



Audit of the Superior Court of California, County of Sonoma

APRIL 2024



Judicial Council of California

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. Matt Espenshade
Principal Manager, Audit Services
Judicial Council of California
Phone: (916) 263-1321
E-mail: Matt.Espenshade@jud.ca.gov

Superior Court of California, County of Sonoma

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 18

 PAYMENT PROCESSING..... 24

 FINE AND FEE DISTRIBUTIONS..... 28

 FUND BALANCE..... 29

 JBSIS CASE FILING DATA 30

 ENHANCED COLLECTIONS 31

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 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 Sonoma (Court) demonstrated compliance with many of the Judicial Council's requirements evaluated during the audit, and should be commended for its receptiveness to suggestions for further improvement. Table 1 below presents a summary of the audit's results.

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

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
Cash Handling					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Manual Receipts	Yes	1	2023-3-01	Agrees
4	Mail Payments	Yes	3	2023-4-01; 02; 03	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2023-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	1	2023-7-01	Agrees
8	Bank Deposits	Yes	1	2023-8-01	Agrees
9	Other Internal Controls	Yes	2	2023-9-01; 02	Agrees
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2023-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	1	2023-12-01	Agrees
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	1	2023-15-01	Agrees
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	1	2023-17-01	Agrees
18	Payment Approval & Authority Levels	Yes	1	2023-18-01	Agrees
19	Special Rules - In-Court Service Providers	Yes	✓		
20	Special Rules - Court Interpreters	Yes	✓		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distributions					
25	Distribution Calculations	Yes	✓		
Fund Balance					
26	Year-End Encumbrances	Yes	✓		
27	Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data					
28	Validity of JBSIS Data	Yes	✓		
Enhanced Collections					
29	Enhanced Collections	Yes	✓		
Other Areas					
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 was not applicable, recently reviewed by others, or no transactions were selected to review—which are described more fully in the Audit Scope and Methodology section of the report. Applicable criteria are cited in each audit finding (as referenced above) in the body of our report. The Judicial Council's audit staff determine the scope of each audit based on their professional judgment and the needs of the Judicial Council, while also providing courts with an opportunity to highlight additional areas for potential review depending on available audit resources.

The Court demonstrated consistent adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of reporting both year-end encumbrances and new case filing counts and data to JBSIS. For example, our review of the Court's fund balance found that the Court properly supported the encumbrances it reported on its final FY 2021-22 calculation form with valid contracts for goods or services not received by June 30, 2022. In addition, our review found that the Court's records materially supported the new case filing counts and data it submitted to JBSIS.

However, our audit did identify 14 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 14 findings are identified in Table 1 under the column "Reportable Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective.

One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over cash handling. For example, the Court does not restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail or drop box. The FIN Manual requires courts to restrictively endorse checks immediately upon receipt. However, the Court does not restrictively endorse checks, money orders, or other negotiable instruments until they are processed. When courts do not restrictively endorse checks immediately upon receipt as required, they risk that unendorsed checks may be lost or stolen and cashed or deposited in a non-court bank account. In addition, the Court does not take adequate precautions to safeguard the contents of its vault. Specifically, the vault, which contains both change funds and beginning cash bags, is opened in the morning by designated court staff who then return to their office. For approximately an hour, the vault is left open without security cameras or other measures to monitor who enters and leaves the vault during the time it is left open. As a result, the Court is at increased risk for theft or loss of cash or other valuables from the vault potentially without clear accountability of who may have taken the items. The Court indicated it agreed with our findings and recommendations in this area and that it would implement corrective action by December 2023.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on March 10, 2023, and completed its fieldwork in December 2023. Audit Services shared the draft findings with the Court starting on August 14, 2023, and received the Court's final official responses on November 7, 2023. The Court agreed with the findings, and its specific responses are included in the body of the report after each finding.

BACKGROUND ON THE COURT’S OPERATIONS

The Superior Court of California, County of Sonoma (Court) operates four court facilities in the city of Santa Rosa. 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 Sonoma Superior Court and Average of all Superior Courts

Statistic	Sonoma Superior Court	Average of All Superior Courts					All 58 Courts
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts		
Financial Highlights (Fiscal Year 2022-23)							
Total Revenue	\$ 33,999,134	\$ 3,321,890	\$ 14,929,531	\$ 56,272,477	\$ 279,691,643	\$ 57,712,989	
Total Expenditures	\$ 34,251,005	\$ 3,218,479	\$ 14,532,931	\$ 55,424,086	\$ 264,442,952	\$ 55,242,386	
Staff Salaries & Benefits As a % of Total Expenditures	\$ 27,891,465 81.4%	\$ 2,037,590 63.3%	\$ 10,635,642 73.2%	\$ 42,045,877 75.9%	\$ 212,938,514 80.5%	\$ 43,356,077 78.5%	
Judicial Officers and Staff (2024 Court Statistics Report)							
Judges	20	2	8	30	144	30	
Commissioners/Referees	4	-	1	4	21	4	
Non-Judicial Staff (approx.)	215	19	96	330	1,528	326	
Total	239	21	105	364	1,693	360	
New Case Filings (Fiscal Year 2022-23)							
Appeal Filings	141	9	80	152	214	96	
Civil Filings							
Civil	5,762	272	2,068	9,548	60,529	11,344	
Family Law	2,711	253	1,547	5,530	25,721	5,439	
Juvenile Delinquency	470	32	160	653	1,694	449	
Juvenile Dependency	244	29	172	504	3,374	651	
Mental Health	877	14	234	1,368	9,130	1,658	
Probate	715	56	319	1,022	4,894	1,039	
Small Claims	806	33	240	1,026	6,967	1,291	
Criminal Filings							
Felonies	2,121	223	1,173	3,853	13,562	3,237	
Misdemeanors / Infractions	37,265	3,771	17,293	55,832	237,196	52,765	
Total	51,112	4,692	23,286	79,488	363,281	77,969	

