



Audit of the  
Superior Court of California,  
County of Santa Cruz

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JUNE 2019



JUDICIAL COUNCIL  
OF CALIFORNIA

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AUDIT SERVICES

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**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 Santa Cruz**

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## EXECUTIVE SUMMARY

### Introduction

Government Code sections 77206(g) and 77009(h) provide the Judicial Council of California (Judicial Council) with the authority to inspect and review superior court records and to perform audits, reviews, and investigations of superior court operations. The Judicial Council's Office of Audit Services (Audit Services) periodically conducts performance audits of the superior courts in order to verify their compliance with the Judicial Council's policies and with state law. These audits, as well as similar audits of the appellate courts, are primarily focused on assisting the courts identify which of their practices, if any, can be improved upon to better promote sound business practices and to demonstrate accountability for their spending of the public's funds.

State law authorizes the Judicial Council to establish each superior court's annual budget and to adopt rules for court administration, practice, and procedure. Most of the criteria used by Audit Services stems from the policies promulgated by the Judicial Council, such as those contained within the *Trial Court Financial Policies and Procedures Manual* (FIN Manual) and the *Judicial Branch Contracting Manual* (JBCM). These policies establish both mandatory requirements that all superior courts must follow, as well as suggestive guidance. California's courts drastically vary in terms of their caseloads, budget, and staffing levels, thus requiring the Judicial Council to adopt rules that at times provide the courts with flexibility given their varying resources and constraints. State law also requires the superior courts to operate under a decentralized system of management, and the Judicial Council's policies establish the boundaries within which courts exercise their discretion when managing their day-to-day operations.

Audit Services' annual audit plan for the Judicial Branch establishes the scope of each audit and provides a tentative schedule for the courts being audited during the fiscal year. The audit plan explains those scope areas deemed to be of higher risk based on Audit Services' professional judgment and recognizes that other state audit agencies may, at times, perform reviews that may overlap with Audit Services work. In those instances, Audit Services may curtail its planned procedures as noted in the scope and methodology section of this report.

### Summary of Audit Results

Our audit found that the Superior Court of California, County of Santa Cruz (Court) demonstrated consistent compliance with most of the Judicial Council's requirements evaluated during the audit. In addition, the Court should be commended for taking prompt corrective actions that, according to its responses, already have or will remedy most of our findings by June 30, 2019. 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 Santa Cruz

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
<b>Cash Handling</b>					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Handwritten Receipts	Yes	✓		
4	Mail Payments	Yes	2	2018-4-01; 02	Partially agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2018-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	1	2018-9-01	Agrees
<b>Procurement and Contracts</b>					
10	Procurement Initiation	Yes	1	2018-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	1	2018-15-01	Agrees
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	✓		
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	1	2018-22-01	Agrees
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
<b>Fine &amp; Fee Distributions</b>					
25	CMS-Calculated Distributions	Yes	1	2018-25-01	Agrees
26	Manually-Calculated Distributions	N/A	-		
<b>1% Fund Balance Cap</b>					
27	Calculation of the 1% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	N/A	-		
<b>JBSIS Case Filing Data</b>					
29	Validity of JBSIS Data	Yes	1	2018-29-01	Agrees
<b>Other Areas</b>					
30	[None]	N/A	-		

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

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

The Court demonstrated consistent adherence to several of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated strong compliance in the areas of payment processing and reporting on limits to its fund balance (1% fund balance cap). For example, with regards to payment processing, the Court demonstrated sound management practices in the areas of the 3-point match process, which includes matching invoices to procurement documents, ensuring the receipt of acceptable goods or services, and paying reasonable and allowable costs. Similarly, our review found that its 1% fund balance cap calculation and reporting process was sound. Specifically, the Court tracks, monitors, and updates its open encumbrances at least quarterly. At year-end, the Court generates an open encumbrance report and verifies each encumbrance with the associated purchasing documents to make sure that open encumbrances are accurate and appropriate, and to close-out and liquidate encumbrances on any blanket purchase orders, such as those for office supplies. The Court also verifies that the year-end encumbrances are supported with current executed purchase orders, contracts, or agreements.

Nonetheless, our audit did identify nine reportable audit findings where we believe the Court should consider taking corrective action to improve its operations and more fully comply with the Judicial Council's policies. These nine findings are identified in Table 1 under the column "Reportable Audit Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective. One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over the payments it receives in the mail. Specifically, the Court does not reconcile the mail payments recorded on the mail payment receipts log against the payments staff enter into the cashiering system and/or case management system (CMS) to ensure that all payments were entered. In addition, it did not restrictively endorse checks or other negotiable instruments received in the mail immediately upon receipt. When the Court does not perform this reconciliation, which ensures the entry of all the mail payments into the CMS, it is at increased risk for lost or stolen mail payment. Furthermore, not immediately endorsing mail payments heightens the risk of theft or loss of these payments. The Court indicated it mostly agreed with our findings and recommendations in this area and has begun corrective action to strengthen its controls over mail payments.

