



# Judicial Branch Procurement

The Five Superior Courts We Reviewed  
Mostly Adhered to Required and Recommended  
Practices, but Some Improvements Are Needed

Report 2016-301





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November 16, 2016

2016-301

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As required by Chapter 31, Statutes of 2013, the California State Auditor presents this audit report assessing five superior courts' compliance with the requirements of the California Judicial Branch Contract Law (judicial contract law), Public Contract Code sections 19201 through 19210. The judicial contract law requires the Judicial Council of California to adopt and publish a *Judicial Branch Contracting Manual* (judicial contracting manual), which establishes the requirements and recommended practices for procurement and contracting that all judicial branch entities, including superior courts, must follow.

For the five courts we reviewed for this audit—the superior courts of Riverside, San Diego, San Joaquin, San Mateo, and Tehama counties—we found fewer instances of the courts not adhering to procurement processes compared to the superior courts reviewed in our past two procurement audits. The Riverside and San Diego courts consistently adhered to the required and recommended practices in the judicial contracting manual, while the other three courts had some shortcomings in following these guidelines. For example, the three courts did not always follow the recommended practice of determining if prices were fair and reasonable for noncompetitive contracts. In other cases, the San Joaquin, San Mateo, and Tehama courts did not document why they did not use a competitive process for some contracts. Finally, the San Joaquin and San Mateo courts did not consistently make sure that goods and services were received before issuing payments.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

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## SUMMARY

The State's 58 superior courts are required to follow state law and the policies of the Judicial Council of California (Judicial Council) when making purchases of goods and services and processing payments.<sup>1</sup> This is the third audit we have performed of the procurement processes of California superior courts. For the five courts we reviewed for this audit—the superior courts of Riverside, San Diego, San Joaquin, San Mateo, and Tehama counties—we found fewer instances of the courts not adhering to procurement processes compared to the superior courts reviewed in our past two procurement audits. Our review found that while these courts largely complied with contract and payment requirements and guidelines, three of them could make improvements. The Riverside and San Diego courts consistently adhered to these requirements and recommended practices.

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The following are the key conclusions discussed in this report:

### Three of the five superior courts could improve their contracting practices.

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The San Joaquin, San Mateo, and Tehama courts did not consistently follow the guidelines in the *Judicial Branch Contracting Manual* (judicial contracting manual), particularly in regard to noncompetitive contracts. Notably, the three courts did not always determine whether the price they paid for goods and services was fair and reasonable as the judicial contracting manual recommends for certain noncompetitive contracts. In addition, these three courts sometimes failed to explain why they had entered into contracts without using a competitive process. In contrast, the Riverside and San Diego courts followed state laws and the Judicial Council's contract guidelines more strictly.

### Two of the five superior courts had some weaknesses in their processing of vendor or purchase card payments.

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The San Joaquin and San Mateo courts did not always appropriately approve or verify that goods or services were received before paying for them. Further, San Joaquin court routinely exceeded the judicial contracting manual's \$1,500 limit for purchase card transactions without explaining the necessity for exceeding the limit. Also, in fiscal year 2015–16 the San Mateo court spent \$4,000 on bottled water for its employees, which is unallowable under state procurement rules. In contrast, payments we tested for the Riverside, San Diego, and Tehama courts were processed according to the judicial contracting manual and their internal control processes.

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<sup>1</sup> In July 2014, the Judicial Council voted to retire the name *Administrative Office of the Courts* for its staff agency; however, state law continues to use this name.

Table 1 provides a summary of the results of our review of procurement practices related to contracts—both competitive and noncompetitive—and payments at the five superior courts we audited.

**Table 1**  
**Overall Level of Compliance With Required and Recommended Practices**

COUNTY SUPERIOR COURT	PROCUREMENTS		PAYMENTS	
	COMPETITIVE	NONCOMPETITIVE	TO VENDOR	WITH PURCHASE CARD
Riverside	■	■	■	■
San Diego	■	■	■	■
San Joaquin	■	■	■	■
San Mateo	■	■	■	*
Tehama	■	■	■	*

Source: California State Auditor's analysis of procurements and payments at five superior courts.

**Level of Compliance With Required and Recommended Practices**

■ = Complied with all

■ = Complied with most

\* Court had less than our threshold for testing purchase card payments.

The Judicial Council has implemented contract and payment requirements and recommended practices to ensure that state judicial branch entities—in this instance, superior courts—make the best use of public funds when purchasing and paying for goods and services. When superior courts do not follow these requirements and recommended practices, they increase the risk that they will overpay for goods or services, or that they will make unauthorized or unallowed payments. Moreover, the courts undermine the integrity of the competitive procurement process when they bypass the competitive process without adequate justification.

**Summary of Recommendations**

The San Joaquin, San Mateo, and Tehama courts should determine whether pricing for noncompetitive contracts is fair and reasonable, when applicable.

The San Joaquin, San Mateo, and Tehama courts should consistently retain in contract files their justification for entering into contracts that they have not competitively bid.

The San Joaquin and San Mateo courts should ensure that their staff follow the courts' payment approval policies.



The San Joaquin court should implement a process to ensure that its staff adheres to its policy for exceeding the \$1,500 per-transaction limit for purchase cards, and the San Mateo court should cease purchasing bottled water for employees.

### **Agency Comments**

Three superior courts agreed with our findings and recommendations. However, the San Joaquin court did not agree with the basis of two of our recommendations. Finally, the Riverside court chose not to respond.

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# INTRODUCTION

## The California Judicial Branch Contract Law

The California Judicial Branch Contract Law (judicial contract law) went into effect in 2011. It requires all judicial branch entities<sup>2</sup> to comply with the provisions of the Public Contract Code that are applicable to state agencies for procurements of goods and services. As required by the judicial contract law, the Judicial Council has adopted and published the judicial contracting manual, which establishes the requirements and recommended practices for procurement for all judicial branch entities. In addition, each judicial branch entity is required to adopt a local contracting manual containing local procurement rules that its staff is to follow.

Further, judicial contract law directs the California State Auditor (State Auditor) to audit five judicial branch entities, other than the Judicial Council, to assess the implementation of the judicial contract law. We are to conduct this audit every two years, beginning on or before July 1, 2014. Over the past four years, the State Auditor issued two audits that included 11 of the State’s 58 superior courts, and we found weaknesses in internal controls over procurement processes for all 11 of those superior courts. For this audit, we selected the superior courts of Riverside, San Diego, San Joaquin, San Mateo, and Tehama counties. Our decision to select courts for audit is based on factors such as the size of the court, total volume of contracts, previous audits or known deficiencies, and significant or unusual changes in the court’s management. In this and previous audits, we have considered only courts that we have not already audited, and we will continue to do so unless we become aware of circumstances that would warrant a review of a previously audited court. Table 2 provides the relative size and workload data of the five superior courts we selected for this audit.

