



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

FEBRUARY 2022



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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Superior Court of California, County of Alpine

Table of Contents

EXECUTIVE SUMMARY i

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

AUDIT SCOPE AND METHODOLOGY v

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION 1

 CASH HANDLING 2

 PROCUREMENT AND CONTRACTS 3

 PAYMENT PROCESSING 6

 FINE AND FEE DISTRIBUTIONS 10

 THREE PERCENT FUND BALANCE CAP 11

 JBSIS CASE FILING DATA 12

 GRANT AWARD COMPLIANCE 13

 OTHER AREAS 14

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

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

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
Cash Handling					
1	Daily Opening Process	N/A	-		
2	Voided Transactions	N/A	-		
3	Manual Receipts	N/A	-		
4	Mail Payments	N/A	-		
5	Internet Payments	N/A	-		
6	Change Fund	N/A	-		
7	End-Of-Day Balancing and Closeout	N/A	-		
8	Bank Deposits	N/A	-		
9	Other Internal Controls	N/A	-		
Procurement and Contracts					
10	Procurement Initiation	Yes	✓		
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	1	2021-13-01	Agrees
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	1	2021-17-01	Agrees
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	1	2021-19-01	Agrees
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distributions					
25	CMS-Calculated Distributions	N/A	-		
26	Manually-Calculated Distributions	N/A	-		
3% Fund Balance Cap					
27	Calculation of the 3% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data					
29	Validity of JBSIS Data	Yes	✓		
Grant Award Compliance					
30	AB 1058 Program	N/A	-		
Other Areas					
31	[None]	N/A	-		

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

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

The Court demonstrated consistent adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of reporting on limits to its fund balance (3% fund balance cap) and in reporting new case filing counts and data to JBSIS. For example, our review found that the Court properly supports the expenditure and encumbrance amounts used in calculating its 3% fund balance cap. In addition, our review found that its records materially supported the new case filing counts and data it submitted to JBSIS.

However, our audit did identify three 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 three findings are identified in Table 1 under the column "Reportable Audit Findings" and include reference numbers to assist the reader in locating and viewing in further detail the specific findings and the Court's perspective.

One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over the required three-point-match verification process when paying invoices and claims. Specifically, the Court could not demonstrate how it matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization for some transactions. Without written agreements or authorizations that specify the expected work, term, and pay, court accounts payable staff cannot fully perform the required three-point match. As a result, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges. The Court indicated it agreed with our finding and recommendation in this area and indicated it would implement corrective action no later than December 31, 2021, to strengthen its controls over processing invoices.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on March 21, 2021, and completed its fieldwork in June 2021. Audit Services shared the draft audit findings with the Court starting on June 29, 2021, and received the Court's final official responses on July 30, 2021. Overall, the Court agreed with the findings and its specific responses are included in the body of the report after each finding.

BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Alpine (Court) operates one court facility in the county seat of Markleeville. 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 Alpine Superior Court and Average of all Superior Courts

Statistic	Alpine Superior Court	Average of All Superior Courts					All 58 Courts
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts		
Financial Highlights (Fiscal Year 2020-21)							
Total Revenue	\$ 862,854	\$ 2,801,621	\$ 11,732,226	\$ 47,147,065	\$ 222,407,059	\$ 46,418,993	
Total Expenditures	\$ 847,177	\$ 2,685,427	\$ 11,793,650	\$ 47,226,007	\$ 224,959,605	\$ 46,782,011	
Staff Salaries & Benefits As a % of Total Expenditures	\$ 600,820 70.9%	\$ 1,783,894 66.4%	\$ 9,042,960 76.7%	\$ 36,756,739 77.8%	\$ 188,576,818 83.8%	\$ 38,140,615 81.5%	
Judicial Officers and Staff (2021 Court Statistics Report)							
Judges	2	2	8	30	142	30	
Commissioners/Referees	-	-	1	4	21	4	
Non-Judicial Staff (approx.)	4	16	86	310	1,419	302	
Total	6	18	95	344	1,582	336	
New Case Filings (Fiscal Year 2019-20)							
Appeal Filings	-	6	79	173	213	100	
Civil Filings							
Civil	13	271	2,007	9,365	57,502	10,862	
Family Law	5	249	1,580	5,326	24,611	5,252	
Juvenile Delinquency	2	39	185	840	2,020	547	
Juvenile Dependency	7	37	198	554	4,268	798	
Mental Health	-	10	172	1,124	8,357	1,472	
Probate	2	47	254	900	3,725	824	
Small Claims	6	44	336	1,835	11,700	2,164	
Criminal Filings							
Felonies	18	224	1,141	3,715	13,068	3,126	
Misdemeanors / Infractions	1,064	4,096	19,330	70,480	309,401	66,865	
Total	1,117	5,023	25,282	94,312	434,865	92,010	

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 are from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of September 9, 2021, and may not agree with other reports as this data is continuously updated.