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

Audit Services initiated its audit of the Court on March 19, 2019, and completed its fieldwork on May 17, 2019. Audit Services shared the draft audit findings with the Court's officials starting on May 24, 2019, and received its final official responses on June 7, 2019. The Court agreed with most of the findings. 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 Santa Cruz (Court) operates two court facilities—one each in the cities of Santa Cruz and Watsonville. 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 Santa Cruz Superior Court and Average of all Superior Courts

Statistic	Santa Cruz Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
<b>Financial Highlights (Fiscal Year 2017-18)</b>						
Total Revenue	\$ 14,626,238	\$ 2,203,781	\$ 10,614,170	\$ 41,408,761	\$194,435,516	\$ 43,334,366
Total Expenditures	\$ 14,532,472	\$ 2,238,710	\$ 10,747,319	\$ 41,941,660	\$198,103,021	\$ 44,073,255
Staff Salaries & Benefits As a % of Total Expenditures	\$ 12,524,020 86.2%	\$ 1,498,581 66.9%	\$ 8,081,296 75.2%	\$ 32,278,737 77.0%	\$159,856,126 80.7%	\$ 34,936,503 79.3%
<b>Judicial Officers and Staff (2018 Court Statistics Report)</b>						
Judges	12	2	8	27	128	29
Commissioners/Referees	2	-	1	4	21	5
Non-Judicial Staff (approx.)	120	16	87	291	1,281	296
Total	134	18	96	322	1,430	330
<b>New Case Filings (Fiscal Year 2016-17)</b>						
<b>Appeal Filings</b>	142	10	76	184	402	132
<b>Civil Filings</b>						
Civil	2,506	289	2,102	8,988	62,412	12,416
Family Law	1,887	270	1,790	6,639	27,411	6,376
Juvenile Delinquency	409	36	247	1,122	2,210	678
Juvenile Dependency	173	36	212	583	3,570	764
Mental Health	136	15	154	680	2,602	607
Probate	314	47	273	894	3,489	842
Small Claims	924	51	413	1,954	14,475	2,820
<b>Criminal Filings</b>						
Felonies	1,425	426	1,598	4,707	32,224	6,690
Misdemeanors / Infractions	31,623	4,983	21,839	75,978	343,087	78,530
<b>Total</b>	<b>39,539</b>	<b>6,163</b>	<b>28,704</b>	<b>101,729</b>	<b>491,882</b>	<b>109,855</b>

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts are from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of April 2, 2019, and may not agree with other reports as this data is 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. Santa Cruz Superior Court is a cluster 2 court.

## AUDIT SCOPE AND METHODOLOGY

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

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

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



<ul style="list-style-type: none"> <li>▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual.</li>   <li>▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules.</li> </ul>	<p>receiving the goods, and paying for the goods or services.</p> <p>We judgmentally selected a sample of 25 expenditure transactions and assessed whether each transaction’s underlying procurement:</p> <ul style="list-style-type: none"> <li>• Was properly reviewed and approved by authorized court management.</li> <li>• Adhered to competitive bidding requirements, when applicable.</li> <li>• Had contracts, when applicable, that contained certain terms required to protect the Court’s interests.</li> </ul> <p>We judgmentally selected a sample of 40 expenditure transactions 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 to address previously reported systemic audit findings related to court interpreter service claims.)</p>
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4	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected code violations.</p>	<p>We reviewed the Court’s process for updating and controlling access to its distribution tables. We also reviewed the Court’s calculations and distributions of fines, penalties, fees, and assessments for certain high volume or complex code violations.</p>
5	<p>Determine whether the Court properly calculates its one percent fund balance cap for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court’s final <i>1% Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (FY 2017-18), and performed the following:</p> <ul style="list-style-type: none"> <li>• Verified significant calculations and balance amounts.</li> <li>• Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system.</li> </ul> <p>The Court has not received any excess prior year fund balances held on its behalf for the past four fiscal years. As a result, no further review was necessary or performed.</p>
6	<p>Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).</p>	<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 2016-17), we performed the following:</p> <ul style="list-style-type: none"> <li>• Obtained the relevant JBSIS case filings data the Court reported to the Judicial Council and reconciled the case filings counts it reported to its underlying records of cases supporting each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data.</li> </ul>

		<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>
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### Assessment of Data Reliability

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

### Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on June 28, 2019, and approved it for public release.

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

### Audit Staff

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

Dawn Tomita, Audit Supervisor  
 Jerry Lewis, Senior Auditor (auditor in charge)  
 Veronica Perez, Auditor, CFE  
 Maria Dooley, Auditor, CPA, CFE

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

## CASH HANDLING

### **The Court Followed Most Required Cash Handling Procedures, But Can Strengthen Its Controls Over Certain Key Processes**

#### **Background**

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

Overall, the Court demonstrated compliance in most of the cash handling areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its daily opening process, void transactions process, and bank deposits process.

Nevertheless, we identified four audit findings that we believe require the Court's attention and corrective action. These findings pertained to the following specific areas of cash handling:

<b>Finding Reference</b>	<b>Subject Area</b>
2018-4-01	Mail Payments – Immediate Endorsement
2018-4-02	Mail Payments – Logging, Reconciling, and Reporting
2018-6-01	Change Fund – Accountability
2018-9-01	Other Internal Controls – Safe Combinations and Access

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

##### *MAIL PAYMENTS – IMMEDIATE ENDORSEMENT*

#### **CRITERIA**

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

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

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

1. Checks and money orders received through the mail should be processed on the day they are received (i.e., endorsed with an immediately restrictive endorsement for deposit in the court bank account, entered into the court's receipting system, and deposited to the appropriate bank account). Any exceptions are to be brought to the attention of a supervisor, placed under dual control, and processed as soon as practicable. Money received through the mail

will be deposited and entered in the court's cashiering system and/or automated case management system on the day received.

### **CONDITION**

All three payment collection locations reviewed do not restrictively endorse checks and money orders immediately upon receipt in the mail. Instead, they endorse the mail payment checks when entering them into the CMS, which may be after the day received. According to the supervisors at each payment collection location, the Court does not require cashiers to restrictively endorse checks immediately upon receipt in the mail because it uses a machine to endorse the checks later when it enters them in the CMS. However, the FIN Manual requires courts to restrictively endorse checks immediately upon receipt. Endorsing checks and money orders "for deposit only" into the court bank account immediately upon receipt protects a court's interests by limiting the potential for further negotiation of the checks and money orders. Further, there is little downside risk to immediately endorsing checks that courts may later discover they must return. When courts do not restrictively endorse checks or money orders immediately upon receipt as required, they risk that unendorsed checks and money orders may be lost or stolen and cashed or deposited in a non-court bank account.