**Table 2**  
**Relative Sizes and Workload Data for Five County Superior Courts**

	COUNTY SUPERIOR COURT				
	RIVERSIDE	SAN DIEGO	SAN JOAQUIN	SAN MATEO	TEHAMA
County population, July 2015	2,361,000	3,300,000	726,000	765,000	63,000
County area in square miles	7,206	4,207	1,391	448	2,950
Expenditures, fiscal year 2015–16	\$149,449,000	\$181,108,000	\$39,212,000	\$44,436,000	\$5,038,000
Procurement payments, fiscal year 2015–16	\$24,789,000	\$35,407,000	\$4,434,000	\$5,263,000	\$880,000
Case filings, fiscal year 2015–16	368,000	471,000	116,000	134,000	17,000
Judges, authorized positions	62	134	29	26	4
Support staff, authorized positions	1,094	1,303	321	283	45

Sources: U.S. Census Bureau, the Judicial Council of California’s 2015 *Court Statistics Report*, and the superior courts.

Note: Data in this table are unaudited and rounded.

<sup>2</sup> According to the judicial contract law, a judicial branch entity is any superior court, court of appeal, the California Supreme Court, the Judicial Council, and the Habeas Corpus Resource Center.

## The Judicial Contracting Manual

The judicial contract law requires that the provisions of the judicial contracting manual be substantially similar to those of the *State Administrative Manual* and the *State Contracting Manual* and consistent with the Public Contract Code. The *State Administrative Manual* provides general fiscal and business policy guidance to state agencies, while the *State Contracting Manual* provides more specific guidance in the areas of procurement and contract management. The Public Contract Code contains competitive bidding requirements that state agencies must comply with, among other provisions. The purpose of these requirements is to provide all qualified bidders with a fair opportunity to enter the bidding process and to eliminate favoritism, fraud, and corruption in the awarding of public contracts. In addition to establishing procurement requirements, the judicial contracting manual contains some provisions that it recommends that courts perform. Although these provisions are not required, the courts should follow them unless they have a compelling reason for doing otherwise.

### Types of Allowable Noncompetitive Procurements

- Purchases under \$5,000
- Emergency purchases
- Purchases from government entities
- Legal services
- Certain leveraged procurement agreements
- Purchases from a business entity operating a community rehabilitation program
- Licensing or proficiency testing examinations
- Subvention and local assistance contracts
- Sole-source procurements

Source: July 2015 *Judicial Branch Contracting Manual*.

Like the Public Contract Code, the judicial contracting manual generally requires judicial branch entities to secure competitive bids or proposals for each contract, with certain exceptions, as shown in the text box.<sup>3</sup> For example, the judicial contracting manual exempts contracts of less than \$5,000 from competitive bidding requirements so long as the court determines that the price is fair and reasonable. Further, the State's procurement rules do not require competitive bids when a contract is necessary for the immediate preservation of public health or when the contract is with a state agency or other local government entity, rules that the judicial contracting manual also includes.

Finally, two types of noncompetitive procurements that the judicial contracting manual allows and that judicial branch entities commonly

<sup>3</sup> The word *contracts*, as used in this report and described in the judicial contracting manual, can generally refer to several types of formal agreements for procuring goods and services, such as a formal contract or a purchase order.

use are *sole-source procurements* and *leveraged procurement agreements*. A procurement with a specific vendor that is secured without bidding is a sole-source procurement, as described in the text box.

Leveraged procurement agreements are used to purchase goods and services from certain vendors at agreed-upon prices, without having to seek competitive bids, as described in the text box. The Department of General Services and other state agencies enter into various types of leveraged procurement agreements, including master service agreements and California Multiple Awards Schedules, to consolidate the needs of multiple state agencies and to leverage the State’s buying power when purchasing commonly needed goods and services. The judicial contracting manual includes a process for using and establishing leveraged procurement agreements, but it also recommends that judicial branch entities consider whether they can obtain better pricing or terms by negotiating with the vendor or by soliciting competitive bids.

**Sole-Source Procurement**

A procurement in which either a specific vendor’s goods or services are the only goods or services that will meet a court’s needs or a grant application submittal deadline does not allow the time necessary for a competitive procurement. However, before a court enters a sole-source procurement it must request use of a sole source and the request must be approved by an appropriate court authority. Also, the request should include the following information:

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

Source: July 2015 *Judicial Branch Contracting Manual*.

**Leveraged Procurement Agreement**

An agreement that allows multiple entities to make purchases in order to take advantage of their combined buying power to reduce prices, improve terms and conditions, or improve procurement efficiency when buying commonly needed goods and services. The *Judicial Branch Contracting Manual* recommends determining whether pricing is fair and reasonable when using a leveraged procurement agreement because the courts may be able to obtain better prices by negotiating directly with the vendor or by conducting a competitive procurement.

**Examples of goods and services typically covered under leveraged procurement agreements:**

- Office supplies
- Computer equipment
- Telecommunication service
- Case management software
- Armored car service

Source: July 2015 *Judicial Branch Contracting Manual*.

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## Three of the Five Superior Courts Could Improve Their Contracting Practices

### Main Points:

- The Riverside and San Diego courts had strong internal controls and followed required procurement procedures and recommended practices for both competitively bid and noncompetitive contracts.
- The San Joaquin, San Mateo, and Tehama courts did not always follow applicable requirements and recommended practices when entering into noncompetitive contracts. For example, these three courts did not always ensure that the prices they received for noncompetitive contracts were fair and reasonable.

Because three of the courts we reviewed did not always follow Judicial Council and state procurement requirements and recommended practices when entering into contracts, they may not be making the best use of public funds. For instance, receiving proper approval for contracts promotes responsible stewardship of public funds by ensuring multiple levels of review. Additionally, evaluating prices from other vendors, even when a contract will follow a noncompetitive process, is a recommended practice for ensuring that the court is obtaining the best value possible when purchasing goods and services. Table 3 summarizes our review of key procurement requirements and recommended practices for the 12 contracts, which include both competitively bid and noncompetitive contracts, that we reviewed at each of the five superior courts.