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 January 24, 2024, 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. Sonoma Superior Court is a cluster 3 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Sonoma (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) 2021-22, 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

	Audit Objective	Method
	Audit Objective	Method
1	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court’s compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court complied with the mandatory requirements in the FIN manual for internal controls over cash (payment) handling. ▪ Assess the quality of the Court’s internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions. 	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 manual 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	We reviewed the Court’s assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving

	<p>activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual. ▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules. 	<p>purchases, procuring the goods or services, receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • Was properly authorized and approved by authorized court management. • Adhered to competitive bidding requirements, when applicable. • Had contracts, when applicable, that contained certain terms required to protect the Court’s interests. <p>We selected a sample of 40 FY 2021-22 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • The payments to in-court service providers adhered to applicable Judicial Council policies.
4	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<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 classified its year-end encumbrances 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 Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2021-22) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal year. As a result, no further review was deemed necessary.</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 2020-21), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data. • 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.
7	<p>Determine whether Enhanced Collections revenue is funding only collections activities.</p>	<p>We obtained the Court’s Collection Report Template for fiscal year 2021-22 and determined whether the Court’s collection program met the minimum requirements for a comprehensive</p>

		collection program as defined in state law. We identified and analyzed the revenues, expenditures, and transfers ins/outs for Fund 120007 (Enhanced Collections) to verify that Enhanced Collections revenue was used only to fund collections activities.
--	--	--

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 April 15, 2024, 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 Joe Meyer, Audit Supervisor, CPA, CIA:

Michelle O'Connor, Senior Auditor (auditor in charge), CPA, CGFM, CFE

Sandra Gan, Senior Auditor, CPA

Joseph Pak, Auditor

Linda Gow, Auditor

Lorraine De Leon, Auditor

Tia Thao, Auditor

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Should Strengthen Its Controls Over Certain Payment Collection 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.

Results

Overall, the Court demonstrated compliance in many of the areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its void transactions and internet payments.

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

Finding Reference	Subject Area
2023-3-01	Manual Receipts – Inventory, Monitoring, and Accounting for Use
2023-4-01	Mail Payments – Endorsement
2023-4-02	Mail Payments – Receipts Log
2023-4-03	Mail Payments – Logging and Safeguarding Unprocessed Mail
2023-6-01	Change Fund – Accountability
2023-7-01	End-of-Day Balancing and Closeout – Verification
2023-8-01	Bank Deposits - Deposit Verification
2023-9-01	Other Internal Controls – Access to Safe
2023-9-02	Other Internal Controls – Access to Vault

FINDING REFERENCE: 2023-3-01
MANUAL RECEIPTS – INVENTORY, MONITORING, AND ACCOUNTING FOR USE

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS:

- 4. Manual receipt book acquisition and control:

- a. Trial courts should acquire manual receipt books centrally at each physical location and a designee should inventory the books when received.
 - iv. Unissued books should be inventoried periodically (at a minimum annually) with a record of the inventory maintained by the supervisor of the area responsible for the books.
 - c. When acquired, the trial court must inspect the books to ensure all receipts are complete and in numerical sequence. The trial court fiscal office must log the books in a manual receipt book log that will contain information on each book that includes:
 - i. The book number;
 - ii. The numerical sequence of receipts (from and to receipt numbers) for each book;
 - iii. The date the book was issued to a court facility location supervisor;
 - iv. The name of the court facility and supervisor the book was issued to; and
 - v. The date the book was returned from the court facility location supervisor.
5. Issuance of manual receipt books by trial court to court facility supervisor:
- a. When the court facility supervisor receives the manual receipt books, the facility supervisor must record each book on a log for the facility.
 - b. The log must include the date received, book number, and receipt number sequence (from and to receipt numbers).
6. Issuance of manual receipt book by court facility supervisor or his or her designee to cashiers:
- a. The supervisor or his or her designee must maintain control and oversight of the manual receipt books. When the cashiering system and/or case management system is not available to process automated receipts, the supervisor or designee will retrieve and issue books of prenumbered receipts to cashiers. Manual receipt books should only be used when the cashiering system and/or case management system is down.
 - b. The supervisor or his or her designee issuing the prenumbered manual receipt books must monitor and maintain an accounting of the receipt books, including:
 - i. The receipt books issued;
 - ii. To whom the receipt book was issued;
 - iii. The date issued;
 - iv. The name of the person returning the book;
 - v. The date the books were returned (should be the end of the same day); and
 - vi. The receipt numbers used within each book.

CONDITION

The Court does not consistently maintain complete and accurate manual receipt book logs. Specifically, the Court's four payment collection locations do not maintain logs to monitor and account for the locations' use of their assigned manual receipt books. This occurs at least in part because, although the Court has policies for the use of manual receipts, its policies do not include information related to logging the manual receipt books. Nonetheless, the FIN Manual requires location supervisors to maintain control and oversight of the manual receipt books, and to

monitor and maintain an accounting of each book issued, to whom the book was issued, the date issued, the person returning the book, the date returned, and the receipt numbers used. Without such a log, the payment locations cannot monitor the appropriate use of manual receipts and are without clear accountability of when or who used the manual receipt books or which receipts they issued and is potentially at risk of someone using its manual receipts inappropriately.