### **RECOMMENDATION**

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

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

The Court partially agrees with the recommendation. The Court has not been restrictively endorsing checks, money orders or other negotiable instruments immediately upon receipt and acceptance for mail payments received after the mail cutoff. The Court policy is to deposit these checks the following day. The Court disagrees with the process of endorsing checks because the CMS endorses checks at the time of input into the system with transaction specific information that would be unreadable if previously stamped. The Court will request an alternative procedure from the JCC in order to address this issue.

**Response provided on 6/7/2019 by:** Tracy Zertuche, Lead Sr. Financial Analyst

**Date of Corrective Action:** September 30, 2019

**Responsible Person(s):** Tracy Zertuche, Lead Sr. Financial Analyst and Jim Owen, Director of Finance and Human Resources

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

*MAIL PAYMENTS – LOGGING, RECONCILING, AND REPORTING*

### **CRITERIA**

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

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

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SANTA CRUZ, ALTERNATIVE PROCEDURE APPROVED BY THE JUDICIAL COUNCIL OF CALIFORNIA ON FEBRUARY 26, 2019, FOR FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL (2)(a):

One person can open the mail and create the payment receipts log if he or she is recorded on video and the video is retained for at least 10 days. The mail will always be opened in an area that is easily visible to other court employees. Reconciliation of the amounts received for the day and entered into the case management system shall be completed daily and reviewed and reconciled by the Finance department as part of the bank deposit process within 10 days.

## **CONDITION**

Although the Civil payment collection location maintains the suggested payment receipts log to create a record of mail payments for civil fine and fee, and for civil copy and research requests, it does not maintain such a log for mail payments related to its criminal records copy requests. The FIN Manual suggests that courts use such a log to capture and record key identifying information—such as the case numbers, the persons making the payment, the payment amount, and the check numbers—that may be useful in tracking mail payments that may become lost. However, according to the Court, it does not create a log of payments received in the mail for criminal records copy requests because the duties for the person performing that task do not include maintaining a log for such mail payments. As a result, the Court does not capture enough information to monitor and track these types of individual mail payments nor have a record that managers can use to reconcile and ensure the entry of all the mail payments into the CMS. As a result, the Court is at increased risk for loss or theft of these types of mail payments.

In addition, the Court does not follow its approved alternative procedures to reconcile the mail payments recorded on the mail payment receipts log against the payments entered into the cashiering system and/or case management system to ensure that all payments were entered. Specifically, the cashiers for all payment collection locations enter mail payments into the CMS and include the mail payments with their CMS closeout reports, which is reviewed by the lead at each location. Although the lead ensures that the checks in the cashier's bundle of payments are included in the cashier's daily CMS closeout report, the lead does not trace the checks (and/or money orders, etc.) or reconcile the daily CMS payment entries to the mail payment receipts log to verify that the cashier entered all the logged mail payments. In addition, although the Finance division ensures that the mail payment logs are attached to the closeout reports for each payment collection location, it also does not later reconcile the mail payment logs to the CMS as required by its approved alternative procedures for opening the mail. According to the senior financial analyst, the analyst was unaware that such a reconciliation was required, while the Watsonville payment collection location supervisor stated never being directed to perform such a reconciliation. Nevertheless, the FIN manual and the Court's alternative procedures require it to reconcile the mail payments entered into its CMS against its mail payment receipts log. When the Court does not perform this reconciliation, which ensures the entry of all the logged mail payments into the CMS, it is at increased risk for not detecting lost or stolen mail payments.

Finally, two of the three payment collection locations reviewed do not report to court management the mail payments they have not processed within 15 days. Specifically, the Santa Cruz Civil/Probate and Watsonville Criminal/Traffic payment collection locations do not report to the CEO and CFO the payments they received in the mail and held unprocessed for more than 15 and 30 days. For example, the Santa Cruz Civil/Probate location's April 2019 copy and research requests payments log, which included November 2018 through April 2019 payments, indicates it held 11 payments unprocessed for more than 15 days, with 8 of those 11 payments



held unprocessed for more than 30 days and not reported to court management. Staff at this location indicated that except for copy and research requests, it usually processes mail payments by the next day. Similarly, our review of unprocessed checks at the Watsonville payment collection location found it held 2 checks unprocessed for more than 15 days with one of the 2 held for more than 4 months without processing and reporting to court management. According to staff, Court mail payment processing procedures do not address the reporting of unprocessed mail payments, but that they would notify the Finance Director if a situation were to occur where they could not process a mail payment. However, not promptly processing mail payments for deposit in the bank and not reporting mail payments that remain unprocessed for more than 15 days to the CEO and CFO as the FIN Manual requires unnecessarily places these payments at increased risk of loss or theft.

### **RECOMMENDATION**

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should:

1. Consider using and maintaining a mail payment receipts log that contains all the key information necessary to establish a clear record of all the different types of payments, cash and non-cash, it receives through the mail, including for its criminal records copy requests.
2. Comply with its approved alternative procedure for opening the mail and reconcile its record of logged mail payments to its CMS during the daily end-of-day closeout process to ensure that staff promptly and completely entered all the logged mail payments in its CMS. In addition, the Court's Finance Division should review and reconcile all mail payments entered into its CMS with the mail payment receipts logs from each payment collection location as it indicated in its approved alternative procedure.
3. Ensure that all supervisors/managers responsible for staff who process mail payments take steps to identify and log any mail payment that has been held for more than 5, 15, and 30 calendar days without being processed. For those mail payments held unprocessed for more than 15 or 30 calendar days, the Court should also monitor to ensure the supervisors or managers consistently provide written reports to the CEO and CFO at least monthly with the details for each payment held, including the reason why the mail payment cannot be processed.