**Table 3**  
Summary of Key Procurement Findings at Five County Superior Courts

COUNTY SUPERIOR COURT	COMPETITIVE			NONCOMPETITIVE			ALL		
	ADVERTISED, WHEN REQUIRED	OPEN TO BID	KEY ELEMENTS INCLUDED IN SOLICITATION FOR BID	PRICE DETERMINED TO BE FAIR AND REASONABLE	NONCOMPETITIVE EXPLANATION INCLUDED	SOLE-SOURCE REQUEST APPROVED	PROCUREMENT INCLUDED APPLICABLE KEY ELEMENTS	APPROVED BY APPROPRIATE COURT OFFICIAL	ALLOWABLE GOODS OR SERVICES
Riverside	4 of 4	4 of 4	4 of 4	4 of 4	6 of 6	*	10 of 10	10 of 10	10 of 10
San Diego	4 of 4	4 of 4	4 of 4	6 of 6	6 of 6	2 of 2	11 of 11	11 of 11	11 of 11
San Joaquin	2 of 2	3 of 3	3 of 3	5 of 8	5 of 9	2 of 6	11 of 12	12 of 12	12 of 12
San Mateo	2 of 2	3 of 3	3 of 3	2 of 3	6 of 7	1 of 1	10 of 10	10 of 10	10 of 10
Tehama	1 of 1	1 of 1	1 of 1	3 of 7	6 of 8	2 of 4	9 of 10	9 of 10	10 of 10

Sources: California State Auditor's analysis of procurements at five superior courts.

#### Level of Compliance With Required and Recommended Practices

- = Complied with all
- = Complied with most
- = Complied with 50 percent
- = Complied with fewer than 50 percent

Note: Not all key competitive and noncompetitive procurement elements in the table apply to every procurement we tested. For example, all competitive procurements must be open to bid; however, non-information technology goods procurements of \$50,000 or less are not required to be advertised. Also, for only four of the nine types of noncompetitive procurements does the *Judicial Branch Contracting Manual* either require or recommend that courts determine whether the price to be paid is fair and reasonable.

\* Our selection of contracts for testing at the Riverside court did not encounter any sole-source procurements.

### **The Riverside and San Diego Courts Consistently Followed Procurement Procedures**

All contracts—both competitive and noncompetitive—that we tested at the Riverside and San Diego courts followed applicable procurement procedures. For example, the judicial contracting manual suggests that contracts typically consist of three major elements: a statement of work, including the schedule of performance; pricing and payment; and other terms and conditions. The contracts of both courts that we tested consistently had those three elements. Additionally, all procurements that we reviewed were approved by authorized individuals and had contract managers assigned to oversee the delivery of the procured goods and services. Unlike the other courts we reviewed, the Riverside and San Diego courts consistently provided justification for noncompetitive contracts and determined that the prices of goods and services received under these contracts were fair and reasonable, when applicable. Further, both courts used a procurement summary to document the timeline and justification for each procurement. This summary helped the courts ensure that they procured the goods or services in compliance with the judicial contracting manual by including vendor selection information, the determination that the price paid was fair and reasonable, the type of solicitation used, and notes describing the decision-making process during the procurement. We found that the summary the Riverside and San Diego courts used are sufficiently comprehensive and detailed, and thus they served as an effective control to ensure that the courts appropriately perform procurement activities.

### **The San Joaquin Court Did Not Consistently Follow Procedures for Noncompetitive Contracts, Particularly in Regard to Sole-Source Procurements**

The San Joaquin court followed judicial contracting manual requirements and recommended practices for competitive contracts, but it entered into several contracts that we reviewed without competitive bidding and without a written explanation or approval for bypassing the competitive procurement process. The judicial contracting manual allows for a noncompetitive, sole-source procurement if goods or services cannot be procured competitively. Such a procurement is referred to as a *sole-source contract*. If a court designates a contract as being sole source, the judicial contracting manual recommends that it explain why it could not obtain the goods or services through a competitive procurement. Further, the judicial contracting manual states that the court must obtain proper approval from its management



for using a sole-source procurement. Six of the 12 contracts we reviewed at the San Joaquin court were sole source. As Table 3 on page 9 shows, although the San Joaquin court completed a sole-source request and obtained proper approval for the request from the court executive officer for two of these six contracts, it did not do so for the remaining four contracts.

For example, the San Joaquin court entered into a three-year contract, valued at \$375,000, for mail-processing services without a competitive bid. The court's business services manager told us he believed that competitively bidding this contract was unnecessary because the court conducted a price comparison that determined that the selected vendor was offering the lowest price and it could provide certain services that the previous vendor could not perform. Although the judicial contracting manual recommends that the sole-source request include documentation that the pricing offered is fair and reasonable, it also recommends other information be included—such as an explanation why the good or service cannot be procured competitively. The judicial contracting manual has these provisions in place to ensure fairness and to prevent favoritism in contracting.

In another of these contracts, the San Joaquin court entered into a blanket purchase order for \$27,000 to buy copier toner without competitive bidding. The text box describes blanket purchase orders. The business services manager stated that the San Joaquin court used a blanket purchase order because this contract for copier toner is a repeated purchase and because the vendor provides a recycled toner that is of a quality that works well on the court's printers. However, using a blanket purchase order as a sole-source contract without justification and proper approval resulted in the court inappropriately bypassing the competitive procurement process for this purchase. Finally, the two other contracts involved software services that the San Joaquin court asserted only existing vendors could provide. Because the San Joaquin court did not go through the recommended steps necessary to justify these four contracts as sole-source procurements, it did not have the required approval for bypassing the competitive procurement process, nor did it justify its decision not to procure the goods or services competitively.

In addition, for three of the unapproved sole-source contracts, the San Joaquin court did not determine whether the prices it paid were fair and reasonable, as the judicial contracting manual recommends

#### Blanket Purchase Order

A type of contract that is generally used for repetitive or high-volume, low-dollar-value purchases and low-risk services. The contract establishes the following:

- A set period of time for its use, typically a fiscal year, to ensure that the contract has an end date.
- A specified maximum dollar amount to make sure the court does not exceed this amount.

Source: Materials Management Module Job Aid from the Judicial Branch's Phoenix Financial System.

### Best Practices for Determining Whether a Price Is Fair and Reasonable for Procurements

Although the following practices are not required, they are recommended by the *State Contracting Manual* to ensure that the buyer obtains the best possible price.

- Perform a price comparison.
- Use prices from an established catalog or market pricing media.
- Use prices set by law or regulation.
- Use historical pricing.
- Work with an experienced buyer who knows that the price is fair and that the cost of verification would exceed any benefit.

Source: Department of General Services' *State Contracting Manual*, Volume 2.

for sole-source and other noncompetitive contracts. The text box lists best practices for determining fair and reasonable pricing as set forth in the *State Contracting Manual*. For these three contracts, the San Joaquin court claimed that it did not perform a price comparison because the services it required were not available from other vendors. Despite this assertion, the *State Contracting Manual* describes methods, as shown in the text box, for determining that the pricing was fair and reasonable.

