



Audit of the  
Superior Court of California,  
County of San Francisco

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JUNE 2019



JUDICIAL COUNCIL  
OF CALIFORNIA

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AUDIT SERVICES

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**Superior Court of California, County of San Francisco**

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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 San Francisco (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 San Francisco

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
<b>Cash Handling</b>					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Handwritten Receipts	Yes	✓		
4	Mail Payments	Yes	4	2018-4-01; 02; 03; 04	Partially agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2018-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	2	2018-7-01; 02	Agrees
8	Bank Deposits	Yes	1	2018-8-01	Agrees
9	Other Internal Controls	Yes	✓		
<b>Procurement and Contracts</b>					
10	Procurement Initiation	Yes	1	2018-10-01	Partially agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	1	2018-12-01	Agrees
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	1	2018-16-01	Agrees
<b>Payment Processing</b>					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	✓		
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
<b>Fine &amp; Fee Distribution</b>					
25	CMS-Calculated Distributions	Yes	1	2018-25-01	Agrees
26	Manually-Calculated Distributions	N/A	-		
<b>1% Fund Balance Cap</b>					
27	Calculation of the 1% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	Yes	✓		
<b>JBSIS Case Filing Data</b>					
29	Validity of JBSIS Data	Yes	2	2018-29-01; 02	Agrees
<b>Other Areas</b>					
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 strong compliance in the area of payment processing. For example, our review of the Court's payment processing practices found that it demonstrated sound management practices in the areas of payment approval and authority levels, in paying in-court service providers, and in ensuring the Court pays for only allowable costs.

Nonetheless, our audit did identify 14 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 14 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 did not use a payment receipts log to record and track the payments received in the mail and did not restrictively endorse checks or other negotiable instruments received in the mail immediately upon receipt. Without a mail payments receipt log, the Court has no record to reference or research should a mail payment become lost or stolen. Furthermore, not immediately endorsing and not securing unprocessed mail payments heightens the risk of theft or loss of these payments. The Court indicated that it agrees that completing a payment receipts log is the best approach but may have difficulty implementing such a control due to limited staffing, so it will explore the use of other mitigating controls. The Court also indicated that it would implement a process to immediately endorse all check and money orders received by staff.

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

### **Summary Perspective of Court Officials**

Audit Services initiated its audit of the Court on March 13, 2019, and completed fieldwork on April 19, 2019. Audit Services shared the draft audit findings with the Court's officials on May 15, 2019, and received the Court's final official responses on June 17, 2019. 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 San Francisco (Court) operates four court facilities in the city of San Francisco. 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 San Francisco Superior Court and Average of all Superior Courts

Statistic	San Francisco Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
<b>Financial Highlights (Fiscal Year 2017-18)</b>						
Total Revenue	\$ 73,239,549	\$ 2,203,781	\$ 10,614,170	\$ 41,408,761	\$194,435,516	\$ 43,334,366
Total Expenditures	\$ 75,558,858	\$ 2,238,710	\$ 10,747,319	\$ 41,941,660	\$198,103,021	\$ 44,073,255
Staff Salaries & Benefits	\$ 57,774,491	\$ 1,498,581	\$ 8,081,296	\$ 32,278,737	\$159,856,126	\$ 34,936,503
As a % of Total Expenditures	76.5%	66.9%	75.2%	77.0%	80.7%	79.3%
<b>Judicial Officers and Staff (2018 Court Statistics Report)</b>						
Judges	52	2	8	27	128	29
Commissioners/Referees	4	-	1	4	21	5
Non-Judicial Staff (approx.)	447	16	87	291	1,281	296
Total	503	18	96	322	1,430	330
<b>New Case Filings (Fiscal Year 2016-17)</b>						
<b>Appeal Filings</b>	149	10	76	184	402	132
<b>Civil Filings</b>						
Civil	19,108	289	2,102	8,988	62,412	12,416
Family Law	5,163	270	1,790	6,639	27,411	6,376
Juvenile Delinquency	489	36	247	1,122	2,210	678
Juvenile Dependency	1,063	36	212	583	3,570	764
Mental Health	2,612	15	154	680	2,602	607
Probate	1,059	47	273	894	3,489	842
Small Claims	2,894	51	413	1,954	14,475	2,820
<b>Criminal Filings</b>						
Felonies	13,175	426	1,598	4,707	32,224	6,690
Misdemeanors / Infractions	120,965	4,983	21,839	75,978	343,087	78,530
<b>Total</b>	<b>166,677</b>	<b>6,163</b>	<b>28,704</b>	<b>101,729</b>	<b>491,882</b>	<b>109,855</b>

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 2, 2019, and may not agree with other reports as this data is subject to continuous updates.

Note: The Judicial Council generally groups superior courts into four clusters and uses these clusters, for example, when analyzing workload and allocating funding to courts. According to past Judicial Council documents, the cluster 1 courts are those superior courts with between 1.1 and 4 judicial position equivalents (JPEs), cluster 2 courts are those with between 4.1 and 20 JPEs, cluster 3 courts are those with between 20.1 and 59.9 JPEs, and cluster 4 courts are those with 60 or more JPEs. San Francisco Superior Court is a cluster 4 court.

## AUDIT SCOPE AND METHODOLOGY

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

	<b>Audit Objective</b>	<b>Method</b>
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"> <li>▪ Determine whether the Court complied with the mandatory requirements in the FIN Manual for internal controls over cash (payment) handling.</li> <li>▪ 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.</li> </ul>	We obtained information from the Court regarding the types and average volume of collections at each of its payment collection locations. For selected locations, we observed the Court's practice for safeguarding and accounting for cash and other forms of payments from the public. For example, we reviewed and observed the Court's practice for appropriately segregating incompatible duties, assigning cash drawers to cashiers at the beginning of the day, reviewing and approving void transactions, safeguarding and accounting for handwritten receipts, opening and processing mail payments, controlling access to change funds, overseeing the end-of-day balancing and closeout process, and preparing and accounting for the daily bank deposits.
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"> <li>▪ 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.</li>   <li>▪ 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.</li> </ul>	<p>receiving the goods, and paying for the goods or services.</p> <p>We judgmentally selected a sample of 25 expenditure transactions and assessed whether each transaction’s underlying procurement:</p> <ul style="list-style-type: none"> <li>• Was properly reviewed and approved by authorized court management.</li> <li>• Adhered to competitive bidding requirements, when applicable.</li> <li>• Had contracts, when applicable, that contained certain terms required to protect the Court’s interests.</li> </ul> <p>We judgmentally selected a sample of 40 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix.</li> <li>• Whether the payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.</li> <li>• Whether the payments for in-court service providers adhered to applicable Judicial Council policies.</li> </ul>
4	Determine whether the Court properly calculates fine and fee distributions for certain selected code violations.	We reviewed the Court’s process for updating and controlling access to its distribution tables.

		We also reviewed the Court's calculations and distributions of fines, penalties, fees, and assessments for certain high volume or complex code violations.
5	<p>Determine whether the Court properly calculates its one percent fund balance cap for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court's final <i>1% Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (fiscal year 2017-18), and performed the following:</p> <ul style="list-style-type: none"> <li>• Verified significant calculations and balance amounts.</li> <li>• Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system.</li> </ul> <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 (fiscal year 2016-17), we performed the following:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• We selected 10 cases from six case types, for a total of 60 reported cases, and</li> </ul>

		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 June 28, 2019, and approved it for public release.

California Rules of Court, Rule 10.500 provides for the public access to non-deliberative or non-adjudicative court records. Final audit reports are among the judicial administrative records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500 (f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. As a result, any information meeting the nondisclosure requirements of rule 10.500(f) have been omitted from this audit report.

### **Audit Staff**

This audit was completed by the following staff under the general supervision of Robert Cabral, Manager:

Dawn Tomita, Audit Supervisor  
 Joe Meyer, Senior Auditor (auditor-in-charge), CPA, CIA  
 Maria Dooley, Auditor, CPA, CFE  
 Kurtis Nakamura, Auditor  
 Michelle O’Connor, Auditor, CPA

**SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION**

## CASH HANDLING

### The Court Generally Followed Required Cash Handling Procedures, But Can 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 cash handling areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its voided transactions, handwritten receipts, and internet payments. Nevertheless, we identified eight audit findings that we believe require the Court's attention and corrective action. These findings pertained to the following specific areas of cash handling:

<b>Finding Reference</b>	<b>Subject Area</b>
2018-4-01	Mail Payments – Mail Opening Process
2018-4-02	Mail Payments – Endorsement
2018-4-03	Mail Payments – Receipts Log
2018-4-04	Mail Payments – Safeguarding Unprocessed Mail Payments
2018-6-01	Change Fund – Accountability
2018-7-01	End-of-Day Balancing and Closeout – Blind Closeout
2018-7-02	End-of-Day Balancing and Closeout – Verification
2018-8-01	Bank Deposits – Deposit Verification

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#### **FINDING REFERENCE: 2018-4-01**

#### *MAIL PAYMENTS – MAIL OPENING PROCESS*

#### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL:

2. To provide for the strongest protection of trial court assets and to protect the integrity and reputation of the trial court, a team approach should be used to maintain accountability for payments received through the mail. When processing mail payments, the court should adhere to the following procedures:
  - a. One person can open the mail and create the payment receipts log if he or she is recorded on video and the video is retained for at least six months.