Additionally, the log maintained by the Finance Division of the manual receipt books issued to the payment locations does not include all the information required by the FIN Manual and is not complete. For example, we found that the log was missing information related to the dates manual receipt books were issued or returned, which outlying locations the books were issued to, and the names of the supervisors returning the manual receipt books. Furthermore, the Finance Division's log is incomplete. Specifically, our review found two unnumbered and unissued manual receipt books in the Finance Division's possession that were not included on the log, as well as six manual receipts books listed on the log that were issued between September 2010 and August 2016 that the Court could not account for. According to court staff, they do not know why the manual receipt log maintained by Finance was incomplete. When the Court's manual receipts log is not kept up to date or does not include all required information, the Court cannot fully monitor the appropriate use of manual receipts at its payment locations and is without clear accountability of when or who used the manual receipt books, or which receipts they issued. As a result, the Court is unable to log and fully track the completely used books nor verify the completeness of the used manual receipts.

RECOMMENDATION

The Court should ensure both the Finance Division and its payment collection locations maintain control and oversight of their manual receipt books, including keeping an accurate inventory of all manual receipt books and a detailed log to monitor and maintain an accounting of the receipts books and receipts numbers used.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will ensure that the Finance Division and payment collection locations maintain an accurate inventory of all receipt books and receipt numbers used by documenting this in a manual receipts log.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: The Court plans to have the corrective action in place by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-4-01

MAIL PAYMENTS – 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. Endorsements must contain the following information:
 - a. The name of the bank and branch number in which the deposit will be made.
 - b. The statement "For Deposit Only" followed by the name of the trial court.
 - c. The account name and number.

CONDITION

The Court does not restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt. Specifically, we found that the court staff member who opens and sorts the mail for the entire Court does not restrictively endorse mail payments immediately upon receipt. Additionally, staff who accept counter payments also do not endorse checks immediately upon receipt. Instead, checks and other negotiable instruments are restrictively endorsed the next day, after the payments are processed in the CMS, when an account clerk in the Finance Division verifies the previous day's collections and prepares the deposit. According to court staff, they were unaware of the FIN Manual requirement. This occurs at least in part because the Court does not have local desktop procedures for handling, accounting for, and processing mail and drop box payments. However, the FIN Manual requires courts to restrictively endorse checks immediately upon receipt. Endorsing checks "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. When courts do not restrictively endorse checks immediately upon receipt as required, they risk that unendorsed checks 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 its 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.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will ensure that all staff endorse all checks, money orders and other negotiable instruments immediately upon receipt in the mail.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: This will be implemented by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-4-02

MAIL PAYMENTS – RECEIPTS LOG

CRITERIA**FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL AND DROP BOXES:**

2. To provide for the strongest protection of trial court assets and to protect the integrity and reputation of the trial court, the trial court should use a team approach to maintain accountability for payments received through the mail and drop boxes. When processing such payments, the court should adhere to the following procedures:
 - a. Mail and drop box payments should only be processed when both team members are present. Alternatively, if two people cannot be present during mail and drop box payment opening, then one person may open the mail or drop box payments and create the payment receipts log if he or she is being recorded on video camera and the video is retained for at least six months. Another alternative if two people cannot be present is one person—without opening the envelopes—may start the payment receipts log by sequentially numbering the envelopes and documenting the envelope number and the sender's name in the payment receipts log. When the second person opens the mail and/or drop box payments, he or she should complete the payment receipts log for each envelope identified by the first person. A field should be added to the payment receipts log to indicate when an envelope does not contain a payment; not all fields listed in paragraph 3.a will be completed.
 - b. Two-person team combinations should be rotated regularly.
3. To provide for the strongest oversight and monitoring of payments received through the mail and drop boxes, courts should maintain a payments receipt log. Without a payment receipts log, courts have no record to reference or research if a mail or drop box payment is lost or stolen. The following method should be used for processing payments received through the mail and drop boxes:
 - 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 or drop box; and
 - vi. Name of the person opening the mail or drop box payments and the person recording the payment on the payments receipt log.

FIN MANUAL, FIN 1.01, 6.4 TRIAL COURT OPERATING STANDARDS:

3. A presiding judge or his or her designee who wants to establish an alternative procedure will submit a signed and dated Request for Alternative Procedure (RAP) form (copy provided in 7.0, Associated Documents) to:

Judicial Council of California
Director of Branch Accounting and Procurement
Attn.: Trial Court Alternative Financial Policies and Procedures
2850 Gateway Oaks Drive, Suite 300

Sacramento, CA 95833-4348

E-mail: TCFin@jud.ca.gov

A written response to the submission of alternative procedures will be returned to the submitting court within 60 business days of receipt of the document. When a Request for Alternative Procedure has been received by Judicial Council of California Staff, an acknowledgment of receipt will be returned to the submitting court. The 60-business-day response time will begin once the court receives that acknowledgment of receipt. Absent a response from Judicial Council of California Staff within 60 business days, the alternative procedure will be in effect, subject to further review and consideration by Judicial Council of California Staff. **Undocumented procedures or those not approved by Judicial Council of California Staff will not be considered valid for audit purposes.**

Once approved, alternative procedures must be documented by the trial court, incorporated into the local trial court manual, and distributed to court personnel. Any alternative procedure that is different from what is included in the *Trial Court Financial Policies and Procedures Manual* or the county's policy document must first be approved by Judicial Council of California Staff.

CONDITION

The Court does not use a rotating two-person team to open, sort, and distribute the mail as suggested by the FIN Manual. Instead, the mail is opened and sorted for all divisions by a single court staff member alone in an area that is not open or under video surveillance. Additionally, the person who initially opens the mail does not log mail payments on a Payment Receipts Log. As a result, the Court is at increased risk for lost or stolen mail payments. Specifically, because the person who initially opens the mail does not log the mail payments, the Court is at increased risk for misplacing payments between opening the mail and the payments being received by the divisions. According to court staff, they were unaware of the FIN Manual guidance. Also, this occurs at least in part because the Court does not have local desktop procedures for handling, accounting for, and processing mail and drop box payments. Nonetheless, when courts do not use rotating two-person teams to open mail nor implement alternative procedures such as those suggested in the FIN Manual, they are at heightened risk for lost or stolen mail payments. Furthermore, without a Payments Receipt Log of mail payments received, the Court does not have a record to reference or research should a mail or drop box payment become lost or stolen, and the Court is unable to ensure that mail and drop box payments are processed as soon as received or within a timely manner. Payments received by mail is an area of high-risk—since the payer is neither present during the transaction nor is guaranteed to receive a receipt—and the FIN Manual's guidance is intended to mitigate the risk of lost or stolen payments.

