization specifying the \$376 daily rate the court reporters claimed and that the Court paid. According to the Court, it has not historically maintained written agreements with contract court reporters. However, without written agreements or authorizations that specify the expected work, term, and pay, court accounts payable staff cannot fully perform the required three-point match. As a result, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

RECOMMENDATION

To ensure that it can demonstrate it pays the proper amounts for the goods and services it receives, the Court should take steps to strengthen its process for approving vendor payments. Specifically, the Court should ensure that it has a written contract or agreement with clear pricing terms on file for each of its procurements. Further, these agreements should be provided to its accounts payable staff so that they are able to fully perform the required three-point match and verify the accuracy of vendor invoices prior to payment approval and processing.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

1. Invoice for 2,000 copies of a form for \$532
 - a. Agree with finding.
 - b. The Court will work to limit purchasing activities to designated staff and reinforce purchasing requirements.
2. Invoicing and agreements for per diem court reporters
 - a. Agree with finding.
 - b. The Court will publish applicable rates and develop written agreements, as appropriate.

Response provided on 12/2/2020 by: Bob Fleshman, CEO

Date of Corrective Action: No later than June 30, 2021

Responsible Person: Bob Fleshman, CEO

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 two of the four in-court services claims reviewed, the Court processed and paid claims totaling more than \$3,000 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 one contract court reporter claim for payment without requiring the claimant to include on her claim form the case numbers and names for which she provided services, and the Court paid another contract court reporter claim that included the case numbers, but not the case names on the claim. According to the Court, these claims were for pro tem court reporters who were hired to provide services on specific days, not for specific cases. However, the FIN Manual requires claims to include certain information, including the case numbers and names. When courts do not require claimants to provide case numbers and names to help demonstrate the accuracy of their claims, 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.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will review its claim form templates and modify them to ensure there are fields for required information. Desk procedures will be revised to ensure these items are verified prior to payment processing.

Response provided on 12/2/2020 by: Bob Fleshman, CEO

Date of Corrective Action: No later than June 30, 2021

Responsible Person: Bob Fleshman, CEO

FINE AND FEE DISTRIBUTIONS

The Court Needs to Update Its CMS to Calculate Correct Fine and Fee Distributions

Background

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

During the initial audit planning process, the Court informed us that the State Controller's Office (SCO) recently completed a revenue audit of the Court, released in February 2019. Therefore, we limited our review to verifying whether the Court took appropriate corrective action to resolve the errors noted by the SCO. We determined that the Court still needs to update its CMS to calculate correct fine and fee distributions, as reported in one audit finding for the fine and fee distribution area that we believe requires the Court's corrective action. This finding pertained to the following specific area of fine and fee distributions:

Finding Reference	Subject
2020-25-01	CMS – Calculated Distributions

FINDING REFERENCE: 2020-25-01 *CMS – CALCULATED DISTRIBUTIONS*

CRITERIA

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

1. In addition to providing justice to the citizens of California, the trial court is also responsible for the collection and processing of fees, fines, forfeitures, restitution, penalties and assessments associated with traffic, civil, or criminal cases.
2. Payments collected by the trial court are in turn distributed to a number of recipients as defined by codes established by the state legislature.
10. It is the responsibility of the trial court to assure the accurate distribution of the funds that it collects.

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

1. Each payment received by the trial court is ultimately distributed according to a schedule established by the Legislature.
2. The court must assure that:
 - a. The state schedule for revenue distribution is accurately entered in the court's case management system.
 - b. The state schedule is consistently followed by every court location either through centralized input that serves all locations or by separately entering and verifying data entry for each location.

CONDITION

Our review of its fine, penalty, and assessment calculations and distributions for selected case types found that the Court did not always calculate and distribute collections consistent with applicable state laws. Specifically, the Court uses a case management system (CMS) called Odyssey to automatically calculate its distributions. However, the Court has not configured its CMS to correctly calculate and distribute many of the fines, fees and penalty assessments for the case types with various code violations reviewed. Our review covered variations of distinct case types and code violations under the Vehicle Code (VC) and Health and Safety Code (HS), and noted the following calculation and distribution discrepancies:

- For all case types reviewed, the Court assessed a local penalty that state law no longer authorizes. Specifically, at the time of our review the Court was imposing a Government Code (GC) 76000 local penalty assessment of \$7 for every \$10 of the base fine. The county designated that this local penalty be distributed \$4 to the Local Courthouse Construction Fund (LCCF), \$2 to the Emergency Medical Services (EMS) Fund, and \$1 to the Criminal Justice Facilities Fund (CJFF). Prior to the completion of its Criminal Courthouse, this \$7 per \$10 local penalty assessment was the correct amount allowed by state law. However, since the county completed its transfer of court facilities to the state and in 2014 paid off its courthouse construction bond indebtedness, state law no longer authorizes the Court to assess and collect the \$4 LCCF portion of the local penalty on behalf of the county. Instead, per GC 76000(e), the additional penalty should be reduced by the LCCF, and the Court should only be assessing and collecting the \$2 for the EMS Fund and the \$1 for the CJFF. According to the Court, it was unaware that it should no longer assess the LCCF penalty. The Judicial Council's Budget Services division indicated that it would prepare a letter to notify the county that it should transfer any amounts remaining and deposited in the LCCF since paying off the bond indebtedness to the State Court Facilities Construction Fund, and that it should amended its Board of Supervisors resolution to reflect only the local penalties authorized by current state law. According to the Court, this remains an unresolved issue between the county and the Judicial Council's Budget Services. The Court stated that this will be corrected following a legal review by both parties and an agreed-upon resolution.
- For the city-arrest DUI case we reviewed that was a violation of VC 23153(b), the Court assessed an Alcohol Education Penalty of \$39.25 pursuant to Penal Code (PC) 1463.25 instead of the \$50 assessments the Court made on a similar DUI case we reviewed. In addition, the Court's distribution of its base fine reductions and base fine penalties to the

county and city did not correspond to the distributions calculated for a \$390 DUI base fine. Although the variances in the base fine reductions and the base fine penalties net to zero, the result is that the Court does not calculate accurate distributions on city-arrest DUI cases and distributes more to the city than it should, and less to the state and county than it should.