- b. Mail should only be processed when both team members are present. Alternatively, if two people cannot be present during mail opening, then one person—without opening the envelopes—should start the payment receipts log by sequentially numbering the envelopes and documenting the envelope number and the sender’s name in the payment receipts log. When the second person opens the mail, he or she should complete the payment receipts log for each envelope identified by the first person. A field should be added to the payment receipts log to indicate when an envelope does not contain a payment; not all fields listed in Paragraph 3(b) below will be completed.
- c. Two-person team combinations should be rotated regularly.
- d. To maintain separation of duties, team members opening and logging mail payments should not also enter the mail payments in the court’s cashiering system and/or automated case management system, if possible.

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

4. A presiding judge or his/her designee who wants to establish an alternative procedure will submit a signed and dated Request for Alternative Procedure Form (copy provided in 7.0, Associated Documents) to:

Judicial Council of California  
Director of Branch Accounting and Procurement  
Attn.: Trial Court Alternative Financial Policies and Procedures  
2850 Gateway Oaks Drive, Suite 300  
Sacramento, CA 95833-4348  
E-mail: [TCFin@jud.ca.gov](mailto:TCFin@jud.ca.gov)

A written response to the submission of alternative procedures will be returned to the submitting court within 60 business days of receipt of the document. When a Request for Alternative Procedure has been received by Judicial Council of California Staff, an acknowledgement of receipt will be returned to the submitting court. The 60 business-day response time will begin once the court receives that acknowledgement of receipt. Absent a response from Judicial Council of California Staff within 60 business-days, the alternative procedure will be in effect, subject to further review and consideration by Judicial Council of California Staff. Undocumented procedures or those not approved by Judicial Council of California Staff will not be considered valid for audit purposes.

Once approved, alternative procedures must be documented by the trial court, incorporated into the local trial court manual, and distributed to court personnel. Any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual or the county’s policy document must first be approved by Judicial Council of California Staff.

#### **CONDITION**

The Civic Center Courthouse (CCC) and the Hall of Justice (HOJ) payment collection locations do not follow the suggested two-person “team approach” when opening payments received through the mail. In addition, the Civil Division at CCC and the mail clerk at HOJ do not adhere to an alternative procedure, such as opening the mail in an open area visible to others or in front of a camera, to mitigate the risk of lost or stolen mail payments. Specifically, at the Civil

Division, the clerk opens all non-Civil Division mail alone in a mailroom. While this mailroom does have a large window wall, the window wall faces another solid wall, making clear oversight over the clerk's opening of the mail, which at times contains payments, unlikely or difficult at best. At HOJ, the clerk in charge of distributing the mail to the Collections division may open mail containing a payment if the envelope is not properly addressed. Specifically, the clerk collects the mail from the mailroom, sorts it, and distributes it to various units. The clerk performs this sorting alone and in a cubicle with higher walls. Typically, this clerk will distribute the mail, unopened, to the appropriate party. However, if the envelope is not addressed to a specific unit, the clerk may need to open the envelope to figure out which unit the mail is meant for, and the mail could include a payment. According to the Court, it does not have a sufficient number of available staff to assign two people to open the mail. However, when courts do not use two-person teams to open mail nor implement alternative procedures such as those suggested in the FIN Manual, they are at heightened risk for lost or stolen mail payments. Payments received by mail is an area of high-risk—since the payer is neither present during the transaction nor is guaranteed to receive a receipt—and the FIN Manual's guidance is intended to mitigate the risk of lost or stolen payments.

Additionally, at the CCC and HOJ payment collection locations, the Court allows staff who open the mail payments and drop box payments to also enter those payments in the CMS. According to the Court, this is its long-standing practice due to the high volume of payments it receives and because the Court does not have enough staff to segregate the opening of mail payments from the processing of these payments. However, to maintain appropriate separation of duties, the FIN Manual suggests that persons opening mail payments should not also enter the mail payments in the CMS. As a result, the Court is at increased risk for "skimming" or "lapping" fraud by those employees who concurrently open and process mail payments.

### **RECOMMENDATION**

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should monitor to ensure its payment collection locations either consistently follow a two-person team approach where both individuals are present when opening mail payments, or implement alternative procedures, such as those suggested in the FIN Manual, to mitigate the risk of lost or stolen mail payments. Further, the Court should ensure that the same employees do not both open payments received by mail and enter the mail payments in the CMS.

If the Court cannot implement a two-person team approach or the alternative procedures suggested in the FIN Manual, or the suggested separation of duties, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure for opening and accounting for the payments it receives in the mail.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Partially agree. The court agrees that the two-person team is the best approach but has difficulty putting that in place consistently throughout the court due to limited staffing which is expected to be reduced further in future years per the workload formula. As an alternative, the court will explore the use of mitigating controls for mail opening such as: opening mail in a viewable open area or in full view of a surveillance camera, use of adding machine tape tallies of payments, and other possible solutions. Local procedures will be drafted to reflect these solutions if

implemented. If the court is unable to meet the FIN manual suggested procedures, the court may submit a request for approval of an alternative procedure.

**Response provided on 4/28/19 by:** Sue Wong, CFO

**Date of Corrective Action:** December 2019

**Responsible Person(s):** Sue Wong, CFO

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**FINDING REFERENCE: 2018-4-02**

*MAIL PAYMENTS – ENDORSEMENT*

**CRITERIA**

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

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

**CONDITION**

The Court's payment collection locations do not consistently restrictively endorse checks and money orders immediately upon receipt in the mail. Instead, court staff endorse mail checks and money orders later once the payments have been entered into the system. Also, at the Civil Division and the Family Law Division, the CMS printer prints the restrictive endorsement on the check upon processing, so the Court does not use a separate endorsement stamp to endorse these checks before processing the payment. Further, the Collections Division uses a third-party vendor that processes its payment plan payments. Although the Court notifies clients with payment plans to submit their payments directly to the vendor for processing, some clients continue to send their payment plan checks to the Court. Since the vendor will process and deposit these check payments, Collections Division staff forwards these checks to the vendor without restrictively endorsing these checks for deposit only. Nonetheless, Collections Division staff could use appropriate endorsement stamps to restrictively endorse any check payments immediately upon receipt in the mail, including those it forwards to the vendor and those it plans to process in-house. Endorsing checks and money orders "for deposit only" immediately upon receipt as required by the FIN Manual protects courts' interests by limiting the potential for further negotiation. When courts do not restrictively endorse checks or money orders immediately upon receipt, they risk that unendorsed checks and money orders may be lost or stolen and cashed or deposited in a non-court bank account.

**RECOMMENDATION**

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

**COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. The fiscal staff will work with the operational managers to immediately endorse all check and money orders received by staff in advance of the CMS data entry.

**Response provided on 4/28/19 by:** Sue Wong, CFO

**Date of Corrective Action:** June 14, 2019

**Responsible Person(s):** Sue Wong, CFO; Anthony Gavero, Criminal Division Manager; Shannon Martin, Traffic Division Supervisor; Jennifer Ngo-Chan, Criminal Collections Unit Manager; Regina Dennis, Civil Division Manager; Diane Hakewill, Unified Family Court Manager

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**FINDING REFERENCE: 2018-4-03*****MAIL PAYMENTS – RECEIPTS LOG*****CRITERIA**

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL:

3. To provide for the strongest oversight and monitoring of payments received through the mail, courts should maintain a payments receipt log. Without a payment receipts log, courts have no record to reference or research should a mail payment become lost or stolen. The following method should be used for processing payments received through the mail:
  - a. The payments receipts log sheet should include the following information:
    - i. Case or docket number;
    - ii. Name of the person making the payment;
    - iii. Amount of cash, check, and money order;
    - iv. Check or money order number;
    - v. Date received in the mail; and
    - vi. Name of the person opening the mail and the person recording the payment on the Payments Receipt Log.
4. To provide for strong oversight and monitoring of payments not processed on the day they were received in the mail, courts must adhere to the following steps:
  - a. The supervisor/manager responsible for the trial court staff who process payments must identify and log any payment that has been held for more than 5, 15, and 30 calendar days without being processed. The log must specify the reason why the payment cannot be processed. The log must identify any cash payment being held in suspense for more than 5, 15, and 30 calendar days.
  - b. The supervisor/manager responsible for the trial court staff who process payments must provide a report, at least on a monthly basis, to the court executive officer and the court fiscal officer, and/or to his or her written designee, that lists by age (length of time held) any payment that has been held for more than 15 and 30 calendar days without being processed. The report must provide the following details, if known, for each payment being held:
    - i. Case or docket number;

- ii. Name of the person mailing the payment;
- iii. Payment amount;
- iv. Check number (if applicable);
- v. Date received in the mail; and
- vi. Reason why payment cannot be processed.