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

Recommendation 1. The court agrees and has created a log for all the different types of payments, cash and non-cash, it receives through the mail, including for its criminal records copy requests effective May 2019.

Recommendation 2. The Court agrees with the finding that the Court employees should comply with the approved alternative procedure regarding the daily end of day process of entering payments into CMS. Also, the Court's intention was to not require the Finance division to duplicate the work of the legal process clerks and their supervisor by also reviewing the mail payment receipts logs and comparing to the entry into the CMS. The Court will seek to clarify this specific point regarding the Finance division by re-submitting the request for an alternative

procedure to the JCC and asking for a clarification to the alternative procedure. This Court will complete this by September 30, 2019.

Recommendation 3. The court agrees with this finding and has established a log effective May 2019. The log has been saved to a site accessible to the CEO and CFO at any time to review the status of the mail payments that have been held for more than 5, 15, and 30 calendar days without being processed.

**Response provided on 6/6/2019 by:** Jim Owen, Director of Finance and Human Resources

**Date of Corrective Action:** Partially completed in May of 2019, remainder by September 30, 2019.

**Responsible Person(s):** Tracy Zertuche, Lead Sr. Financial Analyst and Jim Owen, Director of Finance and Human Resources

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**FINDING REFERENCE: 2018-6-01*****CHANGE FUND – ACCOUNTABILITY*****CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

8. At the end of each business day, individuals responsible for making change from the Cash Change Fund must—in the presence of a court manager, supervisor, or his or her designee—count, verify, and reconcile the Change Fund monies to the day's beginning balance, and initial and date the verification/reconciliation.
9. A trial court employee, other than the individuals responsible for making change from the Cash Change Fund, should count the Cash Change Fund in accordance with the following schedule and report the count to the Fiscal Officer.

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

**CONDITION**

The Finance division, which manages the Santa Cruz payment collection location change fund, and the Watsonville payment collection location do not require someone other than their change fund custodians to periodically count their change funds of \$995 and \$450, respectfully. Instead, the Court relies on each location's change fund custodian to perform these counts. However, the FIN Manual recommends courts have individuals other than the change fund custodians count their cash change funds at least monthly for change funds of \$500 or more and at least quarterly for change funds of \$200 or more. According to one of the Watsonville location supervisors, the Court does not require anyone other than the two location supervisors to make change from the \$450 change fund and count the fund each time they make change and during the end of day closeout process. In addition, according to a senior financial analyst, the Court follows its practice because it was unaware of the FIN Manual recommendation to have individuals not responsible for making change from the change funds to periodically count the funds.

Nonetheless, the analyst indicated that the Finance division will soon begin to audit both change funds on the intervals recommended by the FIN Manual. Without periodic independent counts of the change funds, courts may not know for an extended period of time whether their change funds are short of funds.

### **RECOMMENDATION**

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should promptly implement its change fund audits to ensure that an individual other than the custodian counts and verifies its change funds at the frequency specified in the FIN Manual, such as quarterly for its \$450 change fund and monthly for its \$995 change fund.

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

The Court agrees that the change fund should be counted on a monthly basis for the \$995 change fund and on a quarterly basis for the \$450 change fund by a person other than the designated custodian. The Courts began counting the \$995 change fund by someone other than the designated custodian on a monthly basis beginning 4/30/19. The Court will begin counting the \$450 change fund by someone other than the designated custodian on a quarterly basis beginning 6/30/19.

**Response provided on 6/7/2019 by:** Tracy Zertuche, Lead Sr. Financial Analyst

**Date of Corrective Action:** June 30, 2019

**Responsible Person(s):** Tracy Zertuche, Lead Sr. Financial Analyst and Jim Owen, Director of Finance and Human Resources

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### **FINDING REFERENCE: 2018-9-01**

#### *OTHER INTERNAL CONTROLS – SAFE COMBINATIONS AND ACCESS*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.1.1 USE OF SAFES AND VAULTS:

1. The preferred method for securing Cash Change Funds, unprocessed payments, or other valuable documents when not in use is to house them in a safe or vault. During the day, collections shall be secured in a lockable cash drawer or bag.
3. When using safes and vaults, the following procedures must be followed:
  - a. The combination will be distributed to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
  - b. The combination should be memorized by trial court employees and should not be kept in legible form. If necessary to maintain the combination in legible form, it should not be kept in any written or electronic document that identifies it as the combination to the safe and should be maintained in a secure location not visible or accessible to anyone else. Only the court executive officer or the court executive officer's designee is approved to maintain the combination to the safe in legible form that identifies it as such.
  - d. The court executive officer or his or her designee will maintain a record showing the following information:

- i. The date the combination was last changed; and
  - ii. The names of persons knowing the current combination.
- e. The trial court should change the combination when any of the following occur:
  - i. The combination becomes known to an excessive number of trial court employees;
  - ii. A trial court employee with knowledge of the combination separates from employment in the trial court;
  - iii. A trial court employee with knowledge of the combination no longer requires the combination in the performance of his or her duties; or
  - iv. The time interval (defined by the trial court) during which the combination shall remain valid has expired.

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:
  - b. Steps are in place to prevent and detect theft.

