



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

---

FEBRUARY 2022



JUDICIAL COUNCIL  
OF CALIFORNIA

---

AUDIT SERVICES

This report contains confidential material for the sole use of the intended recipient(s). Any review, use, distribution, or disclosure to others is strictly prohibited until the audit report is accepted by the Judicial Council.

**For authorization to distribute this report to any other parties please contact:**

**Mr. Grant Parks**  
**Principal Manager, Audit Services**  
**Judicial Council of California**  
**Phone: (916) 263-1321**  
**Fax: (415) 865-4337**  
**E-mail: [Grant.Parks@jud.ca.gov](mailto:Grant.Parks@jud.ca.gov)**

**Superior Court of California, County of Amador**

**Table of Contents**

EXECUTIVE SUMMARY ..... i

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

AUDIT SCOPE AND METHODOLOGY ..... v

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION ..... 1

    CASH HANDLING ..... 2

    PROCUREMENT AND CONTRACTS ..... 3

    PAYMENT PROCESSING ..... 7

    FINE AND FEE DISTRIBUTIONS ..... 9

    THREE PERCENT FUND BALANCE CAP ..... 10

    JBSIS CASE FILING DATA ..... 11

    GRANT AWARD COMPLIANCE ..... 12

    OTHER AREAS ..... 13

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

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

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
<b>Cash Handling</b>					
1	Daily Opening Process	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	-		
<b>Procurement and Contracts</b>					
10	Procurement Initiation	Yes	1	2021-10-01	Agrees
11	Authorization & Authority Levels	Yes	1	2021-11-01	Agrees
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
<b>Payment Processing</b>					
17	3-Point Match Process	Yes	✓		
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	✓		
<b>Fine &amp; Fee Distributions</b>					
25	CMS-Calculated Distributions	No	-		
26	Manually-Calculated Distributions	N/A	-		
<b>3% Fund Balance Cap</b>					
27	Calculation of the 3% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	N/A	-		
<b>JBSIS Case Filing Data</b>					
29	Validity of JBSIS Data	Yes	✓		
<b>Grant Award Compliance</b>					
30	AB 1058 Program	Yes	✓		
<b>Other Areas</b>					
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 to several 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 meeting AB 1058 grant requirements. For example, our review of the Court's 3% fund balance cap calculation and reporting process was sound. In addition, the Court properly supports its timekeeping and other expenses that it charges to the AB 1058 grant program.

However, our audit did identify 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 Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective.

One particular area of focus for the Court as it considers opportunities for improvement should include ensuring that its procurement process begins with an approved purchase requisition form. Specifically, the Court does not always use and document written purchase requisitions to demonstrate that an authorized individual approved the purchase request before commencement of the solicitation or vendor selection. When the Court does not have a practice of using written purchase requisitions to document its purchase requests and authorizations, it risks staff initiating and making purchases without the oversight of management, potentially resulting in procurements that may be either inappropriate or not in the Court's best interests. The Court indicated it agreed with our finding and recommendation in this area and it will implement corrective action.

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

Audit Services initiated its audit of the Court on January 25, 2021, and completed fieldwork on August 17, 2021. Audit Services shared the draft audit findings with the Court's officials on October 29, 2021, and received the Court's final official responses on December 7, 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 Amador (Court) operates one court facility in the City of Jackson. 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 Amador Superior Court and Average of all Superior Courts

Statistic	Amador Superior Court	Average of All Superior Courts				All 58 Courts
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	
<b>Financial Highlights (Fiscal Year 2020-21)</b>						
Total Revenue	\$ 4,226,477	\$ 2,801,621	\$ 11,732,226	\$ 47,147,065	\$ 222,407,059	\$ 46,418,993
Total Expenditures	\$ 4,110,910	\$ 2,685,427	\$ 11,793,650	\$ 47,226,007	\$ 224,959,605	\$ 46,782,011
Staff Salaries & Benefits	\$ 3,031,131	\$ 1,783,894	\$ 9,042,960	\$ 36,756,739	\$ 188,576,818	\$ 38,140,615
As a % of Total Expenditures	73.7%	66.4%	76.7%	77.8%	83.8%	81.5%
<b>Judicial Officers and Staff (2021 Court Statistics Report)</b>						
Judges	2	2	8	30	142	30
Commissioners/Referees	1	-	1	4	21	4
Non-Judicial Staff (approx.)	28	16	86	310	1,419	302
Total	31	18	95	344	1,582	336
<b>New Case Filings (Fiscal Year 2019-20)</b>						
<b>Appeal Filings</b>	3	6	79	173	213	100
<b>Civil Filings</b>						
Civil	526	271	2,007	9,365	57,502	10,862
Family Law	406	249	1,580	5,326	24,611	5,252
Juvenile Delinquency	21	39	185	840	2,020	547
Juvenile Dependency	58	37	198	554	4,268	798
Mental Health	26	10	172	1,124	8,357	1,472
Probate	83	47	254	900	3,725	824
Small Claims	79	44	336	1,835	11,700	2,164
<b>Criminal Filings</b>						
Felonies	587	224	1,141	3,715	13,068	3,126
Misdemeanors / Infractions	5,039	4,096	19,330	70,480	309,401	66,865
<b>Total</b>	6,828	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 information is from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of September 9, 2021, and may not agree with other reports as this data is subject to continuous updates.