Finally, the San Joaquin court made a purchase through a leveraged procurement agreement without identifying all key contract elements specified in the judicial contracting manual and required by the agreement's participating addendum. Specifically, for this purchase of multifunction copiers and related software, San Joaquin court did not complete a purchase order with the agreed upon rental term, type, and

pricing. By not preparing a purchase order, San Joaquin court risks purchasing goods for purposes that are unclear or undefined.

### The San Mateo Court Followed Procurement Policies but Did Not Follow Certain Recommended Practices for Two Noncompetitive Contracts

The San Mateo court followed judicial contracting manual requirements and recommended practices for competitive contracts but did not determine whether the price was fair and reasonable for one of the three noncompetitive contracts requiring such a determination that we reviewed at the court. This instance involved the use of a leveraged procurement agreement. Specifically, when a court is considering whether to use a leveraged procurement agreement, the judicial contracting manual recommends determining whether the pricing is fair and reasonable, because the price under a leveraged procurement agreement might not reflect volume discounts available from the vendor. Thus, the court might obtain better pricing by negotiating directly with the vendor or by performing price comparisons with other vendors.

However, the San Mateo court entered into a contract for armored car services in the amount of \$3,700 under a leveraged procurement agreement without obtaining price comparisons from other suppliers to determine if the vendor was providing this service at a fair and reasonable price. In response to our inquiry, the senior accountant/buyer asserted that there was no need to determine

fair and reasonable pricing and cited the section of the judicial contracting manual allowing courts to procure goods and services using a leveraged procurement agreement without having to conduct competitive bidding. However, the court's response fails to acknowledge that the judicial contracting manual recommends that the court negotiate with the vendor in an effort to obtain better pricing when it uses leveraged procurement agreements. Without conducting such negotiations, the San Mateo court cannot know if it is getting the best price for goods and services purchased through a leveraged procurement agreement.

Finally, for another noncompetitive contract, the San Mateo court did not have adequate reasons for its procurement of the contract without competitive bidding. Specifically, this contract valued at more than \$10,000 wherein a contractor would conduct landlord/tenant clinics and be a clinic advisor for an unlawful detainer settlement conference, San Mateo court officials stated that it was exempt from competitive bidding because the contract was for legal services. However, although possibly implied, nowhere in the contract does it explicitly state that the contractor is providing legal advice or acting in the capacity as an attorney. As a result, it is not apparent that the contract was for legal services. Without clearly explaining in the contract or in the contract file why a contract is exempt from competitive bidding or specifically stating the type of noncompetitive contract, the court runs the risk of entering into contracts that should have been competitively bid.

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**San Mateo court did not have adequate reasons for its procurement of a contract without competitive bidding.**

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**The Tehama Court Did Not Consistently Follow Procedures for Noncompetitive Contracts, Particularly Regarding Fair and Reasonable Pricing**

The Tehama court followed judicial contracting manual requirements and recommended practices for one competitive contract that we selected for review, but it determined the fair and reasonable price for only three of seven noncompetitive contracts that were recommended to have such an evaluation. Again, as noted previously, the judicial contracting manual recommends determining whether a price is fair and reasonable when entering into some noncompetitive contracts. Depending on the

circumstance, the court executive officer explained that the court did not perform price comparisons, comparisons were not possible, or the price comparison was informal on these four contracts.

Further, although the Tehama court explained its use of a noncompetitive procurement for six of the eight noncompetitive contracts we reviewed, the remaining two had no explanation or proper approval. For instance, in January 2016, the Tehama court entered into a support agreement valued at \$54,500 with the vendor that had provided its existing case management system. In response to our inquiry, the court executive officer explained that the court could not procure these services from another vendor. In another case involving a long-standing contract for storage units valued at more than \$7,000 a year, the court executive officer stated that the court performed an informal cost comparison and determined that the current vendor provides storage at the most affordable cost. The court executive officer's explanations for both of these instances appear to be reasonable, but the court did not include them in the contract files to justify the use of sole-source contracts nor did it obtain the prior approval required of sole-source contracts. Doing so formalizes the court's decisions to use sole-source contracts and creates transparency, thereby reducing the perception that its purchasing decisions are arbitrary or favor certain vendors.

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**Tehama court explained its use of a noncompetitive procurement for six of eight noncompetitive contracts—the remaining two had no explanation or proper approval.**

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Finally, for an annual information technology maintenance contract valued at \$10,000, Tehama court did not ensure that key elements were included in the contract and that an appropriate court official approved the contract. When we asked the court for the purchase order for this service, it could only provide us an accounting entry document, which did not indicate the terms and conditions of the contract or contain approval for the contract.

## Recommendations

The superior courts we reviewed should follow the requirements and recommended practices of the Judicial Council and the State to ensure that they obtain the best value for the goods and services purchased through contracts they enter into by doing the following:

- The San Joaquin, San Mateo, and Tehama courts should follow the recommended process for applicable noncompetitive procurements to ensure that vendors' prices are fair and reasonable.
- The San Joaquin, San Mateo, and Tehama courts should follow the judicial contracting manual's recommendations for procurement processes, and they should provide and consistently retain in contract files their justifications for entering into contracts that they have not competitively bid.
- The San Joaquin and Tehama courts should ensure that contracts include all required elements and are properly approved.

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## Two of the Five Superior Courts Had Some Weaknesses in Their Processing of Vendor or Purchase Card Payments

### Main Points:

- The Riverside, San Diego, and Tehama courts processed all of the vendor payments we tested in accordance with judicial contracting manual requirements and recommended practices as well as their internal control procedures. However, the San Joaquin and San Mateo courts did not consistently ensure that vendor payments were properly approved or that they made payments to vendors only after ensuring that the goods or services purchased were actually received.
- The Riverside and San Diego courts properly managed their staff’s use of purchase cards to buy goods. However, the staff of the San Joaquin court routinely did not follow its local policy for making purchases with its purchase cards that exceeded the limit of \$1,500 per transaction. We did not test the purchase card payments for two courts—San Mateo and Tehama—because their total payments made through purchase cards did not meet our threshold for review.

Following proper internal controls over the processing of payments is critical for ensuring that courts use public funds appropriately. When courts make payments without proper approval or without verifying that goods or services were received, it increases the likelihood of improper expenditures, which puts public funds at risk. Moreover, because courts provide purchase cards so individuals can make purchases directly from vendors, the cards are subject to abuse if the courts do not strictly oversee their use. Table 4 summarizes our review of key procurement requirements and recommended practices for the 24 payments—18 made to vendors and six made on purchase cards—that we reviewed at each of the superior courts.