### **CONDITION**

The Court does not maintain the suggested Payment Receipts Log to create a record of the payments received in the mail or in the drop box at any of its payment collection locations. Specifically, the individuals who opens the mail at the Civic Center Courthouse (CCC) and the Hall of Justice (HOJ) do not use a Payments Receipt Log to capture and record key identifying information—such as the case numbers, the persons making the payment, and the check numbers—that may be useful in tracking lost mail payments. According to the Court, it receives and processes a high volume of mail which takes the mail clerks hours to open and sort each day, and filling out a payments received log would greatly slow down this process. We noted that the lead clerk at the Criminal Division makes a log of mail payments that clerks have processed, but this does not occur until after clerks have received and processed those payments, so during the time between when the mail is opened and the payments are processed, they are not tracked. Without a Payment Receipts Log, the court has no record to reference or research should a mail payment become lost or stolen. Finally, without a mail payment receipts log, the court is unable to ensure that mail payments are processed as soon as received or within a timely manner.

As a result, the Court does not identify and log any mail payments not processed within five calendar days, or report to the CEO and CFO and/or designee payments that have been held unprocessed for more than 15 and 30 days. According to the managers and supervisors at the various divisions, they were unaware of the requirement to track and report unprocessed mail payments. At the Criminal Division at HOJ, records requests that include payments sometimes take many days to process, and there is no log of how long it takes to process the requests. The supervisor of the Family Law Division at CCC and the manager of the Traffic Division at HOJ told us that they did not believe that any payments had been unprocessed for more than five days in a long time, and there has never been a need to report unprocessed payments older than 15 days. However, because the Court does not maintain the suggest Payment Receipts Log, the Court is unable to easily identify payments that have not been processed in five, 15, or 30 days. Not processing mail payments promptly for deposit in the bank and not reporting these unprocessed mail payments to the CEO and CFO as the FIN Manual requires places these payments at increased risk of loss or theft.

### **RECOMMENDATION**

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail or drop boxes, the Court should consider implementing specific local cash handling policies and procedures, as well as periodic training and monitoring, to ensure that staff at its payment locations consistently complete a Payment Receipts Log with all key information necessary to establish a clear record of all the payments, cash and non-cash, received through the mail or drop boxes. The Court can subsequently use these logs to reconcile and confirm the entry of these mail and drop box payments into its CMS during the end-of-day closeout process. The

Court can also use these logs to identify any mail payment that has been held unprocessed for more than 5, 15, and 30 calendar days and to help provide a report to the CEO and CFO providing the details for each held payment, including the reason why the mail payment cannot be processed.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Partially agree. The court agrees that completing a Payment Receipts Log is the best approach but has difficulty putting that in place consistently throughout the court due to limited staffing which is expected to be reduced further in future years per the workload formula. As an alternative, the court will explore the use of mitigating controls for mail opening and logging such as: opening mail in a viewable open area or in full view of a surveillance camera, use of adding machine tape tallies of payments, and other possible solutions. Local procedures will be drafted to reflect these solutions if implemented. If the court is unable to meet the FIN manual suggested procedures, the court may submit a request for approval of an alternative procedure.

**Response provided on 4/28/19 by:** Sue Wong, CFO

**Date of Corrective Action:** December 2019

**Responsible Person(s):** Sue Wong, CFO

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### **FINDING REFERENCE: 2018-4-04**

*MAIL PAYMENTS – SAFEGUARDING UNPROCESSED MAIL PAYMENTS*

#### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.1.1 USE OF SAFES AND VAULTS, (1):

The preferred method for securing Cash Change Funds, unprocessed payments, or other valuable documents when not in use is to house them in a safe or vault. During the day, collections shall be secured in a lockable cash drawer or bag.

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL, (3):

To provide for the strongest oversight and monitoring of payments received through the mail, courts should maintain a payments receipt log. Without a payments receipt log, courts have no record to reference or research if a mail payment is lost or stolen. The following method should be used for processing payments received through the mail:

- f. Any payment that cannot be processed will be attached to the Payments Receipt Log sheet and appropriately safeguarded in the safe until the payment can be processed the next business day.

#### **CONDITION**

The Court does not always adequately safeguard its unprocessed mail payments. Specifically, we noted that supervisors at the Civil Division at the Civic Center Courthouse (CCC) collect any unprocessed mail payments found in the clerks' inboxes and store them in the safe at the end of each day. However, clerks may not always return unprocessed mail payments on their desks back to their inboxes, instead leaving the checks and associated documents on their desks for

processing the next day. At the Family Law Division at CCC, the clerk who opens the mail places unprocessed mail payments in a basket on a counter behind the payment windows. These mail payments are kept in the basket until they are processed, which often happens the next day, and unprocessed payments are not placed in a safe or a locked cabinet overnight. At the Criminal Division at the Hall of Justice (HOJ), we observed that opened pieces of mail that include payments are placed in a locked file drawer in the supervisor's office overnight. However, the following morning the lead clerk retrieves the mail payments and distributes them to the clerks for processing. The mail payments and associated paperwork are kept on the clerks' desks until they are processed, which may take several days if research or document retrieval is required, and the unprocessed payments are not secured overnight. Finally, at the Traffic Division at HOJ, the mail payments are sorted by a clerk and handed out to other clerks for processing, but these unprocessed payments are not always locked up at the end of the day. Specifically, we observed a stack of opened mail payment on a staff person's desk who was absent on the day of our observation. The Court does not properly safeguard its unprocessed mail payments because the Court does not have a policy covering the security of mail payments. However, the FIN Manual requires courts to store and safeguard these unprocessed mail payments in the safe until the payments can be processed the next business day. When the Court does not take precautions to secure unprocessed payments in a safe overnight, it heightens the risk of theft or loss of these payments.

### **RECOMMENDATION**

The Court should require all its employees who handle payments, including mail and drop-box payments, to secure and safeguard any unprocessed payments in a safe overnight.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. The fiscal staff will work with the operational staff to secure all mail payments at the end of the day in the safe. Standard operating procedures will also reflect this update.

**Response provided on 4/28/19 by:** Sue Wong, CFO

**Date of Corrective Action:** June 14, 2019

**Responsible Person(s):** Sue Wong, CFO; Anthony Gavero, Criminal Division Manager; Shannon Martin, Traffic Division Supervisor; Jennifer Ngo-Chan, Criminal Collections Unit Manager; Diane Hakewill, Unified Family Court Manager

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### **FINDING REFERENCE: 2018-6-01**

*CHANGE FUND – ACCOUNTABILITY*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

7. At the end of each business day, individuals responsible for making change from the Cash Change Fund must—in the presence of a court manager, supervisor, or his or her designee—count, verify, and reconcile the Change Fund monies to the day's beginning balance, and initial and date the verification/reconciliation

8. A trial court employee, other than the individuals responsible for making change from the Cash Change Fund, should count the Cash Change Fund in accordance with the following schedule and report the count to the Fiscal Officer.

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

### **CONDITION**

The Court does not require its change fund custodians to count and verify their respective change funds each day while in the presence of another manager or supervisor. Specifically, the custodian over the Fiscal Division's \$1,500 change fund at the Civic Center Courthouse (CCC) counts and verifies the amount in the change fund about twice a month. He performs this count alone, and no one else verifies the money in the fund. At the Hall of Justice (HOJ), the Fiscal Division's two change fund custodians count their respective \$500 change funds at the end of each day. They often verify each other's change funds, but this is not done every time and they do not initial and date the tape when they count each other's change funds. If one of them is absent, no one else counts their change funds. At the Civil Division at CCC, the manager counts the division's \$250 change fund at the end of each day. However, she performs this count alone, without the presence of another individual. She fills out a new Petty Cash form, which lists the currencies and amount of each currency in the cash bag, but she does not initial or date this form to verify the reconciliation. The Family Law Division's manager and supervisor each have a cash bag with \$150 to be used for making change for clerks when needed, but these change funds are not verified at the end of each day.