RECOMMENDATION

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

1. Require its staff to either follow a two-person team approach where both individuals are present when opening and logging mail payments, or implement alternative procedures, such as those suggested in the FIN Manual, to mitigate the risk of lost or stolen mail payments. If the Court cannot implement a two-person team approach or the alternative procedures suggested in the FIN Manual, it should prepare and submit to the Judicial

Council a request for approval of an alternate procedure for opening and accounting for the payments it receives in the mail.

2. Implement specific local cash handling policies and procedures, as well as periodic training and monitoring, to ensure that staff complete a Payment Receipts Log with all key information necessary to establish a clear record of all the payments, cash and non-cash, received through the mail or drop boxes. The Court can subsequently use these logs to reconcile and confirm entry of these mail and drop box payments into its CMS during the end-of-day closeout process.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will implement the suggested alternative procedure as suggested in the FIN manual. The Court will work on creating and implementing a local cash handling policy and procedure.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: The Court intends to have the corrective action plan in place by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-4-03

MAIL PAYMENTS – LOGGING AND SAFEGUARDING UNPROCESSED MAIL

CRITERIA

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL AND DROP BOXES:

4. To provide for strong oversight and monitoring of payments not processed on the day they were received in the mail or drop boxes, courts must adhere to the following steps:
 - a. Trial court staff responsible for processing payments must review on a daily basis all payments that are held over from a previous day's work to determine if any of the held payments can be processed. This requirement can be met by reviewing the held payments receipt log sheets and associated payments to determine if the payment can be processed.
 - b. 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.
 - c. 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 making the payment;
- iii. Payment amount;
- iv. Check number (if applicable);
- v. Date received in the mail; and
- vi. Reason why the payment cannot be processed.

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.

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.

CONDITION

The Court does not consistently identify and log mail payments that have been held for more than 5, 15, and 30 days and specify on a log the reason why the payments haven't been processed. As a result, our review found mail payments that were unprocessed for more than 30 days. For example, during our review of the Civil Division's unprocessed mail payments, we identified 13 unprocessed mail-payments held for more than 15 days and 7 unprocessed mail payments held for more than 30 days. However, the FIN manual requires the supervisor or manager responsible for the trial court staff who process payments to 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. Additionally, although the Family and Probate Division maintains a log of unprocessed mail payments that have been held for 15 and 30 days, the division's management does not report to the CEO or CFO, on a monthly basis, the mail payments not processed within 15 and 30 days. However, the FIN Manual requires the supervisor/manager to 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 any payment that has been held for more than 15 and 30 calendar days without being processed.

Moreover, the Court does not always properly safeguard mail payments held in its possession for extended periods of time. Specifically, during our review of the Civil Division's unprocessed mail payments, we found that mail and drop box payments that are not immediately entered in the Court's CMS are stored in file cabinets which remain open throughout the day and are left unlocked after the close of operations. We also found that one of the unsecured, unprocessed

mail payments contained cash. After we notified court management of our discovery, management stated the Court's policy is to verify and process mail payments containing cash immediately upon receipt. If mail payments containing cash cannot be processed immediately upon receipt, they should be given to a supervisor or manager to secure in the safe or vault until it can be processed. As a result, the Court is at increased risk of lost or stolen payments.

RECOMMENDATION

To ensure the safe, secure collection and accurate accounting of all payments received through the mail, the Court should 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 days without being processed. For those mail payments held unprocessed for more than 15 and 30 days, the Court should also monitor to ensure the supervisors or managers consistently provide written reports to the CEO and CFO.

To ensure it properly safeguards its payments received through the mail and in its drop boxes, the Court should secure its unprocessed mail and drop box payments in a locked drawer or safe during the day, and a locked safe or vault overnight, until they are ready for processing.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will ensure that we take steps to identify and log any mail payments held for more than 5, 15 and 30 days without being processed. The Court will ensure that the supervisors/managers provide written reports to the CEO and CFO on a regular basis.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: The Court will have this implemented by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-6-01

CHANGE FUND – ACCOUNTABILITY

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

2. The trial court must not commingle the Cash Change Fund with the Petty Cash Fund or any other fund. The Cash Change Fund must not be used for any other purpose other than for the making of change for trial court customers tendering cash.
6. The court executive officer or his or her designee must appoint a custodian for each Cash Change Fund that is \$500 or more at any separately managed trial court location. The custodian is responsible for the safekeeping, replacement, disbursement, and accounting for the assigned Cash Change Fund. A copy of this policy must be given to the custodian to ensure that he or she understands the requirements for the Cash Change Fund.
 - c. When custody of the Cash Change Fund is transferred to another custodian:
 - i. A personal audit of the fund must be made by the trial court employees directly concerned; and

- ii. A Cash Change Fund Change of Custodian form (provided in 7.0, Associated Documents) must be completed and then approved by the court executive officer or his or her designee.
7. 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.
 8. 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 Court does not manage or account for its change funds in a manner consistent with the FIN Manual. For example, contrary to FIN Manual requirements, the change fund maintained by Finance is commingled with other funds. While the change fund amount maintained by Finance should be \$2,000, the actual amount in the change fund fluctuates. This is because the Court combines its change fund with its overage/shortage fund and extra beginning cashiers' bags, and our review of its internal reports found that the total amount fluctuated between \$1,997 and \$2,645 throughout fiscal year 2021-2022.

