



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

---

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 Shasta**

**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 ..... 8

    FINE AND FEE DISTRIBUTIONS ..... 11

    ONE PERCENT FUND BALANCE CAP ..... 15

    JBSIS CASE FILING DATA ..... 16

    GRANT AWARD COMPLIANCE ..... 17

    OTHER AREAS ..... 18

## 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 Shasta (Court) demonstrated compliance with many of the Judicial Council's requirements evaluated during the audit. 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 Shasta

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	✓		
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	1	2020-12-01	Agrees
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	2020-19-01	Disagrees
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
<b>Fine &amp; Fee Distribution</b>					
25	CMS-Calculated Distributions	Yes	1	2020-25-01	Disagrees
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	✓		
<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 (1% fund balance cap) and in meeting AB 1058 grant requirements. For example, our review of the Court's 1% 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 be ensuring that it follows required competitive procurement practices. Specifically, for the purchase of IT Goods of approximately \$343,000, the Court did not follow Judicial Branch Contracting Manual (JBCM) requirements in relation to a Request for Proposal (RFP). The Court failed to demonstrate it publicly advertised the procurement, and publicly posted a notice of intent to award. Additionally, the Court labeled the solicitation documentation as a Request for Quote (RFQ) instead of as an RFP. The Court indicated it agreed the RFQ was in fact an RFP; however, the Court stated it believes that the Court followed the process outlined for an RFP in the JBCM and that no corrective action will be taken.

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

Audit Services initiated its audit of the Court on June 8, 2020, and completed fieldwork on June 23, 2021. Audit Services shared the draft audit findings with the Court's officials on July 26, 2021, and received the Court's final official responses on September 9, 2021. The Court either agreed or disagreed with the findings and its specific responses for each are included in the body of the report.

## BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Shasta (Court) operates one court facility in the city of Redding. 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 Shasta Superior Court and Average of all Superior Courts

Statistic	Shasta 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 2020-21)</b>						
Total Revenue	\$ 22,923,787	\$ 2,801,621	\$ 11,732,226	\$ 47,147,065	\$222,407,059	\$ 46,418,993
Total Expenditures	\$ 21,916,034	\$ 2,685,427	\$ 11,793,650	\$ 47,226,007	\$224,959,605	\$ 46,782,011
Staff Salaries & Benefits As a % of Total Expenditures	\$ 17,271,897 78.8%	\$ 1,783,894 66.4%	\$ 9,042,960 76.7%	\$ 36,756,739 77.8%	\$188,576,818 83.8%	\$ 38,140,615 81.5%
<b>Judicial Officers and Staff (2021 Court Statistics Report)</b>						
Judges	11	2	8	30	142	30
Commissioners/Referees	2	-	1	4	21	4
Non-Judicial Staff (approx.)	179	16	86	310	1,419	302
Total	192	18	95	344	1,582	336
<b>New Case Filings (Fiscal Year 2019-20)</b>						
<b>Appeal Filings</b>	140	6	79	173	213	100
<b>Civil Filings</b>						
Civil	2,805	271	2,007	9,365	57,502	10,862
Family Law	2,275	249	1,580	5,326	24,611	5,252
Juvenile Delinquency	227	39	185	840	2,020	547
Juvenile Dependency	303	37	198	554	4,268	798
Mental Health	344	10	172	1,124	8,357	1,472
Probate	427	47	254	900	3,725	824
Small Claims	360	44	336	1,835	11,700	2,164
<b>Criminal Filings</b>						
Felonies	1,894	224	1,141	3,715	13,068	3,126
Misdemeanors / Infractions	27,655	4,096	19,330	70,480	309,401	66,865
<b>Total</b>	36,430	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. Shasta Superior Court is a cluster 2 court.

## AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Shasta (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 its non-personal services spending	We reviewed the Court’s assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving



<p>activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"><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>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.	<p>We reviewed the Court's process for updating and controlling access to its distribution tables.</p> <p>We also reviewed the Court's calculations and distributions of fines, penalties, fees, and assessments for certain high volume or complex case types.</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 2018-2019), 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 requested to hold any funds on its behalf in either the current or the previous fiscal years. As a result, no further review was deemed necessary.</p>
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2018-2019), 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>
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  
Veronica Lee, Auditor, CFE  
Usamah Salem, 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 Its Controls Over Competitive Procurement Processing