Finally, the Court does not require individuals who are not responsible for making change from the change fund to periodically count the change funds maintained by the Fiscal division at either CCC or HOJ. While a Senior Fiscal Technician performs the surprise count of various funds at HOJ on a monthly basis, no one else, such as the division manager or supervisor, watches her perform this count. This occurs because the Court's policy does not require verification by a second person. Nonetheless, the FIN Manual requires court staff to count and verify change funds daily while in the presence of another manager or supervisor. As a result, the Court's current practice 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. According to the Court, it will put in place a consistent procedure whereby the change fund is counted and verified in the presence of a manager or designee at the end of each day, and implement a process to have someone outside of Fiscal count the change funds on a periodic basis.

### **RECOMMENDATION**

To reduce the risk of prolonged unaccountable change fund shortages and overages, the Court should create local cash handling policies and procedures that align with the FIN manual requirement to count, verify, and reconcile the change fund monies to the day's beginning balance at the end of each business day. In addition to verifying the change fund at the end of each business day, the Court should ensure that the daily verification is done in the presence of a court manager, supervisor, or designee. Lastly, the Court should ensure that an individual other

than the custodian counts and verifies its change funds at the frequency specified in the FIN Manual, such as monthly for its \$1,500 and \$500 change funds, and quarterly for the Civil Division's \$250 change fund.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. The court will put in place a procedure for fiscal and operational staff who are custodians of the change fund to count their cash at the end of the day in the presence of a court manager, court supervisor or designee. Fiscal staff will also audit the change fund held by operations staff according to the schedule outlined in the FIN and identify a fiscal staff from the A/P unit to audit the fiscal division's change fund.

**Response provided on 4/28/19 by:** Sue Wong, CFO

**Date of Corrective Action:** June 17, 2019

**Responsible Person(s):** Sue Wong, CFO; Anthony Gavero, Criminal Division Manager; Shannon Martin, Traffic Division Supervisor; Jennifer Ngo-Chan, Criminal Collections Unit Manager; Regina Dennis, Civil Division Manager; Diane Hakewill, Unified Family Court Manager

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### **FINDING REFERENCE: 2018-7-01**

*END-OF-DAY BALANCING AND CLOSEOUT – BLIND CLOSEOUT*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.10 DAILY BALANCING AND CLOSEOUT:

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

**CONDITION**

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

**RECOMMENDATION**

To better safeguard its funds and ensure clear accountability for shortages and overages, the Court should update its local cash handling policies and procedures. Specifically, the Court should require its cashiers to complete their recap of the collections in their individual cash drawer/bag at the end of each workday without knowledge of the CMS collections, a "blind closeout." Afterwards, cashiers should submit their completed recap report and collections to a designated supervisor for verification of their collections to the recap report, and then the supervisor can complete the verification process by verifying the recap report to the CMS collections closeout report.

**COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. A blind closeout will be implemented in the Traffic CMS. The CFO will explore whether the CMS for the other identified divisions: Civil, Unified Family Court, Criminal Records and Criminal Collections can be programmed to have a blind closeout. Each division has their own CMS system many of which are over 20 years old which may preclude blind closeouts due to programming limitations. However, the court will be moving to a court-wide CMS in the next few years which will enable the court to implement a blind closeout in all divisions.

**Response provided on 5/28/2019 by:** Sue Wong, CFO

**Date of Corrective Action:** June 17, 2019

**Responsible Person(s):** Sue Wong, CFO; Anthony Gavero, Criminal Division Manager; Shannon Martin, Traffic Division Supervisor; Jennifer Ngo-Chan, Criminal Collections Unit Manager; Regina Dennis, Civil Division Manager; Diane Hakewill, Unified Family Court Manager

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**FINDING REFERENCE: 2018-7-02**

*END-OF-DAY BALANCING AND CLOSEOUT – VERIFICATION*

**CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.10 DAILY BALANCING AND CLOSEOUT:

3. 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.
4. The balancing and closeout process includes the following steps:
  - a. The cashier completes and signs the recap of daily collections report; attaches a calculator tape for checks; and submits the report, collections, and beginning cash to the supervisor or his or her designee for verification;
  - b. The supervisor or his or her designee verifies in the presence of the cashier that the beginning cash is fully accounted for and the submitted collections balance with the recap of daily collections report;
  - c. The supervisor or his or her designee then verifies that the submitted collections balance with the associated payments and collections reported on the cashier's case management system daily collections closeout report;
  - d. If the collections balance with the amounts in the case management system, the cashier and supervisor or his or her designee must both sign and date the case management system daily collections closeout report.

#### **CONDITION**

The Court does not consistently require designated supervisors to count and verify each cashier's end-of-day collections to the CMS daily closeout reports while the cashier is present.

Specifically, our observation of four of the five payment collection locations reviewed—the Civil Division at the Civic Center Courthouse, and the Criminal, Collections, and Traffic Divisions at the Hall of Justice—noted that a designated supervisor did not count and verify the cashier's end-of-day collections while the cashier remained present. We also noted that the Civil Division requires only the supervisor to sign the clerks' CMS closeout report at the end of the day when verifying the collections, and does not require clerks to sign their CMS closeout reports. According to the Civil Division, because collected checks are always endorsed and therefore cannot be misappropriated by supervisors, and neither can credit payments, the division does not see any risk in allowing clerks to not be present while supervisors verify their credit and check collections. At the Collections and Traffic Divisions, the clerks drop off their cash bag with the responsible manager or supervisor, who count and verify the clerks' collections once they are available to do so. These divisions follow this practice because staff close out at staggered times throughout the day, and the responsible manager or supervisor may not be available at all of those times to count the clerks' collections. The Criminal Division indicated that it was unaware of this requirement.

Nonetheless, the FIN Manual requires a designated supervisor to count and verify each cashier's end-of-day collections to their collections recap forms and to the CMS daily closeout reports while the cashiers are present and before they leave for the day. In addition, both the cashier and the designated supervisor must sign the CMS closeout report to indicate their verification of the collections to the CMS report. As a result, the Court potentially allows a subsequent cash fund shortage to be without clear accountability of who may have caused the shortage or when it may have occurred as it would likely be very difficult to resolve any discrepancy that might arise

between the prior day's end-of-day count and verification and the next day's count and verification during the deposit preparation process. Adhering to the daily closeout requirements outlined in the FIN Manual helps protect the integrity of both the Court and all its cash handling employees.

### **RECOMMENDATION**

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

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. Court fiscal staff will work with operations supervisory staff to explain the need for cashier staff to be present when the daily count is being made, which is for the benefit of both parties and provides the necessary validation on the transfer of the daily collections. The standard operating procedures for the collection process will reflect this update.

**Response provided on 5/28/2019 by:** Sue Wong, CFO

**Date of Corrective Action:** June 17, 2019

**Responsible Person(s):** Sue Wong, CFO; Anthony Gavero, Criminal Division Manager; Shannon Martin, Traffic Division Supervisor; Jennifer Ngo-Chan, Criminal Collections Unit Manager; Regina Dennis, Civil Division Manager; Diane Hakewill, Unified Family Court Manager

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### **FINDING REFERENCE: 2018-8-01**

#### *BANK DEPOSITS – DEPOSIT VERIFICATION*

### **CRITERIA**

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

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

### **CONDITION**

The Court does not require one person to count and a second person to verify and initial its bank deposits. Instead, for deposits prepared at both the Civic Center Courthouse and the Hall of

Justice, a fiscal technician verifies and prepares the deposit with no secondary verification process. The Court indicated that believes that it is not necessary to have a second person verify the deposit because if the bank disagreed with the deposited amount, it would be easy to trace the variance to the person who prepared the deposit. However, when the Court does not perform the required review and verification of its deposits each day, 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.

Additionally, the Court indicated that it believes its process is adequate because it was approved by our audit team the last time we audited this court, in 2009. However, at that time, the 6th edition of the FIN Manual was in effect, which did not include the requirement to have a second person verify deposits. This requirement was added in the 7th edition of the FIN Manual, effective September 1, 2010, and has been included in every subsequent edition.