- The Court is distributing incorrect amounts of the base fine to the city on city-arrest red light bail forfeiture and city-arrest red light traffic school cases. Specifically, after allocating 30% of the \$100 base fine to the city's general fund per PC 1463.11, the Court is distributing only 80% of the remaining base fine for city-arrest red light cases to the City of Napa instead of the statutorily required 89% pursuant to PC 1463.002. According to the Court, the distribution percentage the Court uses is documented in a written 1976 agreement between the City of Napa and the County of Napa. We note that in 1985 the county's Board of Supervisors requested that the then-state senator for the Fourth Senatorial District introduce and sponsor legislation to amend state law to reflect the percentage in the 1976 agreement. Nevertheless, the percentage in state law remains set at 89%, not the 80% the Court is currently distributing. As a result, the Court's city and county base fine distributions for this case type do not fully comply with state law.
- In addition, for its red light bail forfeiture cases, the Court did not transfer 2% of the total base fine to the GC 68090.8 State Automation Account. Specifically, the Court did not transfer 2% of the PC 1463.11 30% Red Light Allocation, PC 1463.001 base county distribution, or PC 1463.002 base city distribution amounts to the GC 68090.8 State Automation Account. GC 68090.8 requires that 2% of all fines, penalties, and forfeitures collected in criminal cases be transmitted to the State to help pay for state trial court automated systems. Because of these distribution errors, the Court is distributing more than it should to the county and cities and less than it should to the State Automation Account.
- For its red light traffic school cases, the Court is distributing only \$1 for each \$10 of the initial base fine to its EMS Fund instead of the \$2 per \$10 prescribed pursuant to VC 42007. As a result, the Court is distributing less to the EMS Fund than it should while distributing more to the TVS fee than it should.
- Finally, for the city-arrest red light traffic school case reviewed, the Court used incorrect mathematical formulas to calculate its distributions. Specifically, the Court incorrectly calculated the amount to be distributed to the city of Napa. Pursuant to 42007(c), the amount distributed to the city is the same amount that would be deposited with the city on a red light bail forfeiture case, which is 98% of the city's base fine share. As we previously noted above, the Court is distributing only 80% of the remaining base fine for city-arrest red light cases to the City of Napa instead of the statutorily required 89% per PC 1463.002. Thus the proper distribution for an arrest in the City of Napa would be \$61.05 (calculated: $\$100 \times 89\% = \89 , less $\$26.70$ for the 30% Red Light Allocation per VC 42007.3 = $\$62.30$, of which $98\% = \$61.05$). Using the 80% city share the Court uses, gives a result of \$54.88 (calculated: $\$100 \times 80\% = \80 , less $\$24$ for the 30% Red Light

Allocation per VC 42007.3 = \$56, of which 98% = \$54.88). However, the Court's distribution to the City of Napa does not match either amount. Instead, the Court is distributing only \$30.73 to the city, with the difference remaining in the TVS fee that is ultimately distributed to the county pursuant to VC 42007. As a result, the Court is distributing less to the city than it should and more to the county than it should.

When courts do not configure their automated distribution systems to calculate accurate distributions, they risk distributing incorrect amounts to various funds and entities for the items they fund.

RECOMMENDATION

To ensure the Court accurately distributes the funds it collects, the Court should do the following:

- As soon as possible, partner with its CMS vendor to modify or reconfigure the CMS tables to correctly distribute all fines, penalties, and assessments,
- Perform follow-up reviews to ensure the corrections are working properly, and
- Develop a process to periodically monitor its collection distributions to ensure they remain accurate.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will review its CMS calculations and make any corrections and adjustments as needed. Due to the recent departure of its CFO and lack of qualified staff to validate the information above, determination of these findings and corrective action may take some months to complete.

Response provided on 01/26/2021 by: Bob Fleshman, CEO

Date of Corrective Action: No later than June 2021.

Responsible Person(s): New CFO – the Court is currently recruiting for this position.

ONE PERCENT FUND BALANCE CAP

The Court Appropriately Supported Its One Percent Fund Balance Cap Calculations

Background

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

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

Our review found that the Court complied with the requirements for its 1% fund balance cap calculations. Specifically, we reviewed the inputs on its final FY 2018-19 calculation form and found that the Court used expenditure amounts that agreed to its accounting records. In addition, the Court supported the encumbrances it reported on its final FY 2018-19 calculation form with valid contracts for goods and services not received by June 30, 2019.

Finally, we found the Court had excess funds held on its behalf at the end of FY 2017-18 and at the end of FY 2018-19. Our review found that, except for a minor instance of non-compliance that we communicated separately to the Court, it generally complied with the requirements to spend its held funds for the purposes previously approved by the Judicial Council.

JBSIS CASE FILING DATA

The Court Reported Materially Accurate New Case Filings 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, except for two minor instances of non-compliance that we communicated separately to the Court, 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 2018-19.

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.