**Table 4**  
Summary of Key Payment Findings at Five County Superior Courts

COUNTY SUPERIOR COURT	TO VENDOR				WITH PURCHASE CARD			
	INVOICE APPROPRIATELY APPROVED	GOODS OR SERVICES WERE RECEIVED	PERSON ENTERING INVOICE INTO ACCOUNTING SYSTEM IS NOT THE PERSON ISSUING PAYMENT	GOOD OR SERVICE ALLOWABLE	PURCHASE IS WITHIN SINGLE TRANSACTION LIMIT	BUYER IS AUTHORIZED TO USE PURCHASE CARD	RECEIPT FOR ITEM PURCHASED	GOOD OR SERVICE ALLOWABLE
Riverside	18 of 18	18 of 18	18 of 18	18 of 18	6 of 6	6 of 6	6 of 6	6 of 6
San Diego	18 of 18	18 of 18	18 of 18	18 of 18	6 of 6	6 of 6	6 of 6	6 of 6
San Joaquin	18 of 18	17 of 18	18 of 18	18 of 18	0 of 6	6 of 6	6 of 6	6 of 6
San Mateo	17 of 18	17 of 18	18 of 18	17 of 18	None Tested*			
Tehama	18 of 18	18 of 18	18 of 18	18 of 18	None Tested*			

Sources: California State Auditor’s analysis of vendor and purchase card payments at five superior courts.

#### Level of Compliance With Required and Recommended Practices

- = Complied with all
- = Complied with most
- = Complied with fewer than 50 percent

\* Court had less than our threshold for testing of purchase card payments.

### **The Riverside, San Diego, and Tehama Courts Appropriately Executed Their Payments**

All the vendor payments that we reviewed at the Riverside, San Diego, and Tehama courts were processed in accordance with the judicial contracting manual and each court's own internal controls. For example, these three courts consistently ensured that an authorized individual approved invoices for payment, that the courts received the goods and services purchased, and that all purchases were for allowable goods or services. Because of these three courts' strong controls and processes, we found that they executed the payment of state funds appropriately. Furthermore, for the six purchase card payments that we tested, the San Diego and Riverside courts made purchases that were within the per-transaction limit set in their respective local contracting manual, allowed only authorized buyers to use the purchase cards, retained receipts for all purchases, and purchased only allowable goods.

### **Although the San Joaquin Court Generally Processed Vendor Payments Appropriately, It Consistently Exceeded Purchase Card Transaction Limits**

Our review determined that the San Joaquin court appropriately processed almost all of the vendor payments that we tested. However, it approved one payment, for the purchase of bottled water for jurors, without ensuring that the amount of water that the vendor included on the invoice was the actual amount that the court received. The San Joaquin court purchased bottled water and related items for the exclusive use of jurors, an allowed expenditure, at a cost of more than \$8,000 for fiscal year 2015–16. According to the business services manager, the court's failure to verify the amount of water received was an oversight. As a result, the San Joaquin court ran the risk of being overcharged for the water.

The San Joaquin court also had weaknesses in its processing of payments made with purchase cards. All six purchase card payments we tested exceeded the limit of \$1,500 per transaction set by the judicial contracting manual. These payments ranged from \$1,795 to \$2,500. However, the judicial contracting manual allows courts to establish alternative procedures to the \$1,500 limit. As such, the court has a written policy that allows staff members to make purchases of more than \$1,500 if they obtain prior approval and if they explain the necessity to exceed the \$1,500 limit. Although five of the payments had prior approval by the chief financial officer or the chief executive officer, one payment did not have documented prior approval and none included



the required explanation. Thus, none of the six purchase card transactions complied with the court’s policy when exceeding the \$1,500 purchase card limit. The San Joaquin court believes that the authorization signature of either officer indicates that court management has provided a valid reason for exceeding the \$1,500 limit. However, a signature is clearly not an explanation. By not following its written policy, the court increases the risk that its staff is using purchase cards inappropriately.

**The San Mateo Court Processed Two Payments Without Proper Approval or Evidence That the Goods or Services Were Received, and Also Made an Unallowed Purchase**

The San Mateo court processed most of the 18 vendor payments we reviewed in accordance with applicable policies and procedures, but it made missteps in the handling of three payments. Specifically, one of the payments we tested lacked proper approval. In this instance, the court processed a payment of \$40,000 for mediation services without approval from any of the court’s three top officers—the presiding judge, court executive officer, or finance director—which it requires for all payments of \$25,000 or more. The deputy court executive officer acknowledged that the missing approval on the \$40,000 payment was an oversight. In another instance, the San Mateo court made a payment of \$3,000 for office supplies without verifying that they were all received. The budget analyst indicated that the court does not have a written policy that requires department managers to sign off on packing slips; however, the Judicial Council’s *Trial Court Financial Policies and Procedures* states that the courts must obtain proof of receipt of goods or services before authorizing a payment.

.....  
**The court processed a payment of \$40,000 for mediation services without approval from any of the court’s three top officers.**  
.....

The San Mateo court also purchased bottled water for its employees at an annual cost of \$4,000, which was not allowed under state contracting policy. As noted earlier, a similar purchase of water by the San Joaquin court was allowed because the water was exclusively for jurors with no other reasonable access to water. Although the judicial contracting manual does not specify whether the purchase of bottled water is allowable, the judicial contract law requires the manual’s policies and procedures to

be substantially similar to provisions in the *State Administrative Manual* and the *State Contracting Manual*, as mentioned in the Introduction. These manuals generally prohibit the purchase of water for employees except in limited circumstances, such as when a building's water does not meet health standards. The budget analyst indicated that the court purchases the water for juror courtroom staff consumption—which is allowable when jurors and courtroom staff, such as judges and court reporters, do not have access to drinkable water—but that the court also allows its employees who do not work in the courtroom to consume this water. The deputy court executive officer acknowledged that there is no need for the San Mateo court to provide bottled water to its non-courtroom employees, since the water available from the building is suitable for drinking. Because it is using public funds to provide bottled water to its employees when there is no compelling need, the San Mateo court has fewer funds to support its operations.

### Recommendations

To ensure that they properly authorize payments and purchase only allowable items, the superior courts we reviewed should process payments in accordance with the requirements and recommended practices of the Judicial Council and the State by doing the following:

- The San Joaquin court should implement a process to ensure that its staff adheres to the requirements within its policy when exceeding the \$1,500 per-transaction limit for purchase cards as established in the judicial contracting manual.
- The San Joaquin and San Mateo courts should make sure that they are receiving the goods and services they ordered. They should also pay vendors only after verifying receipt of the goods or services.
- The San Mateo court should take steps to ensure that appropriate employees authorize all payments.
- The San Mateo court should amend its bottled water service contract to ensure that water is purchased for use by jurors and court room staff only.