Additionally, the Court's change fund verification practices do not fully align with the FIN Manual requirements. Specifically, the Finance Division’s \$2,000 change fund, the Traffic Division’s \$800 change fund, and the Criminal Division’s \$600 change fund are not counted, verified, and reconciled in the presence of a manager or supervisor at the end of the day. Although the \$500 change funds maintained by the Civil and Family Law/Probate Divisions are counted and verified in the presence of a manager, this task is performed at the beginning of the day instead of the end of each day. However, the FIN Manual requires individuals responsible for the change fund to count, verify, and reconcile the change fund in the presence of a manager or supervisor at the end of the day, and initial and date the verification and reconciliation.

Furthermore, the Finance Division's \$2,000 change fund is not counted monthly by someone other than the change fund custodian. Instead, the change fund is only counted at the end of the fiscal year by the change fund custodian. The Court also does not conduct an audit of the fund and the CEO or designee does not approve a Change Fund Change of Custodian Form when custody of the change fund is transferred to a new custodian. Similarly, someone other than the change fund custodian does not perform a monthly count of the change funds maintained by the Court’s four payment collection locations, even though these change funds are all \$500 or more. However, the FIN Manual requires courts to have individuals other than the change fund custodians count change funds at least monthly for change funds of \$500 or more.

Finally, the CEO or his or her designee has not officially appointed a change fund custodian, who has no other cash handling responsibilities, to oversee the Court's various change funds. Specifically, an accounting clerk is the unofficial change fund custodian of the Finance Division's change fund, and this employee also has other cash handling duties such as preparing deposits. The change funds at the payment collection locations are generally maintained by the supervisors or lead clerks. However, the FIN Manual requires the CEO to appoint a custodian for each change fund that is \$500 or more who is not a cashier or has cash handling duties, and to provide the custodian with a copy of the FIN Manual policy to ensure the custodian understand the requirements applicable to change funds.

According to court staff, they were unaware of the FIN Manual requirements related to change funds, and there are no documented local desktop procedures for counting and verifying the Court's change funds. Nonetheless, as a result of the Court's current practices, the Court risks potentially allowing a change fund shortage to occur without clear accountability of when the shortage may have occurred or who may have caused the shortage. Additionally, the Court may not know for an extended period of time if one of its change funds is short funds. Furthermore, the locations are at risk of staff inappropriately using the change funds as no one individual at each location has been delegated specific written overall responsibility for the change funds.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should establish local cash handling policies and procedures that align with the FIN Manual requirements. Specifically, the Court should ensure that it does not commingle its change fund monies with any other funds. The Court should also ensure that individuals responsible for making change from the change funds count, verify, and reconcile the change fund monies to the day's beginning balance at the end of each business day in the presence of a court manager, supervisor, or designee. Finally, the Court should ensure that an individual other than the custodian counts and verifies its change funds at the frequency specified in the FIN Manual.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding. The Court will work on creating and implementing a local cash handling policy and procedure. The Court will also revise and/or implement the following:

- Revise our local Change Fund Verification form to include beginning and ending change fund counts.
- Implement the Cash Change Fund Change of Custodian form for transfer or new change fund custodians.
- The Court will separate the Finance department's change fund so that there are separate funds for making change and funds for issuing start cash.

Response provided on 9/13/2023 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: The Court intends to have the corrective action plan in place by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-7-01***END-OF-DAY BALANCING AND CLOSEOUT – VERIFICATION*****CRITERIA****FIN MANUAL, FIN 10.02, 6.3.10 DAILY BALANCING AND CLOSEOUT:**

1. At the end of each workday, each cashier must balance the payments collected in his or her individual cash drawer/bag with the payments and collections recorded in the cashiering system and/or automated case management system. Cashiers may not leave the premises or transact new business until the daily balancing and closeout processes are complete.
2. The balancing and closeout process includes the following steps:
 - a. The cashier completes and signs the recap of daily collections report; attaches a calculator tape for checks; and submits the report, collections, and beginning cash to the supervisor or his or her designee for verification;
 - b. The supervisor or his or her designee verifies in the presence of the cashier that the beginning cash is fully accounted for and the submitted collections balance with the recap of daily collections report;
 - c. The supervisor or his or her designee then verifies that the submitted collections balance with the associated payments and collections reported on the cashier's case management system daily collections closeout report;
 - d. If the collections balance with the amounts in the case management system, the cashier and supervisor or his or her designee must both sign and date the case management system daily collections closeout report.

CONDITION

The Court does not require a designated supervisor or lead to count and verify each cashier's end-of-day collections to the CMS daily closeout reports. Specifically, our observation noted that clerks at all the Court's payment collection locations count and balance their tills to the CMS, then place their collections and documentation in a locked locker in the main vault. However, the cashier is not present when a staff member from the Finance Division retrieves the collections from the locked locker the next day and verifies that the cashier's end-of-day collections balance with their recap of daily collections. This occurs because the Court's desktop procedures for end-of-day closeout and verifications, which court staff follow, do not align with the FIN Manual requirements. Nonetheless, the FIN Manual requires a designated supervisor to count and verify each cashier's end-of-day collections to their collections recap forms and to the CMS daily closeout reports while the cashiers are present and before they leave for the day. As a result, the Court potentially allows a subsequent cash fund shortage to be without clear accountability of who may have caused the shortage or when it may have occurred as it would likely be very difficult to resolve any discrepancy that might arise between the cashier's end-of-day verification and the verification performed by the Finance Division the next day. Adhering to the daily closeout requirements outlined in the FIN Manual helps protect the integrity of both the Court and all its cash handling employees.