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

## AUDIT SCOPE AND METHODOLOGY

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

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



<p>its non-personal services spending activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"><li>▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual.</li> <li>▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules.</li></ul>	<p>appropriately segregated staff roles for approving purchases, procuring the goods or services, receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"><li>• Was properly authorized and approved by authorized court management.</li><li>• Adhered to competitive bidding requirements, when applicable.</li><li>• Had contracts, when applicable, that contained certain terms required to protect the Court’s interests.</li></ul> <p>We 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"><li>• The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment.</li><li>• Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix.</li><li>• Whether the payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.</li><li>• Whether the payments for in-court service providers adhered to applicable Judicial Council policies.</li></ul> <p>(Note: We did not review court interpreter claims as the Audit Committee suggested we suspend reviewing these types of claims to allow courts time to develop procedures</p>
--	---

		to address previously reported systemic audit findings related to court interpreter service claims.)
4	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	During the planning phase for the audit, the Court informed us that the State Controller’s Office (SCO) had recently completed a revenue audit of the Court’s fine and fee distributions. The SCO publicly posted its audit report in August of 2021. Additionally, the Court informed us that it is in the process of implementing a new CMS and will not make corrections or changes to the old CMS. Therefore, since our review of its current CMS distributions would be of limited benefit to the Court, we did not review its current CMS fine and fee calculations and distributions.
5	Determine whether the Court properly calculates its three percent fund balance cap for the most recent completed fiscal year.  Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.	We obtained the Court’s final 3% <i>Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (FY 2019-2020), and performed the following: <ul style="list-style-type: none"> <li>• Verified significant calculations and balance amounts.</li> <li>• Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system.</li> </ul> <p>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).	We obtained an understanding of the Court’s process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2018-2019), we performed the following: <ul style="list-style-type: none"> <li>• Obtained the relevant JBSIS case filings data the Court reported to the Judicial Council and reconciled the case filings counts it reported to its underlying records</li> </ul>

		<p>of cases supporting each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data.</p> <ul style="list-style-type: none"> <li>• We selected 10 cases from six case types, for a total of 60 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.</li> </ul>
7	<p>Determine whether the Court spent AB 1058 grant awards in compliance with the grant award requirements.</p>	<p>We selected one month from fiscal year 2019-20 for each of the Child Support Commissioner and Family Law Facilitator grant awards and obtained the invoices submitted to the Judicial Council to determine whether the Court had sufficient records to support the expenditures charged to the grant. For example, for personnel service costs charged to the grant award, we reviewed the payroll records and employee timesheets to verify the costs and time charged to the grant. We interviewed selected employees to determine how they track and report the time they charged to the grant. We also reviewed other operating costs and expenditures charged to the grant award to determine whether the costs were supported, allowable, and allocable to the grant.</p>

**Assessment of Data Reliability**

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

## **Report Distribution**

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

Michelle O'Connor, Senior Auditor (auditor in charge), CPA, CFE, CGFM  
Joe Meyer, Senior Auditor, CPA, CIA  
Sandra Gan, Senior Auditor, CPA  
Lorraine De Leon, Auditor  
Veronica Lee, Auditor, CFE  
Tia Thao, Auditor

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

## CASH HANDLING

### **Background**

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

At the Audit Committee's July 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 Some of Its Procurement Controls

#### Background

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

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, including demonstrating sound management practices in the areas of soliciting competitive procurements and in entering into leveraged purchase agreements. Nevertheless, we identified two audit findings that we believe require the Court's corrective action. The findings pertained to the following specific areas of procurement:

Finding Reference	Subject
2021-10-01	Procurement – Initiation
2021-11-01	Procurement – Authorization and Authority Levels

---

#### **FINDING REFERENCE: 2021-10-01**

#### *PROCUREMENT – INITIATION*

#### **CRITERIA**

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 2, 2.1 FORMULATING THE PROCUREMENT APPROACH, C:

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

1. Internal review and approvals: Consider the following:

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

### **CONDITION**

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For 11 procurement transactions reviewed, the Court did not document or require a purchase request and management approval of the request prior to commencing the procurement. For example, for one sample relating to court decor in the amount of \$7,421, the Court did not have a purchase requisition form. The Court was only able to provide emails that discussed the purchase but gave no support of a purchase request being made nor purchase approval given. According to the Court, the IT department deleted emails related to the purchase request approval. Nonetheless, the use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the procurement process.