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

1. In implementing appropriate controls, courts must incorporate internal control concepts in establishing policies and procedures that help ensure that management directives are carried out. Control activities can be categorized as the establishment, preparation, completion, or performance of the following:
  - d. Safeguarding—Limiting access to and controlling the use of assets and records are ways to safeguard those assets and records.

### **CONDITION**

The Finance division and Watsonville payment collection locations do not keep a record of when they last changed their safe combinations or the persons who know the present combinations, which the Court believes have not been changed in at least 8 years. However, the FIN Manual requires courts to change the safe combination when it becomes known to an excessive number of trial court employees, any trial court employee having knowledge of the combination leaves employment with the court, any court employee no longer requires the combination in the performance of his or her duties, or on a periodic basis defined by the court. According to the Court, it was unaware of this FIN Manual requirement. Without a record of who knows the safe combinations and when they were last changed, the Court is at increased risk of theft of cash and other payments, potentially without clear accountability of who may have taken them from the safe because it would not know all who may have access and knowledge of the safe combinations.

Further, the Watsonville payment collection location does not always keep the contents of its safe secure, such as its beginning cash funds, daily collections, unprocessed checks, and change fund. Specifically, this location's practice is for one of the two supervisors to open the safe before 8 a.m. each morning and leave the safe unlocked and unmonitored while they return to their work stations, which is not within eye-sight of the safe, to answer phone calls. As the clerks

arrive, they access the open safe to retrieve their beginning-of-day cash bags and other items. For instance, we observed one clerk access the open safe and retrieve her and her co-worker's cash bags and keys to their lockable drawers, and another clerk retrieve the unprocessed mail payments. At around 8:10 a.m., or about 15 minutes after opening the safe, one supervisor returned to ensure all clerks had retrieved their cash bags and unprocessed mail payments from the safe, and then locked the safe once all had their cash bags. However, the FIN Manual requires courts to establish internal controls, such as keeping safes locked and monitored, to prevent and detect theft. According to one supervisor, this location has always left the safe open for clerks to access and retrieve their cash bags and unprocessed checks because the clerks arrive at different times and the supervisors are busy and have not had any reason to change this practice. As a result, the Court is at increased risk for theft or loss of cash or other valuables from this location's safe potentially without clear accountability of who may have taken the items.

### **RECOMMENDATION**

To ensure it properly safeguards the contents of its safes, the Court should develop and follow written procedures that require staff to change the combinations to each safe as suggested in the FIN Manual; for example, when the combination becomes known to an excessive number of court employees. Additionally, the Court should continuously maintain an accurate up-to-date record of the dates it changed the safe combinations and the names of the individuals knowing the current combinations. Finally, the Court should ensure its supervisors and managers limit unattended access to its safes to only those authorized to open the safe.

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

The Court agrees with the recommendation and changed the combinations of both the Santa Cruz safe and the Watsonville safe in April 2019, after a finance department employee retired on April 12, 2019. Additionally, the Court is exploring the purchase of safes that operate electronically in order to have more immediate capability of changing the combinations. In addition to the increased security, the electronic safe will result in a cost reduction since the changing of the combination of the current safes costs approximately \$346.00 each occurrence. Electronic combinations can be controlled by the Court with no additional outside costs.

Additionally, the Watsonville Court is now keeping the safe locked during the day to prevent the entry to the safe by unauthorized individuals.

**Response provided on 6/5/2019 by:** Jim Owen, Director of Finance and Human Resources

**Date of Corrective Action:** Completed April 2019

**Responsible Person(s):** Tracy Zertuche, Lead Sr. Financial Analyst and Jim Owen, Director of Finance and Human Resources

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## PROCUREMENT AND CONTRACTS

### The Court Has Adequate Controls to Ensure It Complies with Most Applicable Requirements for Procuring Goods and Services

#### 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 most of the procurement areas we evaluated during our audit, including demonstrating sound management practices in the areas of authorization and authority levels, in its use of non-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
2018-10-01	Procurement – Initiation
2018-15-01	Procurement – Contract Terms

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#### **FINDING REFERENCE: 2018-10-01**

#### *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?

FIN MANUAL, FIN 6.01, 6.1 STANDARD PROCUREMENT PROCESS:

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

FIN MANUAL, FIN 6.01, 6.3 PURCHASE REQUISITION PREPARATION AND APPROVAL:

1. A written or electronic purchase requisition is used to initiate all procurement actions. The requestor identifies the correct account code(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the trial court employee responsible for approving the requisition. After performing an assessment of the need verifying that the correct account code(s) are specified, and assuring that funding is available, the *requisition* is forwarded to the trial court's buyer.

FIN MANUAL, FIN 6.01, 6.10 ADMINISTRATION AND DOCUMENTATION:

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

**CONDITION**

The Court does not consistently complete and approve purchase requisitions prior to initiating its procurements. Specifically, of the 24 procurements reviewed, the Court approved seven purchase

requisitions after it had already completed the associated purchase. In addition, for four other purchases, the Court did not prepare any purchase requisition form on which the requestor identified and documented the necessity for the requested goods or services, and on which an authorized manager verified the necessity for the goods or services and that sufficient funds were available for the purchase given its local budget priorities. According to the Court, although it has formal written procedures for completing and processing its purchase requisitions, as well as obtaining the required approvals, its staff have not always followed these procedures. Without a promptly-approved purchase requisition to demonstrate that authorized court management reviewed and approved the purchase request before staff initiate and make the purchase, the Court is at increased risk of staff initiating purchases before fully assessing the business need and available funding for the items or of making unauthorized purchases.