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. Alpine Superior Court is a cluster 1 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Alpine (Court) in order to determine whether it complied with certain key provisions of statute and the policies and procedures adopted by the Judicial Council of California. Our audit was limited to evaluating compliance with those requirements that, in our professional judgment, were necessary to answer the audit’s objectives. The periods covered by this audit are noted below in the specific compliance areas. Certain test objectives have differing audit periods. For example, conclusions on cash handling practices are principally based on auditor observations in the current year, while reviewing case file data under JBSIS reporting requires reviewing cases from an earlier period since changes to new filings are permitted for several years until frozen for budgeting purposes. Table 3 lists the specific audit objectives and the methods we used to address them.

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

	Audit Objective	Method
1	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court’s compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court complied with the mandatory requirements in the FIN manual for internal controls over cash (payment) handling. ▪ Assess the quality of the Court’s internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions. 	The Audits and Financial Accountability Committee approved the fiscal year 2020-21 Audit Plan during the July 14, 2020, meeting. Per the approved Audit Plan, Audit Services proposed temporarily suspending cash handling audit work due to COVID-19. Our audit procedures rely extensively on in-person observations of key controls, and budget reductions and travel restrictions arising from COVID-19 limit our ability to complete this work. Therefore, Audit Services did not review cash handling internal controls and processes for the Court during the course of this audit.
3	Determine whether the Court demonstrated appropriate control over its non-personal services spending	We reviewed the Court’s assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving

<p>activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual. ▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules. 	<p>purchases, procuring the goods or services, receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • Was properly authorized and approved by authorized court management. • Adhered to competitive bidding requirements, when applicable. • Had contracts, when applicable, that contained certain terms required to protect the Court’s interests. <p>We selected a sample of 40 FY 2019-20 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • The payments to in-court service providers adhered to applicable Judicial Council policies. <p>(Note: We did not review court interpreter claims as the Audit Committee suggested we suspend reviewing these types of claims to allow courts time to develop procedures to address previously reported systemic audit findings related to court interpreter service claims.)</p>
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4	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	During the planning phase for the audit, the Court informed us that the State Controller's Office is in the process of finalizing a revenue audit of the Court's fine and fee distributions. The Court also informed us that it had not yet had an opportunity to make changes to its system to address any findings. Therefore, to not duplicate audit efforts and because a review of its current distributions would be of limited benefit to the Court, we did not review its current fine and fee calculations and distributions.
5	<p>Determine whether the Court properly calculates its three 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>3% Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (FY 2019-20), and performed the following:</p> <ul style="list-style-type: none"> • Verified significant calculations and balance amounts. • Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system. <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal years. As a result, no further review was deemed necessary.</p>
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2019-20), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case

		<p>type, to validate that the Court accurately reported its case filings count data.</p> <ul style="list-style-type: none"> • We selected 10 cases from one case type, all seven cases from the year from a second and third case type, and the only case for the year from a fourth and fifth case type, for a total of 26 reported cases. We reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing. The Court had no cases for the year from the sixth case type we had planned to review.
7	<p>Determine whether the Court spent AB 1058 grant awards from the Judicial Council in compliance with the grant award requirements.</p>	<p>Alpine Superior Court (Alpine) does not receive its AB 1058 grant allocation or request reimbursement for related costs from the Judicial Council. Instead, Alpine has an agreement with El Dorado Superior Court (El Dorado) where El Dorado agrees to provide Alpine with AB 1058 services in return for Alpine’s share of the grant funding allocation. El Dorado requests reimbursement from the Judicial Council for any costs incurred and agrees to be responsible for any costs in excess of the allocation. As a result, Alpine does not directly receive any AB 1058 grant funds, and it incurs no financial obligations under the agreement. Therefore we did not review this area.</p>

Assessment of Data Reliability

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

use of the Phoenix financial transaction data was sufficiently reliable for the limited purpose of selecting transactions for testing.

Report Distribution

The Judicial Council's *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on February 1, 2022, and approved it for public release.