RECOMMENDATION

To better safeguard its funds and ensure clear accountability for cashier shortages and overages, the Court should require a designated supervisor or lead to count and verify each cashier's end-of-day collections to the CMS daily closeout reports in the presence of the cashier and require both the cashier and supervisor or lead to sign and date the closeout documentation to indicate verification that the collections balance with the case management system.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will create and implement a procedure that includes verification and sign off of end-of-day collections to the Court's CMS by the cashier and lead or supervisor.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: The Court plans to have the corrective action in place by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-8-01*BANK DEPOSITS – DEPOSIT VERIFICATION***CRITERIA**

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

3. Deposits consisting of coin and paper currency in excess of \$100 will be prepared as follows:
 - b. The coin and paper currency portion of any bank deposit must be counted by one person and verified and initialed by a second person (preferably a supervisor or lead) prior to tendering the deposit to an armored car service, a court employee for deposit to a bank night deposit drop safe, or a bank teller within the lobby of the bank.
 - c. Paper currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two court employees who will sign a court copy of the deposit slip indicating they have verified the coin and paper currency amount contained in the deposit bag.

CONDITION

The Court does not require one person to prepare and a second person to verify and initial its bank deposits. Instead, a single person in the Finance Division prepares the deposit for all divisions with no secondary verification process by another person. According to court staff, they were unaware of this FIN Manual requirement. However, the FIN Manual requires courts to have a second person, preferably a supervisor or lead, verify deposits, and for both employees to sign a court copy of the deposit slip indicating they have verified the coin and paper currency amount contained in the deposit bag. Without a secondary verification of the Court's deposit, any potential deposit shortage would be without clear accountability of when or who may have been responsible for the discrepancy—the Court or the bank.

RECOMMENDATION

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should ensure that a lead or supervisor verifies and initials its daily bank deposits after they are prepared by another court employee. The Court should also ensure deposit slips are signed by both employees.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will have a lead or supervisor verify and sign the deposit slip after the initial deposit is prepared.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: This will be implemented by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-9-01

OTHER INTERNAL CONTROLS – ACCESS TO SAFE

CRITERIA

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

3. When using safes and vaults, the following procedures must be followed:
 - 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 must remain valid has expired.

CONDITION

Contrary to the FIN Manual, the Court does not maintain a record of the date the combinations to its vault or safes were last changed, or the names of individuals knowing the present combinations. Specifically, the Court does not maintain a record for either the vault or safe maintained by the Finance Division at the Hall of Justice, or for the safe at the Family Law and Probate Division. According to court staff, they were unaware of this FIN Manual requirement.

Furthermore, at the Family Law and Probate Division, the Court does not change the safe combination when an employee having knowledge of the combination separates from the Court, when an employee no longer requires the combination in the performance of their duties, or on a periodic basis as defined by the Court. According to court staff, the safe combination at the Family Law and Probate Division has never been changed, and the Facilities Manager—who retired in early 2023 with short notice—would have been in charge of changing the safe combination. Nevertheless, when the Court does not maintain records related to its safe combination, or change the combination in accordance with the FIN Manual, the Court may leave itself vulnerable to theft or loss of cash or other valuables by individuals with knowledge of the safe combination and who have unauthorized access to its safe.

RECOMMENDATION

To ensure it properly safeguards the contents of its vault and safes, the Court should maintain a record showing the date the combinations were last changed and the names of the persons knowing the current combinations for its vault and safes. The Court should also ensure it changes the combinations to its vault and safes in accordance with FIN Manual guidance.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will maintain a record of the date the combinations were last changed and the names of the persons knowing the current combinations to its vault and safes. When the Court is able to change the combination to the vault and safe, we will do so in accordance with the FIN manual.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: The Court will have the record in place by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

FINDING REFERENCE: 2023-9-02

OTHER INTERNAL CONTROLS – ACCESS TO VAULT

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.

CONDITION

The Court does not take adequate precautions to safeguard the contents of its vault maintained by the Finance Division. Specifically, Finance staff open the vault at the Hall of Justice in the morning and then return to their office. For approximately an hour, the vault is left open to allow staff from the different divisions to retrieve their change funds and beginning cash bags. The vault does not have security cameras or other measures to monitor who enters and leaves the vault during the time it is open. According to court staff, this has always been the Court's procedure to the best of their knowledge. However, the FIN Manual requires courts to establish

internal controls, such as keeping safes locked and monitored, to prevent and detect theft. 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 safe, the Court should require the vault to remain closed and locked throughout the day, and only opened by authorized staff who require access to retrieve or deposit important or valuable assets.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will implement a process where a Finance staff monitors each person entering and leaving the vault when it is opened in the morning and afternoon and immediately close it after the last person leaves.

Response provided on 9/13/23 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: This will be implemented by June 30, 2024.

Responsible Person(s): Linda Walker, Chief Financial Officer

PROCUREMENT AND CONTRACTS

The Court Should Ensure Its Procurement Practices Are Closer Aligned with the JBCM Requirements

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.

Results

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, such as entering into both leveraged purchase agreements and non-competitive procurements. Nevertheless, we identified three audit findings that we believe require the Court’s corrective action. The findings pertain to the following specific areas of procurement:

Finding Reference	Subject Area
2023-10-01	Procurement Initiation
2023-12-01	Competitive Procurements
2023-15-01	Contract Terms

FINDING REFERENCE: 2023-10-01
PROCUREMENT INITIATION

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

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

1. Internal review and approvals: Consider the following:

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

CONDITION

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For nine of the procurement transactions reviewed, the Court either did not document or require a purchase request and management approval of the request prior to commencing the procurement, or did not have a purchase request at all. Specifically, for seven procurement transactions reviewed, the Court did not have a purchase request. For example, one of these procurements was related to security services in the amount of \$500,000. Additionally, for the other two procurement transactions reviewed, the Court did not create and approve the purchase requests until after the contract for the procurement was already signed. For example, one of these procurements—related to a pretrial services program in the amount of \$499,971—was entered into during July 2021; however, the purchase request was not completed until almost one year later, in June 2022. According to the Court, it either did not have or could not find the purchase requisitions, even though it has policies in place that require a purchase request prior to procurement. Nonetheless, the use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the procurement process. When the Court does not consistently document its purchase requests and authorizations, it risks the appearance that it is making purchases that may not be appropriate or not allowed and not in its best interests.