#### Background

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

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, including demonstrating good management practices overall in the areas of authorization and authority levels, non-competitive procurement, and in entering into leveraged purchase agreements. Nevertheless, we identified one audit finding that we believe requires the Court's corrective action. The finding pertained to the following specific area of procurement:

Finding Reference	Subject
2020-12-01	Competitive Procurements – Solicitation and Documentation Practices

---

#### FINDING REFERENCE: 2020-12-01

#### *COMPETITIVE PROCUREMENTS – SOLICITATION AND DOCUMENTATION PRACTICES*

#### CRITERIA

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 2, 2.3 CREATING THE PROCUREMENT FILE:

The Buyer should create a procurement file for each transaction. This section provides guidance on what should be included in the procurement file. Please note that the following list is not exhaustive. A JBE may adopt policies respecting the creation and contents of procurement files in its Local Contracting Manual.

Document decisions: Buyers should develop a strategy of how the procurement activity will be accomplished, and document the rationale for developing that strategy. In simple terms, Buyers should maintain a diary of the events and decisions that lead up to and complete the purchase transaction, providing a timeline and history of the actions and decisions made throughout the procurement process.

Provide the basis of the decisions: Buyers should also describe how competition will be sought, promoted, and sustained throughout the course of the purchasing activity. If open competition is not the method of choice, document the basis of the decision.

Public record: Buyers should create and maintain their procurement files keeping in mind that most procurement records are subject to disclosure under CRC 10.500.

## JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 4, COMPETITIVE SOLICITATION OVERVIEW:

### 4.1 THE BASICS OF COMPETITION

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

#### A. General Requirements

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

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

### 4.7 SUMMARY DOCUMENT

The evaluation and selection process for every procurement effort should be documented and referenced in a procurement summary. The purpose of the procurement summary is to create a single document that provides the history of a particular procurement transaction and explains the significant facts, events, and decisions leading up to the contract execution. The procurement summary should be included in the procurement file.

Procurement summaries should be written clearly and concisely to support the soundness of the purchasing decision.

Procurement summary information includes but is not limited to:

- Document the prices offered by the Bidders;



- Documenting that the selection process occurred in accordance with the Solicitation Document;
- Determining that the selected Bidder is responsible and the Bid is responsive; and
- Attaching the scoring sheets, if applicable.

**JBCM, CHAPTER 4C, STEP-BY-STEP GUIDE FOR THE PROCUREMENT OF IT GOODS AND SERVICES:**

**STEP 4—SELECT SOLICITATION DOCUMENT TYPE**

Three types of Solicitation Documents are used in the procurement of IT goods and services:

- Request for Quotes (RFQ);
- Invitations for Bid (IFB); and
- Requests for Proposal (RFPs).

The table below provides guidance on when to use the three types of Solicitation Documents.

Solicitation Document	Procurement Size	Type of Procurement
RFQ	Up to \$100,000 <sup>2</sup>	IT goods, IT services, and any combination of IT goods and services
IFB	Any size	Acquisition of hardware independently of a system integration project
RFP	Any size	IT goods, IT services, and any combination of IT goods and services

<sup>2</sup> A JBE may adopt a higher or lower threshold for the use of RFQs in its Local Contracting Manual. If the JBE adopts a higher threshold, the JBE must ensure that (i) the higher threshold is reasonable and appropriate, and (ii) the JBE provides adequate oversight for the use of larger-value RFQs. Also, note that procurements under \$10,000 may be conducted without a competitive solicitation; see chapter 5, section 5.1 of this Manual.

**STEP 7—PREPARE ADVERTISING**

A JBE must advertise solicitations as shown in the following table:

Procurement for	Advertising required
IT Goods	If total procurement value is \$100,000 or more
IT Services	If total procurement value is \$10,000 or more
IT Goods and Services	If the total procurement value is \$100,000 or more or the services portion of the procurement is \$10,000 or more

**STEP 15—NOTICE OF INTENT TO AWARD**

**B. IFBs and RFPs**

When using an IFB or RFP, the JBE must post a notice of intent to award on its website or in a public place in the offices of the JBE at least five Court Days before the contract is awarded.