## SCOPE AND METHODOLOGY

We conducted this audit pursuant to the audit requirements contained in the judicial contract law. Our audit focused on the superior courts of Riverside, San Diego, San Joaquin, San Mateo, and Tehama counties. Table 5 lists the audit objectives and methods we used to fulfill those objectives.

**Table 5**  
**Audit Objectives and the Methods Used to Address Them**

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed relevant laws, regulations, administrative policies, and other background materials applicable to procurement and contracting by judicial branch entities, including the <i>Judicial Branch Contracting Manual</i> (judicial contracting manual).
2 Based on risk factors specified in Public Contract Code, Section 19210(a)(1), identify five judicial branch entities, excluding the Judicial Council of California, for audit to assess their implementation of the California Judicial Branch Contract Law.	Selected five judicial branch entities—the superior courts of Riverside, San Diego, San Joaquin, San Mateo, and Tehama counties—for audit based on our assessment of the level of risk across the range of factors contained in the Public Contract Code.
3 For the five superior courts selected for audit: <ul style="list-style-type: none"> <li data-bbox="342 1108 764 1220">a. Determine whether each court has developed its own local contracting manual, and assess its conformance to the judicial contracting manual.</li> <li data-bbox="342 1220 764 1373">b. Assess each superior court’s internal controls over contracting and procurement and determine whether the court followed those controls.</li> <li data-bbox="342 1373 764 1745">c. Assess each superior court’s compliance with key elements of the judicial contracting manual and its local contracting manual and procedures, including those related to competitive bidding, sole-source contracting, and payment and deliverable review and oversight.</li> <li data-bbox="342 1745 764 1879">d. Evaluate each superior court’s contracts to determine whether there is a risk of inappropriately splitting contracts in order to avoid necessary approvals or competitive bidding requirements.</li> </ul>	<p data-bbox="776 1108 1511 1220">Obtained each court’s local contracting manual and compared each one to certain required and recommended practices in the judicial contracting manual. In conducting our review, we found that each court’s local contracting manual was materially in compliance with key provisions of the judicial contracting manual.</p> <ul style="list-style-type: none"> <li data-bbox="776 1220 1511 1289">• Interviewed superior court staff, reviewed desk procedures and local contracting manuals, and identified key internal controls.</li> <li data-bbox="776 1289 1511 1373">• Determined whether the court followed these key controls by testing a selection of contracts active during fiscal year 2015–16 and payments made during fiscal year 2015–16.*</li> <li data-bbox="776 1373 1511 1514">• Selected 12 contracts that were active during fiscal year 2015–16 using the contract lists available: the Judicial Council’s fiscal year 2015–16 <i>Semiannual Reports on Contracts for the Judicial Branch</i> (semiannual reports) and ad hoc reports provided by each superior court we audited when the semiannual report for January through June 2016 was not available.</li> <li data-bbox="776 1514 1511 1598">• Determined whether each contract selected was subjected to competitive bidding and, if not, we determined whether the contract had approval and justification for being a noncompetitive procurement.</li> <li data-bbox="776 1598 1511 1745">• Selected 18 payments—one for each of the 12 contracts mentioned above and another six payments made during the same period that were not related to a contract—to determine whether the superior court ensured that it had received the goods or services related to these purchases and that payments were properly approved.</li> </ul> <p data-bbox="776 1745 1511 1879">Reviewed the fiscal year 2015–16 semiannual reports and the ad hoc reports to identify potential split transactions and reviewed those transactions. We did not identify any split transactions.</p>

continued on next page...

AUDIT OBJECTIVE	METHOD
e. Review the appropriateness of each superior court's state credit card (CAL-Card) or other court-issued credit card transactions when those transactions exceeded a total of \$100,000 or 10 percent of all reported procurement payments for a one-year period.	Performed this review for the San Diego, Riverside, and San Joaquin courts because the payment totals exceeded \$100,000 and/or were more than 10 percent of total annual procurement payments made by the court. The Tehama and San Mateo courts were not tested because these courts did not have credit card payments totaling more than \$100,000 or representing more than 10 percent of all annual procurement payments, as reported in the semiannual reports and the ad hoc reports for fiscal year 2015–16. However, we did review whether any purchases exceeded the \$1,500 per transaction limit that the judicial contracting manual allows.

Sources: California State Auditor's analysis of the judicial branch contract law and of information and documentation identified in the table column titled *Method*.

\* The word *contracts*, as used in this report and described in the judicial contracting manual, can generally refer to several types of formal agreements for procuring goods and services, such as a formal contract or a purchase order.

### Assessment of Data Reliability

In performing this audit, we relied upon electronic data extracted from the information systems of the Judicial Council and the five superior courts. Specifically, to select contracts for testing superior courts' compliance with procurement procedures, we used the Judicial Council's *Semiannual Report on Contracts for the Judicial Branch* (semiannual report) for the period of July 2015 through December 2015. Because we began our fieldwork at the five superior courts before the Judicial Council published its second semiannual report, for the period of January 2016 through June 2016, we requested that the superior courts generate ad hoc contract reports (ad hoc reports) for this period using the same data that the Judicial Council relies upon to produce its semiannual report. We used these reports to select contracts for the second half of the fiscal year.

The U.S. Government Accountability Office, whose standards we are statutorily required to follow, require us to assess the sufficiency and appropriateness of computer-processed information that we use to materially support our findings, conclusions, and recommendations. To gain assurance that the population from which we selected contracts for our compliance testing was complete, we selected six contracts from each of the five superior courts—for a total of 30 contracts—and traced them to the semiannual and ad hoc reports. We found that two of the six contracts we reviewed at the Tehama court were not included in these reports. Therefore, we determined that the Tehama court's semiannual and ad hoc reports were incomplete. Tehama acknowledged these errors and indicated that they may be due to oversight. We were able to successfully trace the remaining contracts at the other four courts to the semiannual and/or ad hoc reports, and we determined that these court's reports are complete.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Date: November 16, 2016

Staff: John Baier, CPA, Audit Principal  
Jerry A. Lewis, CICA  
Idris H. Ahmed  
Christopher Bellows  
Joseph S. Sheffo, MPA  
Lisa J. Sophie, MPH

Legal Counsel: Amanda H. Saxton, Sr. Staff Counsel

For questions regarding the contents of this report, please contact Margarita Fernandez, Chief of Public Affairs, at 916.445.0255.