RECOMMENDATION

To ensure it can demonstrate that its purchases are appropriately justified, funded, and approved, the Court should take more formal steps to ensure it consistently obtains and documents in its procurement files the approved purchase requests prior to its staff starting the purchasing activity.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will make the sure to have the appropriate steps and documents prior to beginning the purchasing activity. The Court will also make sure to have the appropriate documents in its procurement file.

Response provided on 11/7/2023 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: November 7, 2023

Responsible Person(s): Linda Walker, Chief Financial Officer, Rhonda Mobley, Procurement Specialist

FINDING REFERENCE: 2023-12-01***COMPETITIVE PROCUREMENTS*****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.

CONDITION

For four of the procurement transactions reviewed for which the JBCM competitive solicitation requirements applied, the Court could not demonstrate that it competitively bid the procurements when it first entered into contracts or agreements with various service providers. Specifically, for three procurement transactions reviewed—for example, for temporary staff services in the amount of \$35,000—the Court did not have a procurement file or any supporting documentation. According to the Court, it does not have any documentation to support whether it performed a competitive solicitation, or used the appropriate competitive solicitation method, as the Court did not maintain procurement files for all purchases. Furthermore, for another procurement relating to security services in the amount of \$500,000, the Court planned to use an RFP; however, per the Court, it closed due to COVID, and the RFP was not conducted. The Court still needed the services, so it went ahead and contracted for the services, but it did not document its justification and approval for not using a competitive solicitation. The Court also did not complete an emergency purchase or sole source request for this purchase with documented approval from the Presiding Judge or their designated delegate. When the Court does not follow and use the proper JBCM competitive solicitation procedures, it cannot ensure it receives the best value for goods and services, and also risks the appearance that it is not awarding its procurements fairly.

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

Agree. The Court will make sure to procure goods and services competitively and maintain all necessary documents in a procurement file as per the Judicial Branch Contracting Manual.

Response provided on 11/7/2023 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: November 7, 2023

Responsible Person(s): Linda Walker, Chief Financial Officer, Rhonda Mobley, Procurement Specialist

FINDING REFERENCE: 2023-15-01
CONTRACT TERMS

CRITERIA

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

JBEs must include legally required terms in their contracts and should include other terms that the JBE determines are necessary to protect the JBE and mitigate the risks associated with the contract.

Sample language for terms and certifications required to be included in JBE contracts is available from the Judicial Council, together with templates for complete contracts.

Use of these sample provisions and templates is optional. Each JBE may modify the provisions or templates or use its own forms. JBEs may also use a Vendor-provided form contract provided the final contract includes appropriate terms and meets applicable legal requirements.

- Contract elements

Each contract must identify the contracting parties. Contracts typically consist of three major elements:

- Statement of Work (SOW), including the schedule of performance;
- Pricing and payment; and
- Other terms and conditions.

Each of these elements must be clearly defined so that the JBE's needs are met, and the contractor and the JBE understand their performance obligations.

- Each major element is described below, including typical subject matters that are frequently grouped together in contract sections regarding the specific element. However, contract provisions are not required to be in any specific location in the contract. For example, a topic listed below as part of a typical

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.

2. Pricing and Payment

The price the JBE will pay for goods and services under a contract must be clearly stated. The contract should clearly specify the basis for compensation and the terms of payment, such as: lump sum (one-time payment), firm fixed price, unit price, labor rate, or other specific basis.

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.

CONDITION

For eight of the procurement transactions reviewed, the Court was unable to provide us with copies of any fully executed written contracts or agreements. Specifically, the Court was unable to find the contracts, agreements, or purchase orders relating to services for the Court's new building groundbreaking ceremony, court interpreters, photography, advertising, court reporters, and equipment repairs. These were generally one-time procurements with total expenses of less than \$1,000 each, except for the groundbreaking event, which was nearly \$8,400. According to the Court, it was unable to find these contracts or agreements as the Court did not maintain procurement files for all its purchases. Without written contracts, POs, agreements, or authorizations that specify the expected scope of work, term, and pay, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

RECOMMENDATION

To demonstrate compliance with all applicable JBCM requirements, the Court should ensure it retains appropriate procurement documents in a procurement file to substantiate its compliance with all applicable JBCM requirements. This includes demonstrating that its contracts and agreements provide clear descriptions of the goods or services expected from the vendor, the associated pricing, and the terms and conditions. This will help to ensure it continues to receive best value goods and services.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will maintain all necessary procurement documents in a procurement file.

Response provided on 11/7/2023 by: Linda Walker

Date of Corrective Action: November 7, 2023

Responsible Person(s): Linda Walker, Chief Financial Officer, Rhonda Mobley, Procurement Specialist

PAYMENT PROCESSING

The Court Generally Complied with Most Payment Processing Requirements, But Should be More Consistent with Authority Levels and Its Verification of Invoices and Claims Prior to Payment

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.