## **CONDITION**

We reviewed three procurement transactions for which the competitive solicitations rules contained in the Judicial Branch Contracting Manual (JBCM) apply. Based on this review, we noted for one of the three procurement transactions, the Court did not use the appropriate competitive solicitation method to conduct the procurement. Specifically, in June 2014 the Court entered into a contract for a five-year lease of 16 multifunction devices at an estimated cost of more than \$5,400 per machine per year. At the time the Court entered into the contract, the total estimated cost of the IT goods was more than \$430,000, although the total cost at the end of the period ended up being approximately \$343,000. Due to the size of the procurement, the Court should have used an Invitation for Bid (IFB) or a Request for Proposal (RFP) to solicit bids for this procurement, as required by the JBCM, instead of the Request for Quote (RFQ) it actually used.

The Court's solicitation method is important because different requirements apply under each method. For example, how the Court is required to select the winning bidder—and whether or not the Court must post a “notice of intent to award”—is influenced by the chosen solicitation method. Since the Court's local contracting manual does not establish alternative thresholds defining when to use an RFQ, we applied the JBCM's thresholds during our review.

A RFQ is used for straightforward, uncomplicated, and low-risk procurements where bids may be solicited by telephone or another method of electronic communication. Additionally, an RFQ is used for procurement relating to IT Goods in amounts not to exceed \$100,000. In contrast, IFB and RFP solicitation methods are appropriate for high-value and/or complex procurements. According to the Court, even though the solicitation documentation says RFQ for the procurement transaction we reviewed, it believes the procurement process actually followed was an RFP. However, the procurement for IT Goods exceeded \$100,000. Additionally, the Court stated that it sent the RFQ documentation to 10 different vendors and could not provide the support that the solicitation documentation was publicly advertised beyond those 10 vendors. Finally, although the Court did send a notice of intent to award to the failed bids, the notice was sent via email and mail, and not publicly posted in accordance with JBCM requirements. It is important to use the appropriate solicitation document because it sets forth the procurement process and includes the solicitation and contract requirements. It is the guiding document that ensures that Bidders are able to submit responsive bids and that the procurement is successful. By not using the correct solicitation document, the Court cannot be certain it is obtaining the best value for the IT goods it purchased.

## **RECOMMENDATION**

To increase transparency to the public and to demonstrate it performed its due diligence to consistently procure goods and services through a fair and competitive procurement process, the Court should ensure it uses the solicitation appropriate for the amount and type of procurement. It should also retain appropriate procurement documents in a procurement file to substantiate its compliance with all applicable JBCM requirements.

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

The court agrees that the solicitation document should have been titled a RFP rather than an RFQ, although the process outlined for an RFP in the Judicial Branch Contracting Manual was followed for the solicitation.

**Response provided on 9-3-2021 by:** Melissa Fowler-Bradley, Court Executive Officer

**Date of Corrective Action:** none

**Responsible Person(s):** Melissa Fowler-Bradley, Court Executive Officer

***AUDIT SERVICES' COMMENTS ON COURT'S VIEW***

To provide clarity and perspective, we are commenting on the Court's response. The Court incorrectly states it followed all requirements for an RFP solicitation. As described in the finding, the Court *did not*:

- Publicly advertise the solicitation and publicly post the RFP. Instead, the Court sent the solicitation's materials to a pre-determined list of ten vendors. By not advertising the solicitation and posting the RFP publicly, the Court limited the opportunity for other firms to participate and potentially offer a better value. The JBCM requires the posting of RFP documents for public inspection.
- Publicly post its notice of intent to award. Instead, the Court individually mailed and emailed bidders informing them of the solicitation's results. The JBCM requires the public posting of the notice of intent to award at least five court days prior to awarding the contract.

Audit Services appreciates the Court's efforts to solicit ten bidders and ensure competition. Nevertheless, the Court's procurement process resulted in awarding a contract for approximately \$343,000 without publicly advertising the contracting opportunity or publicly announcing the results. The Court's procurement approach unnecessarily limited transparency and competition, which is inconsistent with the JBCM.

---

## PAYMENT PROCESSING

### The Court Generally Complied with Most Payment Processing Requirements, But Needs to Strengthen Its Control Procedures for In-Court Service Provider Claims

#### 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 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 pertains to the following specific area of payment processing:

Finding Reference	Subject
2020-19-01	Special Rules – In-Court Service Providers

---

#### **FINDING REFERENCE: 2020-19-01**

#### *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 two of the three in-court services claims reviewed, the Court processed and paid claims totaling \$3,300 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, the court accounts payable staff processed the court reporter claims for payment without requiring the claimants to include on their claim forms the case numbers and names for which they provided services. According to the Court, court reporters are scheduled to work for the entire day and not on a case-by-case basis. Therefore, the court reporters do not list the case names and numbers on the claims submitted. However, the FIN Manual requires claims to include certain information, including the case numbers and names. When courts do not require claimants to provide case numbers and names to help demonstrate the accuracy of their claims, they risk claimants submitting duplicate, invalid, or inappropriate claims, and later asserting that the claim was not theirs or unintended.