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Chambers of  
**JEFFREY B. BARTON**  
Presiding Judge

**The Superior Court**  
OF THE  
**State of California**  
SAN DIEGO

Mailing Address  
Post Office Box 122724  
San Diego, California 92112-2724

October 21, 2016


Elaine M Howle, CPA  
State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, CA 95814

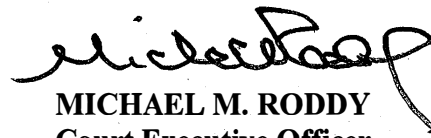
Re: **Response to Report Entitled "Judicial Branch Procurement: The Five Superior Courts We Reviewed Mostly Adhered to Applicable Requirements, but Some Improvements Are Needed."**

Dear Ms. Howle:

The Superior Court of California, County of San Diego has reviewed the above-entitled draft audit report. We agree with the findings in this report regarding our court.

Sincerely,

  
**JEFFREY B. BARTON**  
Presiding Judge

  
**MICHAEL M. RODDY**  
Court Executive Officer

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

222 E. Weber Avenue, Room 303  
P.O. Box 201022  
Stockton, CA 95201  
Telephone: (209) 992-5695

October 25, 2016

Ms. Elaine M. Howle, CPA\*  
California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, CA 95814

Subject: Judicial Branch Procurement Report 2016-301

Dear Ms. Howle,

On behalf of the Superior Court of California, County of San Joaquin, we are pleased to submit our written response to the draft Judicial Branch Procurement Audit Report #2016-301. The attached document summarizes any audit findings for our Court and includes our Court's responses to those findings.

Our Court is pleased that your audit found the remaining elements of our Local Contracting Manual and our contract and procurement practices in compliance with judicial branch contracting requirements.

We look forward to the finalization of the audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "José L. Alva".

Hon. José L. Alva  
residing Judge

A handwritten signature in black ink, appearing to read "Rosa Junqueiro".

Rosa Junqueiro  
Court Executive Officer

Attachment

Superior Court of California,  
County of San Joaquin  
Court's Response to Judicial Branch  
Procurement Audit Report #2016-301

**Audit Recommendation 1:**

San Joaquin should implement a process for applicable noncompetitive procurements to ensure that the vendor's prices are fair and reasonable.

**Audit Recommendation 2:**

San Joaquin should follow the judicial contracting manual's recommendations for procurement processes, and they should provide and consistently retain in contract files the justification for entering into contracts that they have not competitively bid.

**Court's Response to Recommendations 1 and 2:**

- ① The Court's Local Contracting Manual incorporates the Judicial Branch Contracting Manuals (JBCM) policies and procedures and the Court makes concerted efforts to follow the procurement processes instituted within the JBCM. The Court concedes that there were instances it did not include the sole source justification document, however, the procurements were approved prior to purchase. The Court was able to justify the procurements either through price comparisons or other reasonable justifications why certain procurements were sole sourced. The Court will ensure that all future sole sourced procurements include the sole source justification document prior to purchase.

With regards to the blanket purchased (BPO) order referenced within the Auditor's report, the Court did not consider the BPO as an exclusive sole source blanket agreement for toner, or a definite quantity agreement. The Court did procure toner from multiple entities during FY15/16. The Court understands the Auditor's position and will fully evaluate the Court's use of BPO's.

- ② With regards to the leveraged procurement agreement referenced within the Auditor's report, the Court's Participating Addendum incorporates the terms and conditions of the Master Agreement. The Court believes by incorporating the terms and conditions of the Master Agreement, which includes key contract elements, the incorporation satisfies the elements recommended by the JBCM. In addition the Court did issue a contract purchase order (CPO) that incorporated the Participating Addendum and included the term and pricing. Unfortunately, the SAP system template used for creating contract purchase orders includes the following language: "*THIS IS NOT A CONTRACT DOCUMENT IT IS FOR ENCUMBRANCE PURPOSES ONLY*". The Court understands that if the language did not appear on the template, then the CPO would have been acceptable to the Auditor. The Court is requesting the Judicial Council's Procurement and Contracting Division remove the language from the SAP CPO template.

**Recommendation 3:**

San Joaquin should make sure that they are receiving the goods and services they ordered and for which they plan to pay by making payments to vendors only after verifying receipt of the goods or services.

**Court's Response to Recommendation 3:**

The Court agrees with this recommendation. The Court paid an invoice for four bottles of water, for jurors, without ensuring the receipt was signed by the receiving Court department. The Court has notified the vendor that invoices will not be paid if signed receipts have not been received by the Accounting department. In addition, the Court has reminded the receiving departments to provide all signed receipts to Accounting.

**Recommendation 4:**

The San Joaquin court should implement a process to ensure that its staff adheres to the requirements within its policy for exceeding the \$1,500 per transaction limit for purchase cards as established in the judicial contracting manual.

**Court's Response to Recommendation 4:**

The Court agrees with this recommendation. The Court's written policy has been revised:

Existing Policy

*"If there is a specific business need for exceeding the \$1,500 per transaction limit, the purchaser must obtain prior approval and explain the business reason for the higher transaction amount."*

Revised Policy

*"If there is a specific business need for exceeding the \$1,500 per transaction limit, the purchaser must obtain prior approval and **provide a written explanation of the business reason for the higher transaction amount.**"*

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## COMMENTS

### CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE SUPERIOR COURT OF SAN JOAQUIN COUNTY

To provide clarity and perspective, we are commenting on the Superior Court of San Joaquin County's (San Joaquin court) response to our audit. The numbers below correspond to the numbers we have placed in the margin of the San Joaquin court's response.

The San Joaquin court's response indicates a lack of understanding of the sole-source procurement process. As stated on page 7 of our report, there are specific requirements that the court is to follow when entering a sole-source contract. However, basic to these requirements is formal approval of the request to use a sole source procurement. In making that request, the court should describe the goods or services to be procured, explain why a competitive procurement cannot be done, the effort made to solicit competitive bids, the determination that the pricing offered is fair and reasonable, and any special factors affecting the cost or other aspects of the procurement. As noted on page 6 of our report, the Public Contract Code contains competitive bidding requirements to provide all qualified bidders with a fair opportunity to enter the bidding process and to eliminate favoritism, fraud, and corruption in the awarding of public contracts. By failing to understand and follow these required and recommended practices, the San Joaquin court risks entering into sole-source contracts that bypass the competitive process inappropriately.

①

②

The San Joaquin court is wrong. The participating addendum of the master agreement it refers to includes some required contract terms, but the basic terms outlining its procurement for multifunction copiers and related software were missing: the rental term—how long it would be renting each copier; type—what type of copiers it was renting; and pricing—how much it would pay for the rental of copiers as well as charges for maintenance, supplies, and copy volume. Lacking these elements, the San Joaquin court failed to enter into a contract that defined appropriately its rental of these multifunction copiers. Moreover, the fact that its procurement system is unable to produce a valid purchase order for this procurement did not preclude the San Joaquin court from manually preparing a purchase order that would clearly outline the rental agreement. Additionally, the mere removal of the language from the template document that the court describes would not make it a valid purchase order because that document continues to lack details

such as the price per page copied and the signature of the court manager who approved the procurement. Finally, the participating addendum clearly states that the vendor and the San Joaquin court will use purchase orders that “provide specific detail with regards to delivery, agreed upon rental term and type, pricing, or other detail that is strictly transactional detail.”



**SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SAN MATEO  
400 COUNTY CENTER  
REDWOOD CITY, CA 94063-1655**

RODINA M. CATALANO  
COURT EXECUTIVE OFFICER  
CLERK & JURY COMMISSIONER

Tel: (650)261-5016  
Fax: (650)261-5147

October 21, 2016

Elaine M. Howle, CPA, California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, CA 94815

RE: Report 2016-301

Dear Ms. Howle:

The San Mateo Superior Court has reviewed the draft audit report, *Judicial Branch Procurement*, Report 2016-301. Listed below are our responses to the five recommendations contained in the report. As you will see, we agree with all of the recommendations and plan to take action on most of them by December 31, 2016 and one by no later than November 2017.

***Judicial Branch Procurement* Audit Recommendations – Response of the Superior Court of California, County of San Mateo:**

Recommendation #1 -- The court should implement a process for applicable noncompetitive procurements to ensure that vendor's prices are fair and reasonable.

*The Court agrees with the recommendation, specifically as it relates to leveraged purchase agreements. In general, the Court will revise its Local Contracting Manual to include all relevant sections of the JBCM that covers fair and reasonable pricing. Specifically, when utilizing LPAs, the court will take additional steps as needed to determine whether the vendor's prices are fair and reasonable.*

*Estimated completion date -- December 31, 2016.*

Recommendation #2 -- The court should follow the judicial contracting manual's recommendation for procurement processes, and should provide and consistently retain in contract files the justifications for entering into contracts that they have not competitively bid.

*The Court agrees with the recommendation, specifically as it relates to legal services contracts. The Court will amend its Local Contracting Manual to require the court to make*

*clear and explicit in relevant documents why contracts that are sole sourced are exempt from competitive bidding and will include all documents in the contract files.*

*Estimated completion date – December 31, 2016.*

Recommendation #3 -- The court should take steps to ensure that appropriate employees authorize all payments.

*The Court agrees with the recommendation. It is currently the Court's policy that all payments must be authorized by the appropriate approving officer and invoices must be signed by the approving officer before they are processed for payment. The court will identify steps that will help ensure that invoices are not paid unless approved by the appropriate officer.*

*Estimated completion date – December 31, 2016.*

Recommendation #4 -- The court should make sure that they are receiving the good and services they ordered and for which they plan to pay by making payments to vendors only after verifying receipt of the goods or services.

*The Court agrees with this recommendation and will immediately instruct division managers to confirm that all supplies ordered are received, sign all delivery packing slips when confirmation is made, and send signed slips to the Court's finance division. The finance division will confirm receipt of the slips before processing payment. The Court will revise its Local Contracting Manual to include these required steps.*

*Estimated completion date – December 31, 2016.*

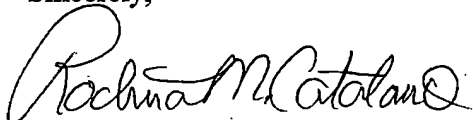
Recommendation #5 -- The court should amend its bottled water service contract to ensure water is purchased for and delivered to jurors and courtroom staff only.

*The Court agrees with this recommendation and will amend its bottled water service contract to ensure water is only purchased for and delivered to jury assembly and deliberation rooms and courtrooms.*

*Estimated completion date – No later than November 2017.*

I would like to commend your staff, led by Jerry Lewis, for their professional and courteous demeanor when working with our court staff during the audit process.

Sincerely,



Rodina M. Catalano, Court Executive Officer  
Superior Court of California, County of San Mateo

cc: Honorable John L. Grandsaert, Presiding Judge



**Caryn A. Downing**  
Court Executive Officer  
Clerk of the Court  
Jury Commissioner

**SUPERIOR COURT OF CALIFORNIA  
COUNTY OF TEHAMA**

**Tehama Courthouse**  
1740 Walnut Street  
Red Bluff, CA 96080  
Fax (530) 527-4974



October 21, 2016

**VIA E-mail and U.S. Mail**

Elaine M. Howle  
CPA  
California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, CA 95814

**RE: Response to Draft Audit Report on Judicial Branch Procurement, Report 2016-301**

Dear Ms. Howle:

The Tehama Superior Court has received and reviewed the California State Auditor's draft report of our procurement practices related to contracts (both competitive and noncompetitive) and payments. The attached document addresses items noted in the audit report concerning contracting practices. Please be aware that the Tehama Court has already taken action on your recommendations to comply with the requirements and recommended practices of the Judicial Council and the State of California to ensure that we obtain the best value for the goods and services purchased.

The Tehama Superior Court is pleased that your audit findings found our Court's practices and processing of vendor and/or purchase card payments are in compliance with state law and the policies of the Judicial Council of California.

Thank you for your time and effort in reviewing our court for compliance and identifying ways to improve our contracting practices.

If you have any questions or require any additional information, please feel free to contact me directly at 530-527-6198.

Sincerely,

A handwritten signature in black ink, appearing to read "Caryn A. Downing".

Caryn A. Downing  
Court Executive Officer

Enclosure

California State Auditor Report 2016-301  
November 16, 2016  
Judicial Branch Procurement

## RESPONSES TO THE FINDINGS AND RECOMMENDATIONS IN THE PROCUREMENT AND PAYMENT AUDIT OF THE TEHAMA SUPERIOR COURT

### Contracting Practices

The Tehama Court did not Consistently Follow Procedures for Noncompetitive Contracts, Particularly Regarding Fair and Reasonable Pricing.

#### Recommendation:

Tehama should follow a process for applicable noncompetitive procurements to ensure that vendor's prices are fair and reasonable.

#### Response:

The Court has revised its Contracts Checklist Form to include fair and reasonable pricing (See attached).\*

#### Recommendation:

Tehama should follow the judicial contracting manual's recommendations for procurement processes, and they should provide and consistently retain in contract files the justifications for entering into contracts that they have not competitively bid.

#### Response:

The Court agrees with the recommendation and has already implemented a process for retaining justifications for entering into contracts in the actual contract file.

#### Recommendation:

Tehama should ensure that contracts include all required elements and the Tehama court should ensure that all contracts are properly approved.

#### Response:

The Court has revised its Contracts Checklist Form to include fair and reasonable pricing (See attached).\*

\* This document can be obtained by contacting the California State Auditor's office.