### **RECOMMENDATION**

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should ensure that a lead or supervisor verifies and initials its daily bank deposits after they are prepared by another court employee. If the Court cannot perform this deposit verification process, it should prepare and submit to the Judicial Council a request for approval of an alternate procedure for verifying the daily deposits.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. The fiscal staff and operations staff will have a lead or supervisor verify and initial the daily bank deposit after they are prepared by another court employee.

**Response provided on 5/28/2019 by:** Sue Wong, CFO

**Date of Corrective Action:** June 17, 2019

**Responsible Person(s):** Sue Wong, CFO; Faye Chin, Fiscal Services and Systems Manager; Anthony Gavero, Criminal Division Manager; Shannon Martin, Traffic Division Supervisor; Jennifer Ngo-Chan, Criminal Collections Unit Manager

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## PROCUREMENT AND CONTRACTS

### **The Court Should Ensure It Documents Its Approval of Purchase Requests, Uses the Correct Solicitation for Competitive Procurements, and Follows Statutory Reporting Requirements**

#### **Background**

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

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, including demonstrating sound management practices in the areas of authorization and authority levels, in soliciting non-competitive procurements, and in establishing contract terms that protect its interests.

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

<b>Finding Reference</b>	<b>Subject</b>
2018-10-01	Procurement – Procurement Initiation
2018-12-01	Procurement – Competitive Procurements
2018-16-01	Procurement – Other Internal Controls – Reporting Requirements

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**FINDING REFERENCE: 2018-10-01*****PROCUREMENT – PROCUREMENT INITIATION*****CRITERIA****JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 2, 2.1 FORMULATING THE PROCUREMENT APPROACH, C:**

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

1. Internal review and approvals: Consider the following:

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

**FIN MANUAL, FIN 6.01, 6.1 STANDARD PROCUREMENT PROCESS:**

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

**FIN MANUAL, FIN 6.01, 6.10 ADMINISTRATION AND DOCUMENTATION:**

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

**CONDITION**

The Court does not 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. According to the Court, for procurements of \$5,000 or less, the requester obtains approval (either verbally or through e-mail) from both the manager and either the Fiscal Services Supervisor or the CFO before initiating a procurement. For procurements of more than \$5,000, the requestor must work with fiscal staff to obtain bids and request preapproval from the

Fiscal Services Supervisor or the CFO. However, the CFO acknowledged that the Court does not always document the email discussions and decisions made, explaining that the approval to purchase may only be verbal. 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. A potential cause for this issue stems from the Court not having local policies and procedures requiring the consistent documentation of requisition approvals. By consistently documenting these approvals in the procurement file, the Court would better ensure its management is consistently exercising control over all procurement activities by concluding—prior to each procurement—that the proposed purchase satisfies a legitimate business need and that sufficient funds are available.

### **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, regardless of whether the activity is for a competitive or non-competitive procurement.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Partially agree. The court has an initial authorization process whereby the manager approves purchases as outlined in the purchasing procedures. Fiscal staff have not required the email chain as proof of initial approval from the manager before we generate the purchase order. Moving forward, we will require the email indicating manager approval along with the quote sheet before fiscal staff prepare the purchase order. This will be reflected in updated purchasing procedures on the court's intranet.

**Response provided on 6/14/2019 by:** Sue Wong, CFO; Sarah Shkidt, Administrative Analyst

**Date of Corrective Action:** July 1, 2019

**Responsible Person(s):** Sarah Shkidt, Administrative Analyst & Faye Chin, Fiscal Systems Supervisor

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### **FINDING REFERENCE: 2018-12-01**

#### *PROCUREMENT – COMPETITIVE PROCUREMENTS*

### **CRITERIA**

#### **JUDICIAL BRANCH CONTRACTING MANUAL (JBCM) 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.

## JBCM CHAPTER 4, COMPETITIVE SOLICITATION OVERVIEW:

### 4.1 THE BASICS OF COMPETITION

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

#### A. General Requirements

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

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

### 6.1 BASICS OF LEVERAGED PROCUREMENT

Leveraged procurement typically involves consolidating the procurement needs of multiple entities and leveraging the entities' combined buying power to reduce prices, improve terms and conditions, or improve procurement efficiency.

In this Manual, a leveraged procurement generally refers to either:

- A JBE's procurement of goods/services through the use of an agreement (the LPA) that is established by a third-party entity with a Vendor, and which enables the JBE to procure goods/services from the Vendor (without competitive bidding) on the same or substantially similar terms as in the LPA; or
- The establishment of an LPA by a JBE, on behalf of or in collaboration with other entities, that permits the JBE and other entities to procure goods or services from the Vendor that is contracted under the LPA.

## CONDITION

The Court does not always follow the JBCM requirements for competitive procurements. For example, for one of the two procurement transactions reviewed that met the requirements for a competitive solicitation, the Court did not competitively bid the procurement. Specifically, prior to the end of fiscal year 2015-16, the Court justified its need to immediately procure legal photocopying services for its appeals cases without competitive bidding due to the lack of notice provided by a previous vendor. At that time, the Court indicated that it planned to issue a request

for quote (RFQ) at the end of fiscal year 2015-16. However, in August 2018 the Court procured these legal photocopying services again at a total cost of \$65,100 but did not subsequently competitively bid these services or justify the need to continue procuring these services as a sole-source procurement. The Court indicated it is not sure why it did not competitively bid this procurement. When the Court does not follow the proper competitive solicitation procedures, it risks the appearance that it is not seeking to maximize competition.

Also, our review of the Court's procurement files for two transactions raised questions as to how the Court selected the winning bidder. Specifically, the Court spent more than \$100,000 to procure goods and services from two vendors in fiscal year 2017-18—more than \$78,000 on printer toner cartridges and \$26,000 on courier services. However, the Court did not document its evaluation of the quotes or bids it received or the basis for selecting the chosen vendor. As a result, we could not independently review and evaluate the vendor selection process to understand the Court's approach and whether it complied with the terms of the solicitation. According to the CFO, the Court generally selects the least costly option unless there is a reason for choosing a different vendor. Nonetheless, we believe the Court needs to improve how it documents its methodology for selecting the winning bidder to allow an external entity—such as the State Auditor's Office—to independently evaluate the Court's compliance with the JBCM's competitive procurement requirements.

Finally, for one of the procurement transactions reviewed, the Court did not have documentation in its files to justify not competitively bidding its CMS implementation services contract, which was originally valued at \$225,500 and after amendments is now valued at more than \$605,000. According to the Court, it piggybacked off the competitively bid contract of another superior court when it originally entered into this contract. The Court used the leveraged procurement agreement (LPA) process since this other court had competitively bid the contract. However, because the Court agreed to pay the vendor a rate of \$135 per hour, or 25% more than the \$108 per hour the other court agreed to pay the vendor in the original contract, it did not procure its vendor services on substantially similar terms as the original LPA. The Court also indicated that this vendor was the only one with the specific knowledge required to help it implement its new CMS system. However, the Court did not document an approved sole-source request form in its files. When the Court does not competitively procure services and does not properly document its reasons for conducting non-competitive sole-source procurements, it risks the appearance that it is not seeking to maximize competition to obtain best value.

## **RECOMMENDATION**

To increase its adherence to the JBCM's requirements and to ensure it is consistently seeking opportunities to engage in competitive procurements, the Court's management should review: (1) how it is using RFQ solicitations given the procurement values involved; (2) how it is documenting its methodology for selecting the winning bidder, and (3) whether sole-source justifications are consistently approved by management and documented in the procurement file.

## **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees that the procurement file should have documented decisions for selecting the winning bidder, along with a basis for the decision. The corrective action for this moving forward will be a spreadsheet comparing all vendors pricing, a statement of which vendor the

Court choose, as well as a written notification to each of the vendors with the Courts award. This will be kept in the procurement file.

To ensure competitive solicitation has been met, the contract tracking list will have a checklist that illustrates which procurement method was done. Additionally, fiscal technicians will not create Purchase Orders without supporting documentation (i.e. MSA, RFP/RFO, Sole Source). IT will maintain its competitive solicitation documentation in a shared folder, and Fiscal will not approve Purchase Orders made by IT without appropriate documentation. Between the two, there is enough check and balance to ensure suitable procurement practices have been followed.