### **RECOMMENDATION**

To ensure it can demonstrate that its purchases are appropriately justified, funded, and approved, the Court should take steps to ensure its staff follow the Court's procurement procedures which will ensure the Court consistently obtains and documents in its procurement files the purchase requisitions that document the approved purchase requests prior to its staff starting the purchasing activity.

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

Agree. Court is taking steps to ensure staff follows Court's procurement procedures.

**Response provided on 12/06/2021 by:** Dawn Harmon, Court Executive Officer

**Date of Corrective Action:** 01/01/2022

**Responsible Person(s):** Dawn Harmon, Court Executive Officer, and Sheryl Brown, Finance Manager

---

### **FINDING REFERENCE: 2021-11-01**

*PROCUREMENT – AUTHORIZATION AND AUTHORITY LEVELS*

### **CRITERIA**

PUBLIC CONTRACT CODE 19206:



The Judicial Council shall adopt and publish no later than January 1, 2012, a Judicial Branch Contracting Manual incorporating procurement and contracting policies and procedures that must be followed by all judicial branch entities subject to this part. The policies and procedures shall include a requirement that each judicial branch entity shall adopt a local contracting manual for procurement and contracting for goods or services by that judicial branch entity. The policies and procedures in the manuals shall be consistent with this code and substantially similar to the provisions contained in the State Administrative Manual and the State Contracting Manual.

#### JUDICIAL BRANCH CONTRACTING MANUAL, INTRODUCTION, 4. LOCAL CONTRACTING MANUAL:

PCC 19206 requires the Judicial Council to include in this Manual a requirement that each JBE shall adopt a Local Contracting Manual for procurement and contracting for goods and services by that JBE. The content of each Local Contracting Manual must be “consistent with” the PCC and “substantially similar” to the provisions contained in the SAM and the SCM.

- Each JBE must adopt a manual consistent with the requirements of PCC 19206.
- Each JBE must identify individual(s) with responsibility and authority for procurement and contracting activities as required by this Manual.
- Each JBE may include in its Local Contracting Manual policies and procedures governing its procurement and contracting activities, and those policies and procedures must not be inconsistent with this Manual or with applicable law.

#### FIN MANUAL, FIN 1.02, 6.2 RESPONSIBILITIES:

2. The presiding judge and court executive officer will establish internal controls over financial reporting to assure that:
  - f. The trial court has established a system of authorization to provide effective management control over its assets, liabilities, revenues and expenditures. Specific levels and scopes of authority must be established for executives, managers, supervisors, and staff, with dollar limits where appropriate, in areas such as procurement, contract approval, payment authorization, etc. Any dollar limit established must fit within the overall approval framework established by rule of court and this manual.
  - g. An authorization matrix listing the scope and levels of authority for various trial court employees has been created and maintained by the court. The authorization matrix must be updated as responsibilities change, and no less frequently than annually. The authorization matrix must be reestablished each time a new presiding judge is elected. The matrix must be provided to court, county, and accounting service providers for reference as necessary. This matrix must also be provided to internal and external auditors upon request.

#### CONDITION

The Court has not adopted a Local Contracting Manual as required by the Judicial Branch Contracting Manual (JBCM) and state law. Audit Services inquired of the Court why it did not adopt a Local Contracting Manual and the Court stated it was not aware if it had a Local Contracting Manual due to the sudden departure of the former court staff who handled

procurement. Furthermore, the Court stated it could not find anything in the former court staff's office. Per Public Contract Code 19206, courts are required to adopt a local contracting manual consistent with the requirements of PCC 19206 and to identify individuals with responsibility and authority for procurement and contracting activities. Therefore, the Court has not officially documented various internal control procedures related to purchase approval authority, the use of purchase cards, or other required tasks. As a result, the Court is at increased risk of not procuring and reporting the goods and services it procures in a manner consistent with the law, Rules of Court, or the JBCM.