### **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**

The Court agrees that it should take steps to ensure its staff follow the Court's procurement procedures. The Court hired a procurement specialist in February 2019, in part to assure compliance with the Court's procurement procedures. Additionally, the Court will reaffirm the requirement of following the Court's procurement procedures by notifying every court employee of the location of the policy on the Court's website by June 30, 2019, and require the employees to follow it. Also, the procurement specialist is writing a detailed user guide to further assist employees when requesting permission to make a purchase of goods and/or services. The guide will be available on the Court's intranet for all employees to use by 6/30/2019.

**Response provided on 6/6/2019 by:** Jim Owen, Director of Finance and Human Resources

**Date of Corrective Action:** June 30, 2019

**Responsible Person(s):** Julia Hill, Procurement Specialist and Jim Owen Director of Finance and Human Resources

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### **FINDING REFERENCE: 2018-15-01**

#### *PROCUREMENT – CONTRACT TERMS*

### **CRITERIA**

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 8, 8.3 (A) CONTENT OF CONTRACTS:

1. Statement of Work (SOW)

The SOW describes the goods to be purchased and/or the services to be performed. The JBE must include a detailed description of the goods to be delivered or the services to be performed, together with any deliverables required and conditions of performance, if



applicable. The contract must specify (as applicable): (i) when goods are to be delivered, (ii) when services are to be performed (start date and end date), (iii) when deliverables must be provided to the JBE, and (iv) when other contract milestones must be completed.

### 3. Terms and Conditions

The contract must include specified rights and obligations of either party that are not included in the SOW or the pricing and payment section, including additional provisions that apply to performance under the contract, as applicable.

- Standard Terms and Conditions. Contracts typically include the following “standard” or “general” terms and conditions:
  - Contract term, including any options to extend the term;

## CONDITION

Of the 11 procurements reviewed that resulted in contracts, the Court executed two contracts without specifying the start date for the contracts, and the effective end date for one of those two contracts. Specifically, the Court entered into a 36-month copier lease agreement with an option to extend the lease for an additional 24 months, but without any language that explicitly states the date when the initial term would begin. At the same time, the Court also entered into a copier maintenance agreement with the same vendor but also without an explicit start date. Although the maintenance agreement stated that it was an annual contract that would automatically renew each year after the initial period unless canceled by written notice at least 30 days prior to the anniversary date, it did not explicitly state the agreement's start or anniversary date. According to the Court, it believes the start dates are implied as the dates it and the lessor signed the agreements. Further, the Court indicates that it does not believe that automatic annual renewal of the maintenance agreement will be an issue because it will closely monitor the contract. Nonetheless, the JBCM requires courts to include certain terms in their contracts, including when the contractor services are expected to start and end.

## RECOMMENDATION

To protect its interests, the Court should institute a practice of ensuring its contracts include clear and complete terms that are in its best interest. Specifically, prior to executing contracts or agreements, it should establish and include clear start and end dates in its contracts, allowing it to plan and periodically rebid contracts before they end to ensure it continues to receive best value services.

## COURT'S VIEW AND CORRECTIVE ACTION PLAN

Although the court and the vendor in question agreed to the start date of the 36-month contract, the Court agrees that it would be better to explicitly state the start and end dates of all contracts. The Court has already taken steps to make sure this is the case. The Court hired a procurement specialist in February 2019 and no contracts are now signed without the start and end dates being explicitly stated.

**Response provided on 6/5/2019 by:** Jim Owen, Director of Finance and Human Resources

**Date of Corrective Action:** June 30, 2019

**Responsible Person(s):** Jim Owen, Director of Finance and Human Resources

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## PAYMENT PROCESSING

### The Court Complied with Applicable Payment Processing Requirements, But Could Improve Its Accuracy of Certain Payments

#### Background

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

The Court demonstrated compliance in most of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of its three-point match process, special items of expense, and allowable costs.

Nevertheless, we identified one audit finding in the payment processing area that we believe requires the Court's corrective action. This finding pertains to the following specific area of payment processing:

Finding Reference	Subject
2018-22-01	Payment Processing – Jury Expenses

#### **FINDING REFERENCE: 2018-22-01**

#### *PAYMENT PROCESSING – JURY EXPENSES*

#### **CRITERIA**

CALIFORNIA CODE OF CIVIL PROCEDURE, PART 1, TITLE 3, CHAPTER 1, SECTION 215

- (a) Except as provided in subdivision (b), on and after July 1, 2000, the fee for jurors in the superior court, in civil and criminal cases, is fifteen dollars (\$15) a day for each day's attendance as a juror after the first day.
- (b) A juror who is employed by a federal, state, or local government entity, or by any other public entity as defined in Section 481.200, and who receives regular compensation and benefits while performing jury service, may not be paid the fee described in subdivision (a).

- (c) All jurors in the superior court, in civil and criminal cases, shall be reimbursed for mileage at the rate of thirty-four cents (\$0.34) per mile for each mile actually traveled in attending court as a juror after the first day, in going only.

### **CONDITION**

Of the two jury payments reviewed, one revealed that the Court does not pay jurors for their actual mileage to the Court. Specifically, the Court overpaid one juror more than \$20 when it paid the juror \$66.30 based on the zip code of the juror's residence instead of the \$45.97 that we calculated was due the juror using the actual mileage from the juror's residence address to the Court. Although the Court used the correct mileage rate, it used estimated miles when paying juror mileage because it uses a computer system to determine juror mileage fees and this system calculates mileage using zip codes rather than actual addresses. However, law requires courts to pay jurors for each actual mile traveled to attend court after the first day and for going to court only. As a result, the Court both overpays some jurors and underpays other jurors for the mileage they travel to perform jury services at the Court.