**Response provided on 6/07/2019 by:** Sarah Shkidt, Administrative Analyst

**Date of Corrective Action:** June 7, 2019

**Responsible Person(s):** Sarah Shkidt, Administrative Analyst & Carmen Velasco, Court Computer Facilities Coordinator

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#### **FINDING REFERENCE: 2018-16-01**

#### ***PROCUREMENT – OTHER INTERNAL CONTROLS – REPORTING REQUIREMENTS***

#### **CRITERIA**

JUDICIAL BRANCH CONTRACTING MANUAL (JBCM), CHAPTER 12 REPORTING REQUIREMENTS, 12.2 NOTIFICATIONS BY JBEs TO THE STATE AUDITOR UNDER PCC 19204:

Under PCC 19204(a), any JBE contract with a total cost estimated at more than \$1 million is subject to the review and recommendations of the State Auditor to ensure compliance with the California Judicial Branch Contract Law. Each JBE must notify the State Auditor, in writing, of the existence of any such contract within 10 Court Days of entering into the contract. The date of “entering into the contract” is the date on which the contract is fully executed by all parties.

Notes: Excluded from this requirement are contracts covered by GC 68511.9, which covers contracts for the California Case Management System and all other administrative and infrastructure information technology projects of the Judicial Council or the courts with total costs estimated at more than \$5 million. (Under GC 68511.9, these contracts are subject to the review and recommendations of the California Department of Technology.)

A JBE is not required to notify the State Auditor of amendments to an existing contract if the JBE previously notified the State Auditor of the existence of such contract pursuant to PCC 19204(a).

#### **CONDITION**

For the five procurement transactions reviewed that resulted in a contract with a total cost or value of more than \$1 million, the Court did not notify the State Auditor within 10 days of entering into the contracts. Specifically, the Court did not report to the State Auditor the existence of the following five contracts:

- *Collections services.* The Court contracted with a third-party vendor to collect on delinquent accounts. This contract was initially executed for one year at a cost of \$1.76

million and subsequently amended to add additional years and costs, bringing its current total value to \$5.3 million.

- *CMS implementation services.* The Court entered into this participation agreement valued at more than \$3.2 million.
- *CMS maintenance services.* The Court initially executed this contract for one year at a cost of \$700,000 and subsequently amended the contract three times to add additional years at \$700,000 each, bringing the contract's current total value to \$2.8 million.
- *Printing services.* The Court initially executed this contract for two years at a cost of \$564,270 and subsequently amended the contract four times to add additional years and costs, bringing its current total value to \$1.5 million.
- *Record retrieval and storage.* The Court initially executed this contract for fiscal years 2015-16 through 2019-20 at an estimated cost of \$990,000 and later amended the contract to increase its current total value to \$1.35 million.

According to the Court, it believes this notification to the State Auditor applies only to the initial contract and not when a subsequent amendment causes the total contract cost or value to exceed \$1 million. Audit Services disagrees with the Court's interpretation. The JBCM specifies that courts must report to the State Auditor contracts with a total cost estimated at more than \$1 million, and further specifies that courts need not report subsequent amendments if they had previously reported the contract to the State Auditor. For three of the five procurements we highlight in this finding, the Court's original contracts were initially under \$1 million but subsequently exceeded this threshold through amendments. Once the \$1 million threshold was crossed for each, the Court was required to report these contracts to the State Auditor pursuant to Public Contract Code, Section 19204(a). While courts are not required under the JBCM to report amendments if they previously reported the underlying contract, it's not clear why courts could avoid reporting altogether if an amendment pushed a contract over the \$1 million threshold.

The Court also explained not reporting certain CMS-related contracts to the State Auditor based on its understanding that the reporting requirement does not apply to CMS or IT-related contracts. Again, Audit Services disagrees. State law requires the superior courts to report all contracts estimated to exceed \$1 million to the State Auditor, except that IT contracts over \$5 million are instead reported to the California Department of Technology. Audit Services believes there is no statutory basis for not reporting IT-related contracts with an estimated value between \$1 and \$5 million to the State Auditor per Public Contract Code, Section 19204(a). Although Audit Services' acknowledges the JBCM may require clarification to ensure these reporting requirements are clearly understood by the courts, we encourage the Court to review the reporting requirements found in Public Contract Code, Section 19204(a), and Government Code, Section 68511.9.

## **RECOMMENDATION**

To ensure that it follows the reporting requirements established in state law and the JBCM, the Court should establish a process to notify the State Auditor of all contracts with a current estimated cost of more than \$1 million—except when IT-related contracts are estimated to cost more than \$5 million—including those contracts not previously reported because their initial

costs were under the reporting threshold, but later amended to increase the current total cost or value to more than \$1 million.

**COURT'S VIEW AND CORRECTIVE ACTION PLAN**

The Court agrees that notification to the appropriate agencies should be done as outlined by the Public Contract Code. It was helpful to learn that once contracts over the \$1 million threshold have been noticed, the Court no longer needs to send subsequent notices. The Court was only aware of the \$5 million noticing requirement for IT contracts and was unaware of lower \$1 million threshold but will comply with appropriate noticing moving forward.

**Response provided on 6/14/2019 by:** Sue Wong, CFO; Sarah Shkidt, Administrative Analyst

**Date of Corrective Action:** June 14, 2019

**Responsible Person(s):** Sarah Shkidt, Administrative Analyst

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## **PAYMENT PROCESSING**

### **The Court Complied with Applicable Payment Processing Requirements**

#### **Background**

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

Our review found that, except for one minor instance of non-compliance that we communicated separately to the Court, it generally complied with the applicable payment processing requirements we evaluated during our audit. Specifically, the Court demonstrated sound management practices in the areas of its payment authorizations, jury expenses, and allowable costs.

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## 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.

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

Nevertheless, we identified several distribution calculation errors 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
2018-25-01	CMS – Calculated Distributions

#### **FINDING REFERENCE: 2018-25-01**

*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.
- (9) 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, although the Court corrected the distribution calculation discrepancies noted in its 2010 audit, it did not configure its case management systems (CMS) to correctly calculate and distribute many of the fines and penalty assessments for the 15 distributions reviewed in this audit. Our review covered variations of distinct case types and code violations under the Vehicle Code (VC), Penal Code (PC), Health and Safety Code (HSC), and Fish and Game Code (FG). To calculate distributions, the Court uses a CMS called RevQ for criminal cases and a CMS called C-Track for traffic cases. Although not a complete listing of all the variances noted and communicated to the Court, some examples of the systemic calculation and distribution discrepancies we noted include the following:

- For five of the nine different traffic infraction case types reviewed—walking red light bail forfeiture (BF), speeding BF, child seat BF, child seat traffic school (TS), and proof of insurance, the Court is not accurately distributing the PC 1464 State penalty between the State and county after transfer of the GC 68090.8 2% State Automation Fund. Specifically, the Court configured its C-Track CMS to transfer 98.571% of the 70% share of the State penalty to the State and 96.667% of the 30% share of the State penalty to the county. However, courts must distribute 70% of this State penalty to the State and 30% to the county, net of the 2% that they must first transfer to the State Automation Fund. This means that 98% of the penalty is split 70% to the State and 30% to the county. This happened because the Court did not configure its C-Track CMS to correctly calculate the 2% transfer amounts from the respective State and county shares of the State penalty. As a result, the Court distributes more of the State penalty, net of the 2% transfer, to the State than it should and less to the county than it should for these case types.
- For the child seat cases reviewed, the Court did not accurately distribute the base fine, after transfer of the GC 68090.8 2% State Automation Fund, to the county and city for the different purposes designated by VC 27360.6(c). Specifically, the Court configured its C-Track CMS to calculate transfers to the 2% State Automation Fund of 1.667% from 60% of the base fine that is designated for the county child seat education program, 4.0% from 25% of the base fine that is designated for administration of the county child seat program, and 0% from 15% of the base fine that is designated for the city child seat loaner program. However, the distributions of the base fine prescribed by VC 27360.6(c) to each designated purpose should each be net of their respective 2% transfer to the State Automation Fund. This happened because the Court did not configure its C-Track CMS to correctly calculate the 2% transfer amounts from each respective designated distribution of the base fine on child seat cases. As a result, the Court distributes more of

the base fine to the city than it should and less to the county than it should for child seat cases.