### **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**

Disagree.

The two claims identified were for pro tem reporters, who are scheduled and paid for either a full-day or half-day based on the court's need. The most important piece of information needed on a claim in this situation is the date the pro tem worked. The names and case numbers for matters they report while working is problematic and not helpful given that high volume calendars can include a huge number of cases per session, but more importantly that information

is irrelevant. If a pro tem is scheduled and reports to work, we are obligated to pay them whether they report a single case or not.

Our process when a claim for a pro tem reporter is received is for the supervisor to verify the person was scheduled for that date, and actually worked the day or portion of a day for which they are claiming payment. That verification is reflected on the claim and it is forwarded for final sign-off by Court Administration. The process in place mitigates any potential risk to the court, which is our primary goal.

**Response provided on 09/03/2021 by:** Melissa Fowler-Bradley, Court Executive Officer

**Date of Corrective Action:** A Request for Alternate Procedure on Fin. Policy 8.02 will be submitted.

**Responsible Person(s):** Melissa Fowler-Bradley

***AUDIT SERVICES' COMMENTS ON COURT'S VIEW***

To provide clarity and perspective, we are commenting on the Court's response. The FIN Manual (policy 8.2, section 6.3) defines "complete claim documentation" for in-court service providers, such as court reporters. Per the FIN Manual, the documentation required to pay a claim consists of—among other things—the case number and name. Having this information as part of a claim's documentation allows the Court's staff to reconcile the charges against the Court's prior authorization for the rates and hours charged. Sometimes, courts may authorize services for specific legal matters up to a maximum amount, where having the case number and name on the claim is needed to ensure those court-imposed limits are not exceeded.

Nevertheless, the Court's point is well-taken given its practice is to pay certain temporary court reporters (pro tem reporters) by the day instead of by the case. The FIN Manual's claim documentation requirements do not address this situation. If the Court believes the FIN Manual's requirements are not relevant based on how it pays pro tem court reporters, it should seek the Judicial Council's approval for alternative procedures when processing these claims.

---

## FINE AND FEE DISTRIBUTIONS

### The Court Needs to Update Its CMS to Calculate Correct Fine and Fee Distributions

#### Background

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

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

Nevertheless, we identified several distribution calculation errors reported in one audit finding for the fine and fee distribution area that we believe requires the Court's corrective action. This finding pertained to the following specific area of fine and fee distributions:

Finding Reference	Subject
2020-25-01	CMS – Calculated Distributions

---

#### FINDING REFERENCE: 2020-25-01

*CMS – CALCULATED DISTRIBUTIONS*

#### CRITERIA

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

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

Our review of its fine, penalty, and assessment calculations and distributions for selected case types found that the Court did not always calculate and distribute collections consistent with applicable state laws. Specifically, its case management system (CMS) is not configured to correctly calculate and distribute many of the fines and penalty assessments for several of the distributions reviewed in this audit. Our review covered variations of distinct case types and code violations under the Vehicle Code (VC), Penal Code (PC), and Fish and Game Code (FG). Although not a complete listing of all the variances noted and communicated to the Court, some examples of the systemic calculation and distribution discrepancies we noted include the following:

- For the VC 23103(a) case we reviewed, the Court's distributions did not match the expected distributions throughout. Specifically, the distributions the Court made under PC 1463.001, PC 1463.002, PC 1463.14(a), and PC 1463.16 did not agree with the amounts we calculated. We found variances that ranged from an over-distribution of more than \$44 to an under-distribution of more than \$28. For the case we reviewed, the total amount collected and distributed equaled \$818, which is the amount we would expect to see for the \$145 base fine amount listed in the Uniform Bail and Penalty Schedules (UBPS) for violations of VC 23103(a). However, according to the Court, the base fine for the case we reviewed was actually \$120, and it reduces all fines proportionally when a judge orders a lower base fine. Nonetheless, the total amount the Court distributed under the four Penal Code previously listed—which should equal the base fine when added together, less two percent distributed to the State Automation Fund—equaled \$145.51 instead of the expected \$117.60. Whether we evaluate the Court's distribution against the \$145 base fine from the UBPS or the \$120 the Court claims is applicable to this case, the distributions for these Penal Code sections do not agree with our calculated amounts.
- For the speeding traffic school violations reviewed, the Court did not distribute the correct amounts from the \$5 per \$10 GC 70372(a) amount it collects. Specifically, the Court allocates \$3.50 of the \$5 per \$10 penalty to the Immediate and Critical Needs Account (ICNA), and the remaining \$1.50 to the State Court Facilities Construction Fund (SCFCF). For a speeding traffic school violation with a base fine of \$35, the amounts that should be distributed are \$14 to ICNA and \$6 to SCFCF. However, the Court is distributing only \$13.35 and \$5.73 respectively. As a result, the Court is distributing less than it should to both ICNA and SCFCF.