### **RECOMMENDATION**

To ensure the Court accurately calculates the reimbursable mileage it must pay jurors, it should calibrate its computer system to determine the juror mileage fees to pay using the mileage to the Court that is calculated based on the juror's actual address rather than on the juror's zip code.

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

The Court agrees with the finding. The current system used for jury mileage payment processing is configured to calculate mileage from zip code to zip code. We are in the process of planning for the software upgrade to properly calculate juror mileage. Due to a major case management system upgrade during 2019 and other IT projects, the implementation of the jury mileage software upgrade will be completed by April 30, 2020, or earlier if possible.

**Response provided on 6/5/2019 by:** Jim Owen, Director of Finance and Human Resources

**Date of Corrective Action:** April 30, 2020

**Responsible Person(s):** Jim Owen, Director of Finance and Human Resources

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## FINE AND FEE DISTRIBUTIONS

### The Court's CMS Correctly Calculated Most Fine and Fee Distributions

#### Background

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

Our review of its fine and fee distributions found that the Court configured its automated case management system (CMS) to accurately calculate and distribute all but a few of the fines, penalties, assessments, and fees collected to the appropriate funds and entities. Nevertheless, we identified one audit finding in the following specific area of fine and fee distributions that we believe requires the Court's corrective action:

Finding Reference	Subject
2018-25-01	Fine and Fee Distributions – CMS-Calculated Distributions

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

#### *FINE AND FEE DISTRIBUTIONS – CMS-CALCULATED DISTRIBUTIONS*

#### **CRITERIA**

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

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

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

1. Each payment received by the trial court is ultimately distributed according to a schedule established by the Legislature.
2. The court must assure that:

- a. The state schedule for revenue distribution is accurately entered in the court's case management system.
- b. The state schedule is consistently followed by every court location either through centralized input that serves all locations or by separately entering and verifying data entry for each location.

### **CONDITION**

For its red-light city-arrest cases disposed with traffic school, the Court does not calculate accurate distribution amounts for the city 30% red-light allocation, the city base fine share, and the county TVS Fee. Specifically, our analysis of the Court distributions for these types of cases determined that its CMS calculates distributions that under-remits amounts to the city VC 42007.3 30% red-light allocation, while over-remitting amounts to the VC 42007(c) city share of the base fine, and, as a result, under-remits the net amount due to the county TVS Fee. This happens because the Court configured its CMS with a distribution calculation error when calculating the 30% red-light allocation for both city-arrest and county-arrest red-light traffic school cases. In addition, the Court also did not configure its CMS to calculate the correct city-share of the base fine. Specifically, VC 42007(c) provides that the city receive an amount equal to the city's share of base fine that the city would have received had the case not been disposed with traffic school. This means that the city should receive an amount equal to its share of the base fine pursuant to PC 1463.002, less the 30% red-light allocation and the 2% transfer to the State Automation fund. However, the Court instead calculates the distribution to the city as the PC 1463.002 city share less only the 2% transfer to the State Automation fund. According to the Court, it is aware of the issue with its distribution of fines and fees for red-light violations disposed with traffic school and has reached out to its CMS vendor for help with assessing its distribution. As a result, unlike the red-light county-arrest cases disposed with traffic school for which the Court distribution errors do not result in the county ultimately receiving incorrect amounts, for similar city-arrest cases, the Court distribution errors result in the cities receiving more than they should and the county receiving less than it should.

### **RECOMMENDATION**

To ensure it accurately calculates and distributes the fines and penalties it assesses and collects, the Court should partner with its CMS vendor to modify or reconfigure its CMS to correctly calculate and distribute all the fines, penalties, and assessments on Red-Light cases disposed with traffic school, and follow up to ensure the corrections are working properly.

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

The Court agrees that the distribution for Red Light Traffic School is incorrect. The issues related to VC42007 – TVS Fee and VC42007.3 – 30% Red Light Allocation were reported to our CMS support group and the issue was corrected in the Production environment as of 6/5/19.

**Response provided on 6/7/2019 by:** Tracy Zertuche, Lead Sr. Financial Analyst

**Date of Corrective Action:** September 30, 2019

**Responsible Person(s):** Jim Owen, Director of Finance and Human Resources and Tracy Zertuche, Lead Sr. Financial Analyst

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## ONE PERCENT FUND BALANCE CAP

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

#### Background

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

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

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

Finally, the Court has not received any excess prior year fund balances held on its behalf for the past four fiscal years. As a result, no further review of held funds was necessary or performed.

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## JBSIS CASE FILING DATA

### **Although the Court Materially Supported the Total Case Filings It Reported to JBSIS, It Could Improve Its Processes to Ensure Cases are Not Misclassified**

#### **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 of case counts found that Court CMS records materially support the total number of case filings across all case types reported to the Judicial Council for fiscal year 2016-17. Specifically, the difference between the total number of case filings across all case types in the JBSIS reports and the Court's supporting documentation is less than one percent with new case filing count totals amounting to 39,251 and 39,207, respectively.

However, our review of selected case files to determine whether the Court entered the case file data correctly into its CMS identified one finding that we believe requires the Court's corrective action. The finding pertains to the following specific area of JBSIS:

Finding Reference	Subject
2018-29-01	Validity of JBSIS Data – Data Quality

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

#### ***VALIDITY OF JBSIS DATA – DATA QUALITY***

#### **CRITERIA**

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

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

to its capability and level of automation as prescribed by the *JBSIS Manual* adopted by the Judicial Council.