- For the proof of insurance case reviewed, the Court also did not designate that the county deposit portions of the base fine in special accounts pursuant to PC 1463.22. Specifically, the Court did not designate the county to deposit \$17.50 of the base fine on proof of insurance cases in a special account to defray the Court's cost for administering cases related to proof of financial responsibility violations. Similarly, it did not designate the county to deposit \$3 of the base fine in a special account for transfer to the State Transportation Fund, and deposit \$10 of the base fine in a special account for transfer to the State General Fund. However, PC 1463.22 specifically prescribes these deposits into special accounts for the stated purposes from the base fines of proof of insurance convictions. This happened because the Court did not configure its C-Track CMS to correctly distribute the base fine on proof of insurance (or financial responsibility) cases. As a result, the Court is distributing more of the base fine from proof of insurance cases to the county than it should, and less to the Court and the State than it should.
- For the speeding traffic school and red light traffic school cases reviewed, the Court did not distribute the correct amounts of the traffic violator school fee (TVS fee) to the GC 76100 Local Court Construction Fund (LCCF). Specifically, the Court did not distribute any of the TVS fee to the LCCF for the speeding traffic school case and distributed only \$.07 of the TVS fee to the LCCF for the red light traffic school case. However, VC 42007(b)(1) prescribes that \$1 of the TVS fee from traffic school cases be deposited in the LCCF. This happened because the Court did not configure its C-Track CMS to calculate the correct distribution amounts to the LCCF on traffic school cases. As a result, the Court distributes less of the TVS fee to the LCCF than it should.
- In addition, for the red light traffic school case reviewed, the Court did not distribute the TVS fee pursuant to VC 42007. Specifically, the Court distributed the GC 76104.6 and GC 76104.7 DNA penalties, net of the 30% red light allocation, to the State and local DNA funds instead of converting these penalties as part of the TVS fee and distributing to the county. When cases are disposed with traffic school, the DNA penalties are converted to part of the TVS fee and are no longer distributed to the DNA funds. Conversely, the Court distributed only 70% of the TVS fee applicable to the GC 76104 Emergency Medical Services (EMS) fund, the GC 76000.5 additional EMS fund, and the GC 70372 State Court Facilities Construction Fund (SCFCF). However, VC 42007(b)(2), prescribes that the full \$2 of the GC 76000 \$7 local penalty is deposited in the GC 76104 EMS fund, the full \$2 per \$10 of the GC 76000.4 additional EMS penalty is deposited in that EMS fund, and the full \$5 per \$10 of the GC 70372(a) SCFCF penalty is deposited in that fund, split between ICNA and the SCFCF, from the TVS fee. This happened because the Court did not configure its C-Track CMS to calculate correct distributions of the TVS fee on its red light TS cases. As a result, the Court distributes more to some State and local funds than it should and distributes less to some other State and local funds than it should for these red light TS cases.
- For the red light bail forfeiture case reviewed, the Court used incorrect mathematical formulas to calculate its distributions. Specifically, for those fines and penalties subject to the PC 1463.11 30% red light allocation, the Court incorrectly calculated the 30% red

light allocation using the gross fine or penalty (i.e.,  $(\$100 \times 98\% = \$98) - (\$100 \times 30\% = \$30) = \$68$ ) instead of the fine or penalty net of the GC 68090.8 2% transfer to the State Automation Fund (i.e.,  $(\$100 \times 98\% = \$98) - (\$98 \times 30\% = \$29.40) = \$68.60$ ). In addition, for the PC 1464 State penalty that is split 70% to the State and 30% to the county, the Court rounded the calculated net amounts distributed to the State and the county down to the nearest whole dollar. This happened because the Court used incorrect mathematical formulas when configuring its C-track CMS to calculate these 30% red light allocations. As a result, the Court distributes more to the county 30% red light allocation than it should and distributes less to many of the applicable State and local fines and penalties than it should.

- For the proof of correction case reviewed, the Court used inaccurate percentages to allocate the proof of correction (POC) fees. Specifically, the Court used 67.5% to allocate the POC fee to the county and used 32.5% for the State share. However, VC 40611 requires courts to allocate 66% of the POC fee to the county and 34% to the State. This happened because the Court did not configure correct percentages in its C-Track CMS when calculating the POC fee allocations. As a result, the Court is distributing a small amount more of POC fee to the county than it should and less to the State than it should.
- Finally, the Court is not assessing and collecting the additional \$15 secret witness penalty pursuant to FG 12021. This happens because the Court did not properly configure its RevQ system, which is used to distribute revenue related to criminal cases, to calculate and assess this penalty. Further, because the Court does not assess this penalty, it also does not transfer 2% of this penalty to the State for deposit in the State Trial Court Improvement and Modernization Fund pursuant to GC 68090.8. As a result, the State is not receiving the full amount it should for FG code cases.

Although the above variances may individually be small, they may become significant when aggregated over time. According to the Court, all the calculation and distribution errors found occurred because its CMS's are not currently configured correctly. The Court stated that its CMS tables will require additional modifications to ensure correct calculations and distributions of all fines and assessments. Until these CMS tables are reconfigured and corrected, the Court will continue to incorrectly assess and collect some fines and penalties and will therefore distribute less than required to some entities and more than required to other entities. As a result, the Court is at risk of continuing to not accurately calculate and distribute the fines, penalties, and assessments it collects for an undetermined period of time.

## **RECOMMENDATION**

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

- As soon as possible, modify or reconfigure its CMS tables to correctly calculate and distribute all fines, penalties, and assessments. Then perform follow up reviews to ensure the corrections are working properly, and
- Develop a process to periodically monitor its calculations and distributions of collections to ensure they remain current and accurate.

**COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. The Court will work to modify the existing CMS tables to correctly calculate the fines, fees and penalties. We will establish an annual process to verify the calculations and distributions to ensure they remain accurate.

**Response provided on 6/13/19 by:** Sue Wong, CFO

**Date of Corrective Action:** July 1, 2019

**Responsible Person(s):** Sue Wong, CFO; Nicole Adams, Court Computer Systems Manager

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## ONE PERCENT FUND BALANCE CAP

### The Court Appropriately Supported Its One Percent Fund Balance Cap Calculations

#### Background

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

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

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

Finally, we found the Court had excess funds held on its behalf at the end of FY 2017-18. We reviewed the Court’s FY 2018-19 expenditures of these held funds and found that its use of the funds was consistent with the purpose for which they were approved.

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## JBSIS CASE FILING DATA

### The Court Should Ensure It Reports Accurate Case Filings Data to JBSIS

#### Background

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

Our review found that the Court maintained documentation to support some of the JBSIS case filings data it submitted to the Judicial Council's Office of Court Research. Nevertheless, our review identified two JBSIS-related audit findings that we believe require the Court's continuous monitoring. These findings pertained to the following specific areas of the JBSIS case filings data:

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

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#### **FINDING REFERENCE: 2018-29-01**

##### *VALIDITY OF JBSIS DATA – CASE FILING COUNTS*

#### **CRITERIA**

##### **CALIFORNIA RULES OF COURT, RULE 10.400, JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM:**

Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, the Judicial Branch Statistical Information System (JBSIS) is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch, the Legislature, and other state agencies that require information from the courts to fulfill their mandates. Each trial court must collect and report to the Judicial Council information according to its capability and level of automation as prescribed by the *JBSIS Manual* adopted by the Judicial Council.

**CONDITION**

The Court could not fully support some of the case filing counts it reported to JBSIS for fiscal year (FY) 2016-17. The Court reported to JBSIS a total count of more than 147,000 new case filings for FY 2016-17, using the manual entry process through the JBSIS web portal. The Court reported each new case filing as a count in one of 34 possible case categories (such as “civil limited” or “felony”). Over one fiscal year, this equals 408 individual monthly JBSIS counts (34 counts per month x 12 months). Audit Services compared the case filings count data the Court reported to JBSIS to its underlying monthly case filing count records that it retained from its FY 2016-17 JBSIS reporting to identify any differences in the count totals. Our review noted count differences in 14 of the 408 individual monthly counts (or approximately 3 percent of the time). The differences varied among each of those 14 monthly counts, with the Court’s compilation of its CMS case filings count data at times being higher or lower than the corresponding count totals it reported in JBSIS. The sum of all over- and under-counted case filings in absolute terms and without regard to case weights was 128 cases, or less than one-tenth of one percent of the more than 147,000 new case filing counts the Court reported. Further, our analysis revealed that 106, or the majority of these 128 miscounts, were due to the Court transposing the counts for two different probate case types when reporting case filing counts to JBSIS in August 2016. This caused the Court to over-report the count for one probate case type by 53 cases while under-reporting the count for the second probate case type by the same number of cases. We also identified 13 additional count differences when comparing the Court-reported FY 2016-17 JBSIS case filings counts to its monthly listings that detail the case numbers for the six case types and five months randomly selected for review. All 13 count differences ranged from 25 under-reported case filing counts for a particular case type and month to one over-reported case filing count for another case type and month. For example, for the felony case type, the Court informed us that a CMS programming error caused it to undercount these cases for all months, but that it corrected the error and plans to amend its reporting of felony cases to JBSIS.