In addition, the Court also does not maintain a procurement signature authorization matrix as required by the JBCM and FIN Manual. According to the Court, it does not have a procurement signature authorization matrix. Nonetheless, the FIN manual and JBCM requires the Court to establish an authorization matrix, which includes a purchase request approval authorization matrix, listing the scope and levels of purchase approval authority for various court staff. As a result, the Court is at increased risk of making purchases that may not be needed and may not be in the Court's best interest.

### **RECOMMENDATION**

To ensure its procurement practices are documented and in compliance with the JBCM requirements, the Court should take steps to develop and adopt a Local Contracting Manual that is consistent with the JBCM and applicable state laws for its procurement and contracting activities. The Court should also take steps to ensure it has a procurement authorization matrix that lists the scope and levels of purchase approval authority.

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

Agree. Court will develop and adopt a Local Contracting Manual as well as a procurement authorization matrix and include the Court's previously adopted levels of purchase approval authority.

**Response provided on 12/06/2021 by:** Dawn Harmon, Court Executive Officer

**Date of Corrective Action:** 06/30/2022

**Responsible Person(s):** Dawn Harmon, Court Executive Officer, and Sheryl Brown, Finance Manager

---

## PAYMENT PROCESSING

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

#### Background

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

The Court demonstrated compliance in many of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of special items of expense, jury expenses, and allowable costs. Nevertheless, we identified one audit finding in the payment processing area that we believe requires the Court's corrective action. The finding pertained to the following specific area of payment processing:

Finding Reference	Subject
2021-19-01	Special Rules – In-Court Service Providers

---

#### **FINDING REFERENCE: 2021-19-01**

#### *SPECIAL RULES – IN-COURT SERVICE PROVIDERS*

#### **CRITERIA**

##### FIN MANUAL, FIN 8.02, 6.3 COMPLETE CLAIM DOCUMENTATION:

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

##### FIN MANUAL, FIN 8.02, 6.8 RECONCILIATION OF CLAIMS:

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

### **CONDITION**

For four of the five in-court services claims reviewed, the Court processed and paid the claims even though the claimants did not include all the information required for the Court to fully verify the accuracy and validity of the claims. Specifically, court accounts payable staff processed one court reporter claim and one legal services' claim for payment without requiring the claimants to include on their claim forms the case numbers and names for which they provided services. In addition, one claim for copies of transcripts was processed without requiring the claimant's signature, and one court reporter claim was processed without the claimant's signature as well as the case numbers and names for which they provided services. According to the Court, it was unaware of the FIN Manual requirements. Nonetheless, the FIN Manual requires claims to include certain information, including the claimant's signature, and case numbers and names.

### **RECOMMENDATION**

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

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

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

Agree. The Court implemented these changes when the auditor's brought it to the Court's attention.

**Response provided on 12/06/2021 by:** Dawn Harmon, Court Executive Officer

**Date of Corrective Action:** Immediately

**Responsible Person(s):** Dawn Harmon, Court Executive Officer, and Sheryl Brown, Finance Manager

---

## FINE AND FEE DISTRIBUTIONS

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

#### **Background**

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

During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) had recently completed a revenue audit of the Court's fine and fee distributions. The SCO publicly posted its audit report in August of 2021. The Court also informed us that it is in the process of implementing a new CMS and will not make corrections or changes to the old CMS. Therefore, we did not review its current CMS 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, except for a couple of minor instances of non-compliance that we communicated separately to the Court, the Court complied with the requirements for its 3% fund balance cap calculations. Specifically, we reviewed the inputs on its final FY 2019-20 3% fund balance cap 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 or services not received by June 30, 2020. Finally, we did not review its use of any excess funds because the Court has not requested the Judicial Council to hold any such funds on its behalf.

---

## **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, except for a couple of minor instances of non-compliance that we communicated separately to the Court, the Court's records materially supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2018-19.

---

## **GRANT AWARD COMPLIANCE**

### **The Court Followed Appropriate Grant Accounting and Administrative Procedures**

#### **Background**

Grant fund awards may substantially benefit a trial court's ability to serve the public. At the same time, the acceptance of grant funds may also represent an area of risk to the court because the grant money received by the court is provided for specific purposes and under conditions that apply to its use. 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.

Our review of its grant administration practices found that the Court followed appropriate grant accounting and administrative procedures and demonstrated material compliance with the Child Support Services grant and the Family Law Facilitator grant (AB 1058 program components) terms and conditions.

---



## OTHER AREAS

### **Background**

We did not identify any other significant areas during the initial audit planning process that, based on our professional judgement, warranted any additional audit work. Therefore, we did not review compliance with any other areas.

---