- In addition, for the speeding traffic school violations reviewed, the Court did not distribute the correct amount for the PC 1465.7 20% surcharge. For a speeding traffic school violation with a base fine of \$35, the amount that should be distributed is \$7, which is 20% of the \$35 base fine. However, the Court is instead distributing \$7.62. As a result, the Court is distributing more than it should to the state.
- For the city-arrest speeding traffic school violation we reviewed, the Court did not distribute the correct VC 42007 TVS fee amount, which should equal the total fine amount less the pre-TVS amount. Specifically, the Court distributed \$2.11 less than it should to the county and \$2.41 more than it should to the city under VC 42007, with the result that the Court distributed a total of \$0.30 less than it should to the state for other purposes. Although variances may individually be small, they may become significant when aggregated over time.

When courts do not configure their automated distribution systems to calculate accurate distributions, they risk distributing incorrect amounts to various funds and entities for the items they fund.

### **RECOMMENDATION**

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

- As soon as possible, partner with its CMS vendor to modify or reconfigure the CMS tables to correctly distribute all fines, penalties, and assessments,
- Perform follow-up reviews to ensure the corrections are working properly, and
- Develop a process to periodically monitor its collection distributions to ensure they remain accurate.

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

Disagree.

Penal Code section 1463.004(a) reads, "If a sentencing judge specifies only the total fine or forfeiture, or if an automated case-processing system requires it, percentage calculations may be employed to establish the components of total fines or forfeitures, provided that the aggregate monthly distributions resulting from the calculations are the same as would be produced by strict observance of the statutory distributions."

The Court's case management system (CMS) cannot calculate fines and fees using the 'base up' methodology. The CMS uses percentage based calculations. The CMS percentage based calculations create aggregate distributions which 'are the same as would be produced by strict observance of the statutory distributions.' The Court is in compliance with PC 1463.004(a) and therefore disagrees with this finding.

Additionally, the Court has acquired a new CMS which is approved by the Judicial Council. The new vendor has promised accurate 'base up' distribution calculations. The new CMS is scheduled for use beginning December 6, 2021.

**Response provided on September 3, 2021 by:** Drew Lund, Chief Financial Officer

**Date of Corrective Action:** n/a (December 6, 2021)

**Responsible Person(s):** Melissa Fowler-Bradley, Court Executive Officer

***AUDIT SERVICES' COMMENTS ON COURT'S VIEW***

To provide clarity and perspective, we are commenting on the Court's response. Our finding was intended to point out instances where the Court's distributions differed from the expected amounts based on the cases we reviewed and the statutes that apply. Reporting these issues provides courts with an opportunity to re-examine their CMS systems and potentially adjust how these distributions are calculated.

We recognize that section 1463.004 of the Penal Code provides the Court with authority to apply percentages—instead of strictly following statutory distributions—if using percentages is a technological requirement the Court's CMS system. Nevertheless, Audit Services' position—under these circumstances—is that the resulting distributions should still reasonably approximate the specific fine and fee amounts otherwise required by law. A good practice for courts to follow (when applying percentages) is to periodically compare CMS-calculated distributions against manually-calculated distributions for the same offense. Significant differences—such as those noted in our finding—should prompt courts to reconsider and possibly reconfigure their CMS systems. Nevertheless, as the Court notes in its own response, it is transitioning to a new CMS system in December 2021, which the Court anticipates will provide accurate “base-up” calculations for its distributions.

---

## 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 2018-19 calculation form and found that the Court used expenditure amounts that agreed to its accounting records.

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 in the past three fiscal years (FYs 2018-19 through 2020-21).

---

## **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 one minor instance 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.

---