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

Audit Staff

This audit was completed by the following staff under the general supervision of Dawn Tomita, Audit Supervisor:

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

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

Background

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

At the Audit Committee's July 14, 2020 meeting, the committee suspended performance of our audit procedures related to Court "cash handling" requirements. Our audit procedures rely extensively on in-person observations of key controls, and budget reductions and travel restrictions arising from COVID-19 limited our ability to perform this work.

PROCUREMENT AND CONTRACTS

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

Background

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

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, including demonstrating good management practices overall in the areas of soliciting competitive procurements, entering into leveraged purchase agreements, and other internal controls. Nevertheless, we identified one audit finding that we believe requires the Court's corrective action. The finding pertains to the following specific area of procurement:

Finding Reference	Subject
2021-13-01	Non-Competitive Procurements

FINDING REFERENCE: 2021-13-01

NON-COMPETITIVE PROCUREMENTS

CRITERIA

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 5, 5.2 EMERGENCY PURCHASES:

In the event of an emergency, JBEs may purchase non-IT goods, non-IT services, or IT goods and services of any value without conducting a competitive procurement.

An emergency procurement must be approved in writing by the Approving Authority or his or her delegee. The Approving Authority (or delegee) may approve an emergency procurement only if he or she determines that immediate acquisition is necessary for the protection of the public health, welfare, or safety.

When completing an emergency purchase, the Buyer should include in the procurement file the following information:

- A description of the emergency;
- A description of the non-IT goods, non-IT services, or IT goods and services to be purchased, and their prices;
- The names and quotations of suppliers contacted; and
- A copy of the written approval.

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

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

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

The sole source request should include the following information:

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

CONDITION

For two of 25 the procurement transactions reviewed, the Court did not document its justification for not following a competitive procurement process. In one sample we tested, the Court procured IT services at a cost of \$27,500 after its long-time vendor provided the Court with six weeks' notice and the Court immediately had to find a new vendor to provide these services. Although a purchase request for the services was approved, a description of the emergency was not documented to justify the Court's use of a non-competitive procurement. For the second sample we tested, the Court procured internet services for fiscal year 2019-20 at a cost of \$10,200 using a sole-source procurement. According to the Court, the vendor is the only one who provides services in the area, but the Court did not document this justification in its procurement files. According to the Court, it does not have a process in place to document certain non-competitive procurement justifications, including emergency purchases and sole source procurements. When courts do not reasonably justify a reason for not following the JBCM competitive bidding requirements when procuring goods or services, they risk both not obtaining the best value procurements and creating the appearance of not fairly awarding their

procurement contracts. The Court indicated that it is working with its Virtual Buyer to develop a process for emergency purchases and sole source procurements.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court is collaborating with the Virtual Buyer at the JCC to make sure non-competitive bid practices are followed and the appropriate forms are completed and on file.

Response provided on 07/30/21 by: Ann Greth, CEO

Date of Corrective Action: 06/29/2021 to 06/30/2022

Responsible Person(s): Ann Greth, CEO

PAYMENT PROCESSING

The Court Generally Complied with Most Payment Processing Requirements, But Could be More Consistent with the Three-Point Match and In-Court Service Providers Requirements

Background

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

The Court demonstrated compliance in most of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of other items of expense and jury expenses. Nevertheless, we identified two audit findings in the payment processing area that we believe require the Court's corrective action. These findings pertain to the following specific area of payment processing:

Finding Reference	Subject
2021-17-01	Three-Point Match
2021-19-01	Special Rules – In-Court Service Providers

FINDING REFERENCE: 2021-17-01

THREE-POINT MATCH

CRITERIA

FIN MANUAL, FIN 8.01, 6.3.2 DOCUMENT MATCHING:

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

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

CONDITION

For eight of the 40 payment transactions reviewed, the Court could not demonstrate completing the entire three-point-match verification process when paying invoices and claims. Specifically, accounts payable staff could not demonstrate how they matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization for these transactions. For example, accounts payable staff paid a telecommunications company \$582 per month—or almost \$7,000 per year—for internet service. The Court's current staff were unable to locate a written agreement that specifies the pricing terms for the transaction we reviewed, which occurred in August 2019. However, the Court does have on file its current agreement for internet services, which it renegotiated in December 2019. In another example, the Court paid \$4,290 per year for the services of a storage facility to store old files, code books, and furniture. The Court utilizes three storage spaces, but did not maintain a copy of the executed contract in the vendor file specifying the rate it would pay for these storage spaces. However, without written agreements or authorizations that specify the expected goods or services to be received and the associated terms of payment, court accounts payable staff cannot fully perform the required three-point match. As a result, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. To properly document court authorized amounts, we are actively working to create and retain a purchasing instrument (contract, written agreement, purchase order) for all goods and services procured by the court.