### **CONDITION**

Our review of case file records for selected new case filings the Court reported to JBSIS for fiscal year 2016-17 found that it reported some cases inconsistent with the JBSIS Manual data element definitions for the case type. For example, the Court classified one of the 10 mental health case filings reviewed as a new filing even though the case file records support a subsequent petition for reappointment of the conservatorship. However, the JBSIS Manual indicates that courts report the filing of a subsequent petition (prior to the termination of conservatorship) to request reappointment of the conservator and renewal of the conservatorship in Row 3200--which is not considered a new mental health case filing. Instead, a new mental health case filing is created when a petitioner formally submits an initial petition or certification alleging the facts and requesting relief, except in certain circumstances. According to the Court, the CMS would not allow it to enter the filing of a subsequent petition for a case that was not opened as an LPS conservatorship; therefore, it opened a new case. The Court further stated that this type of case file reporting error should no longer occur as its CMS legacy cases have gone through reappointment of conservatorship and it does not have any more of these types of cases remaining.

In addition, for one of the 10 unlimited civil cases reviewed, the case file records indicate that the Court misreported a mental health case as an unlimited civil case. Specifically, the Court reported a law enforcement agency petition for a hearing to determine whether the return of a firearm or other deadly weapon to a person detained for examination of his/her mental condition as an unlimited civil case rather than as a mental health case. According to the Court, this happened because it misunderstood the JBSIS Manual reporting requirements for these types of petitions, and configured the CMS to map these requests to the "unlimited civil" case type instead of to the "other mental health" case type. According to the case management analyst, this CMS mapping error also affects cases for fiscal year 2018-19, and the Court plans to correct the mapping of these types of petitions and convert affected cases to the mental health case type when it begins reporting its new case filings pursuant to the newest JBSIS Manual, 3.0.

For another one of the 10 unlimited civil cases reviewed, although the Court correctly reported the case filing to JBSIS, the case file records for the civil unlimited case do not match how it reported the case filing to JBSIS. Specifically, the case file coversheet identified the case code as an "other personal injury/property damage/wrongful death" case, but the petitioner e-filed the case coversheet as a complex litigation case. According to the Court, the petitioner e-filed the case coversheet under the incorrect case type. When this happens, the Court indicated that the clerk who accepted the case should have followed its procedures and amended the case code to match the case coversheet. The Court stated that it has since trained its clerks to subsequently check the petitioners' filing type against the filing documents to ensure the case code matches the coversheet. However, the Court would be better positioned to report accurate case filing data to JBSIS by instead training staff to check the documents and either reject the filing or correct the coversheet when the petitioner e-files the coversheet under the incorrect case type. Because of the Court's current procedures, the Court is at increased risk of staff potentially entering the



incorrect case code when petitioners e-file using incorrect coversheets, thus causing the Court to report inaccurate case filing data to JBSIS.

For one of the 10 family law—domestic violence case files reviewed, the Court miscoded the case as a request for restraining order with minor children; however, there are no minor children listed on the request form. According to the Court, the miscoding was a clerical error. As a result, the Court may not consistently report accurate case filings data for family law—domestic violence case types.

Finally, for one of the 10 felony case files reviewed, the Court incorrectly configured its CMS to map the felony complaint as a sexual offense when it should have mapped the complaint as a forcible rape case. According to the case management analyst, this complaint was filed for a violation of Penal Code 266 and the CMS should have reported this case to JBSIS as a forcible rape case. However, because the Court incorrectly mapped the penal code offense for forcible rape in its CMS as a sexual offense case, it incorrectly reported this forcible rape case to JBSIS as a sexual offense case. After bringing this error to its attention, the Court corrected its CMS mapping for these types of cases while we were onsite. Nonetheless, because of this CMS mapping error, the Court potentially under-reported its fiscal year 2016-17 case filings data for felony forcible rape cases.

### **RECOMMENDATION**

To ensure it reports JBSIS case filings data to the Judicial Council that are accurate and consistent with the rules and definitions established in the JBSIS Manual, the Court should periodically review the accuracy of its monthly case filings data and take steps to amend its JBSIS data, as necessary, when it identifies case filing errors. The Court should also consider taking steps, such as periodic staff training, to ensure its staff consistently and accurately classify and report its new case filings.

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

#### Finding 1 – Unlimited Civil Cases

- Court Agrees with finding
- Corrective action already taken by way of system configuration and verification.
- Case type has since been reassigned to the mental health node in Odyssey Case Manager

#### Finding 2 – Unlimited Civil Cases

- Court Agrees with finding
- Staff have been retrained regarding filing of cases under the correct case type mapping and will continue to be monitored as described below.
- Operational Supervisors will perform routine audit of the JBSIS reports including the review of specific case filings to ensure they are reported correctly. This would be the responsibility of the Supervisor as well as the Operational Directors.

#### Finding 3 – Family Law Cases

- Court Agrees with finding
- Staff have been retrained regarding filing of cases under the correct case type mapping and will continue to be monitored as described below.

- Operational Supervisors will perform routine audit of the JBSIS reports including the review of specific case filings to ensure they are reported correctly. This would be the responsibility of the Supervisor as well as the Operational Directors.

Finding 4 – Felony Cases

- Court Agrees with finding
- Corrective action already taken by way of system configuration and verification.
- Corrective action completed on 6/3/19 by way a comprehensive review of all offense codes for the felony case type mapping.

**Response provided on 6/4/19 by:** Michelle Duarte, Director, Information Technology and Infrastructure

**Date of Corrective Action:** Finding 1 and 4 the corrective active took place during the audit process beginning in April 2019. Finding 2 and 3 the corrective actions took place beginning April 2019, but will continue to be a repetitive quality review process incorporated into the operation units on a regular basis while validating JBSIS reports.

**Responsible Person(s):** Michelle Duarte, Director of IT; Sasha Morgan, Director Operations; Tim Newman, Director Operations

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## **OTHER AREAS**

### **Background**

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

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