Also, although not reflected in the count discrepancies noted above, the Court misreported its July 2016 “Juvenile Dependency” case filing counts. Specifically, although the juvenile dependency case filing counts the Court reported to JBSIS for July 2016 agreed with the summary report it used to report these counts, it prepared this summary report by inadvertently using the June 2016 case filing counts from FY 2015-16. As a result, the Court over-reported its July 2016 juvenile dependency case filing counts by 11 when it reported 60 new petitions, 33 subsequent petitions, and 4 adoptions from June 2016, instead of the 43 new petitions, 34 subsequent petitions, and 9 adoptions from July 2016.

In addition, although the Court retained the summary reports that it used to report to JBSIS its new case filing count totals for all case types and all months of FY 2016-17, and was able to also provide lists detailing the case numbers for five of the six case types reviewed, we were unable to verify the new case filing counts it reported to JBSIS for the Juvenile Dependency and Mental Health case types. Specifically, for its “Juvenile Dependency” cases, the Principal Analyst who compiles the case filings count data for submission to JBSIS used the counts that various court units emailed of their respective juvenile dependency cases. However, although the Court was able to provide subsequent lists detailing its “Juvenile Dependency” cases, it was unable to explain exactly how the units compiled their reported case counts and how these counts related to the case detail listings. Therefore, we were unable to determine and verify exactly how the

detailed listings of cases reconciled to the juvenile dependency case filing counts the Court reported to JBSIS for the W&I 300-Original and W&I 300-Subsequent case types. As a result, although the detailed listings were useful for selecting case file records to review against the JBSIS Manual definitions for juvenile dependency case types, we were unable to rely on these listings to fully verify the juvenile dependency case filing counts the Court reported to JBSIS for FY 2016-17.

Further, the Court could not provide any lists that detail the specific cases that support the 2,612 case filing counts it reported to JBSIS in the Mental Health (10a) category for FY 2016-17. Having this detail not only helps the Court support the counts it reported to JBSIS, this detail is also necessary to select and review relevant case file records and evaluate whether the Court consistently followed the JBSIS Manual case type definitions. According to the Court, it was unable to generate from its CMS a detailed list of case numbers that support its Mental Health (10a) case filing counts. Further, it manually tallied the filing counts of some types of Mental Health (10a) cases without retaining records of the associated case numbers underlying its tallies because various local hospitals perform some of the counts. According to the Court, although compiling such detailed listings after the fact or going forward would be beneficial, the Judicial Council does not specifically require courts to retain detailed listings of case numbers to support the monthly case filings data they report to JBSIS. Nonetheless, without lists that detail the case numbers underlying case filing counts it reports to JBSIS, the Court cannot support, and we could not independently verify, the accuracy of the monthly case filing counts it reported to JBSIS for the Mental Health (10a) case type. Moreover, we also could not select mental health cases to review the associated case file records and assess and verify the accuracy and quality of the mental health case data the Court reported to JBSIS for FY 2016-17.

### **RECOMMENDATION**

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

- Generate and retain from its CMS systems, or require staff to compile and retain, detailed listings of the case numbers that support the case filing counts it reports to JBSIS and that are both contemporaneous and consistent with its monthly JBSIS reporting.
- Periodically review listings of case numbers for its reported case filings, such as monthly or quarterly, to identify individual cases that it may have double-counted in the same reporting period or across previous reporting periods or that may have changed case-types.
- Ensure staff follow the Judicial Council standards on acceptable error rates when reporting case filing counts data to JBSIS and submit amended reports to JBSIS when it identifies count differences that exceed this standard.

### **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. A small number of data entry and accounting errors were made in the process of reporting these data. As the audit points out, the vast majority of the miscounts were due to sporadically and inadvertently transposing the columns of two probate case types. A redesign of our forms to reflect the order of these columns in the Portal should help mitigate such errors in the future. This redesign is being undertaken as part of our court's transition to JBSIS 3.0 reporting

standards this summer. The court will submit amended reports to correct each of the errors cited. The court will also undertake more careful monitoring and checking of the data it reports. The generation of detailed case lists exceeds the capability of most of our case management systems at present, but the court will seek to build this functionality into our next generation tracking systems as they are implemented.

**Response provided on 6/14/2019 by:** Michael Corriere, Principal Management Analyst

**Date of Corrective Action:** June-July 2019

**Responsible Person(s):** Michael Corriere, Principal Management Analyst

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**FINDING REFERENCE: 2018-29-02**

*VALIDITY OF JBSIS DATA – DATA QUALITY*

**CRITERIA**

CALIFORNIA RULES OF COURT, RULE 10.400, JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM:

Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, the Judicial Branch Statistical Information System (JBSIS) is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch, the Legislature, and other state agencies that require information from the courts to fulfill their mandates.

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

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

Special considerations for reporting family law cases:

1. Department of Child Support Services (DCSS) cases: Report as a new or separate case any DCSS complaint that is filed in an existing dissolution, parental relations, or other type of family law case.
  - Report one filing, one disposition, and workload resulting from the petition for dissolution in column 10, Dissolution With Minor Children.
  - Report one filing, one disposition, and workload resulting from the DCSS complaint regarding parental obligations in column 100, DCSS.

JBSIS [MANUAL], VERSION 2.3, [**JUVENILE DEPENDENCY (REPORT 9a)**]*—*DATA ELEMENT DEFINITIONS:

**JUVENILE DEPENDENCY CASES:** A broad classification of cases filed on behalf of a minor by a social services agency, the parents, the minor, or others interested in the welfare of the minor. Report 09a captures the trial courts' workload generated by juvenile dependency cases. The purpose of this type of proceeding is to provide safety and protection for children who are

abused, neglected, exploited, or at risk of harm. All of the social and health services provided to the child(ren) and family require court supervision.

Portal: Courts reporting via Portal standards report counts for juvenile dependency cases under W&I § 300 (columns 05), W&I § 342 (columns 15), and W&I § 387 Notice of Hearing (column 25). W&I § 387 Notice of Hearing (column 25) events are not captured in inventory but only in workload.

*Portal Workload: Welf. and Inst. Code, § 388 hearing:* A hearing on a motion filed by a parent, the child, or other person with an interest in a child who is a dependent of the juvenile court (Judicial Council form JV-180) seeking to modify, change, or set aside an order or terminate jurisdiction of the court because of a change of circumstance or new evidence.

## **CONDITION**

Our review of selected case file records associated with its reporting of FY 2016-17 JBSIS case filings data found that the Court reported seven of the 50 cases reviewed in a manner inconsistent with the JBSIS Manual definitions for reporting cases. Specifically, the Court reported the following cases to JBSIS as new case filings even though they did not meet the JBSIS Manual definitions for such filings:

- The Court classified and reported four of the 10 "Juvenile Dependency" cases reviewed as subsequent petitions (W&I 342) even though the case file records indicate that the petitions were W&I 388 modified petitions and amended petitions that the Court should not have counted and reported as new case filings. According to data the Court provided, it incorrectly reported 395 of these types of petitions as new case filings for FY 2016-17.
- The Court also classified and reported two of the 10 "Juvenile Dependency" cases reviewed as original petitions (W&I 300) even though the case file records indicate that these were W&I 387 supplemental filings that the Court should not have counted and reported as new case filings. According to data the Court provided, it incorrectly reported 103 of these supplemental filings as new case filings for FY 2016-17.
- Further, the Court reported one of the 10 "Family Law—Child Support" cases reviewed as a new case filing even though the underlying petition in the case file indicates the petitioner was requesting a substitution of payee, not requesting that the Court establish a support order for a spouse or child.

According to the Court, it was unaware that it should not count and report these types of petitions as new case filings. When courts do not classify and report case filings correctly, not only may the Judicial Council report flawed JBSIS case filings data to internal and external stakeholders, it may also use filings data that can negatively affect the annual budget allocations of both the Court and/or other superior courts.

## **COURT'S VIEW AND CORRECTIVE ACTION PLAN**

Agree. Court staff in the Unified Family Court mistakenly reported cases in the incorrect categories (i.e., "supplemental" dependency cases were misreported as "subsequent" dependency cases). The incoming manager has been briefed on the matter and staff members are to be retrained this summer as part of the court's transition to JBSIS 3.0 reporting standards, which is

already underway. The principal management analyst will monitor Unified Family Court data submissions to ensure continued compliance. The court will submit amended reports to correct these errors.

**Response provided on 6/14/2019 by:** Michael Corriere, Principal Management Analyst

**Date of Corrective Action:** June-July 2019

**Responsible Person(s):** Diane Hakewill, Manager of the Unified Family Court; Michael Corriere, Principal Management Analyst

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## **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.

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