Response provided on 07/30/2021 by: Ann Greth

Date of Corrective Action: 06/29/2021 to 12/31/2021

Responsible Person(s): Ann Greth, CEO and Christina Matta, Senior Accounting Clerk

FINDING REFERENCE: 2021-19-01

SPECIAL RULES – IN-COURT SERVICE PROVIDERS

CRITERIA

FIN MANUAL, FIN 8.02, 6.8 RECONCILIATION OF CLAIMS:

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

CONDITION

For three of the seven in-court services accounts payable transactions reviewed, the Court paid the claims although the rates charged were not supported by written court-authorized amounts. For example, the Court paid a clinical psychologist \$1,500 for a psychiatric evaluation. The psychologist was specifically named in the court order to provide the services. However, the Court was unable to provide evidence of the amount it had agreed to pay. According to the Court, it has no options but to use this doctor since this is the only doctor who will service the area and visit the jail. The Court indicated that it has reached out to other nearby courts and contacted doctors used by those courts, but is unable to find any other doctors willing to provide these services for the Court. The Court stated that it has no choice but to pay the rate set by the doctor for these required court-appointed services. For two additional samples we reviewed, the Court paid a total of almost \$1,600 for court-appointed counsel fees. The majority of this amount reflects the time the attorneys spent on two cases, and they both charged the Court a rate of \$90 per hour. According to the Court, this \$90 rate has been the standard rate for approximately 20 years, but the rate is not formally documented by the Court. Without written contracts, POs, agreements, or authorizations that specify the expected scope of work, term, and pay, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. To properly document court authorized amounts, we are actively working to create and retain a purchasing instrument (contract, written agreement, purchase order) for all goods and services procured by the court.

Response provided on 07/30/2021 by: Ann Greth

Date of Corrective Action: 06/29/2021 to 06/30/2022

Responsible Person(s): Ann Greth, CEO and Christina Matta, Senior Accounting Clerk

FINE AND FEE DISTRIBUTIONS

Background

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

During the planning phase for the audit, the Court informed us that the State Controller's Office is in the process of finalizing a revenue audit of the Court's fine and fee distributions. The Court also informed us that it had not yet had an opportunity to make changes to its system to address any findings. Therefore, to not duplicate audit efforts and because a review of its current distributions would be of limited benefit to the Court, we did not review its current fine and fee calculations and distributions.

THREE PERCENT FUND BALANCE CAP

The Court Appropriately Supported Its Three Percent Fund Balance Cap Calculations

Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed three 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 *3% 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 three percent fund balance cap, the Judicial Council adopted a process whereby courts that meet certain specified guidelines may request approval from the Judicial Council to hold excess funds “on behalf of the court.” The request specifies how the funds will be used and requires the court to explain why such spending could not occur through its annual operating budget. If the Judicial Council approves the court’s request, the Judicial Council may impose additional terms and conditions that courts must accept, including separately tracking the expenditures associated with these funds held on behalf of the court. As a part of the Judicial Council-approved process for approving funds held on behalf of a court, Audit Service is charged with reviewing funds held on behalf of the courts as a part of its normal court audit cycle to confirm that the courts used the funds for their approved stated purpose.

Our review found that the Court complied with the requirements for its 3% fund balance cap calculations. Specifically, we reviewed the inputs on its final FY 2019-20 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 2019-20 calculation form with valid contracts for goods and services not received by June 30, 2020. Finally, we did not review its use of any excess funds because at the time of our review the Court had not incurred or paid any expenditures from its held-on-behalf funds.

JBSIS CASE FILING DATA

The Court Reported Materially Accurate New Case Filing Counts and Data to JBSIS

Background

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

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

GRANT AWARD COMPLIANCE

Background

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

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

Alpine Superior Court (Alpine) does not receive its AB 1058 grant allocation or request reimbursement for related costs from the Judicial Council. Instead, Alpine has an agreement with El Dorado Superior Court (El Dorado) where El Dorado agrees to provide Alpine with AB 1058 services in return for Alpine's share of the grant funding allocation. El Dorado requests reimbursement from the Judicial Council for any costs incurred and agrees to be responsible for any costs in excess of the allocation. As a result, Alpine does not directly receive any AB 1058 grant funds, and it incurs no financial obligations under the agreement. Therefore we did not review this area.

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.