Results

The Court demonstrated compliance in various payment processing areas we evaluated during our audit such as exhibiting sound management practices in the area of jury expenses and other internal controls. Nevertheless, we identified two audit findings in the payment processing area that we believe requires the Court's corrective action. These findings pertain to the following specific areas of payment processing:

Finding Reference	Subject
2023-17-01	Three-Point Match
2023-18-01	Payment Approval and Authority Levels

FINDING REFERENCE: 2023-17-01

THREE-POINT MATCH

CRITERIA

FIN MANUAL, FIN 8.01, 6.3.2 DOCUMENT MATCHING:

1. At the scheduled time and depending on the court's invoice payment cycle, an accounts payable employee will match the vendor invoices to all appropriate supporting documentation. The court will adopt the "three-point match" procedure to process vendor invoices.
2. A three-point match procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods or services. For example:

- a. All details of the invoice, including a description of the goods and services ordered, quantities involved, unit prices billed, and other applicable charges, must be matched to the details and terms and conditions of the court's purchase agreements or contracts.
 - b. All invoice details, including a description of the goods or services ordered and quantities invoiced must be matched to the details of packing slips, shipping orders, receiving reports, or other forms of acknowledgement of delivery of products or completion of work by an authorized court employee.
3. Vendor invoices shall not be processed for payment without completing the three-point match procedure. If one element is missing (e.g., if there is no evidence of receipt of goods or services), the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

CONDITION

For 12 of the 40 payment transactions reviewed, the Court could not demonstrate completing the entire three-point-match verification process when paying invoices and claims. Specifically, the Court did not maintain procurement documentation to demonstrate that accounts payable staff matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization. For example, for one payment transaction reviewed relating to psychological evaluation services, the Court did not have an agreement or contract in place, and the judge did not stipulate a rate of pay when making a court order for the services. For another payment transaction reviewed, relating to reimbursement of relocation expenses for an operations manager, the Court was unable to provide any procedures, policies, or documentation justifying and supporting the amount reimbursed. Also, for a payment transaction related to an order for court forms, the Court is operating on an expired contract; however, the rates in the expired contract do not match the rates on the invoice we reviewed. According for the Court, it did not maintain procurement files for all procurement transactions. Without written agreements or authorizations that specify the expected work, term, and pay, court accounts payable staff cannot fully perform the required three-point match. As a result, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

RECOMMENDATION

To ensure that it can demonstrate it pays the proper amounts for the goods and services it receives, the Court should take steps to strengthen its process for approving vendor payments. Specifically, the Court should ensure it retains appropriate procurement documents on file for each of its procurements and provides these contracts or agreements to its accounts payable staff so that they are able to fully perform the required three-point match and verify the accuracy of vendor invoices prior to payment approval and processing.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will make sure to include the necessary documents for its procurement files and that the accounts payable staff has the appropriate documents for the three-point match.

Response provided on 11/7/2023 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: November 7, 2023

Responsible Person(s): Linda Walker, Chief Financial Officer, Rhonda Mobley, Procurement Specialist

FINDING REFERENCE: 2023-18-01

PAYMENT APPROVAL AND AUTHORITY LEVELS

CRITERIA

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

6. Appropriate Segregation of Duties

- b. Work must be assigned to court employees in such fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. The following duties must not be assigned to only one individual:
 - iii. Performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order), performing accounts payable, authorizing vendor payment, or processing accounts payable, and maintaining the vendor master file (establishing new vendors and updating vendor information).

CONDITION

For 11 payment transactions reviewed, the Court could not demonstrate that the individual who approved the invoices for payment was not also the individual who procured the goods or services. Specifically, the Court was unable to provide the procurement documentation, such as contracts, agreements, purchase orders, or authorizations, to indicate who procured the good or services. According to the Court, it did not maintain procurement files for all procurement transactions. As a result, the Court is at increased risk of disbursing funds that may be excessive or inappropriate. To mitigate this risk, the Court should maintain all relevant procurement documentation to demonstrate that it is appropriately segregating the duties of its procurement and its accounts payable staff.

Additionally, for two of the 40 payment transactions reviewed, the same person who procured the purchase also approved the invoice for payment. Specifically, the same authorized court official who procured the goods or services also approved the related invoices for payment. Furthermore, for one payment transaction relating to membership dues for a previous court official, the previous court official approved their own invoice for payment. According to the Court, it did not previously segregate the duties of the person authorized to approve procurements from the person authorized to approve invoices for payment. Nonetheless, a strong system of internal control calls for segregating assigned duties in such a fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. This includes segregating duties so that the individuals who initiate and approve purchases do not also authorize vendor payments for those same purchases.

RECOMMENDATION

To ensure that all invoices are properly paid, the Court should take steps to implement controls that provide for the segregation of duties between procurement and authorizing vendor payment

functions. The Court should also ensure it maintains purchase orders, agreements, or contracts in the procurement file so that accounts payable staff can verify that the authorized court official who approved the invoice for payment is not also the same authorized court official who procured the goods or services.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court will make sure that there is segregation of duties between procurement and authorizing payment functions. The Court will maintain the necessary documents in the procurement file so that the Court's accounts payable staff can properly verify that the procurer is not the same as the invoice approver.

Response provided on 11/7/2023 by: Linda Walker, Chief Financial Officer

Date of Corrective Action: November 7, 2023

Responsible Person(s): Linda Walker, Chief Financial Officer, Rhonda Mobley, Procurement Specialist

FINE AND FEE DISTRIBUTIONS

The Court Calculated Accurate Fine and Fee Distributions for the Case Types Reviewed

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.

Results

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

FUND BALANCE

The Court Appropriately Supported Its Year-End Encumbrances

Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed a defined percentage of a court's prior fiscal year operating budget. Operating budget is defined as the court's total expenditures from all funds (excluding fiduciary funds) that are expended for operating the court. Certain types of funds received by the court and restricted for certain purposes—as specifically designated in statute, and including year-end encumbrances—are exempt from this requirement. The intent of the legislation was to prevent trial courts from accumulating significant fund balances instead of spending the funds on court operations. Audit Services reviews year-end encumbrances to ensure courts do not inflate their calculated fund balance caps by overstating total year-end encumbrance amounts for the current fiscal year, avoiding any required reductions in their budget allocation.

In addition, should a court need to retain funds that exceed its 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.

Results

Our review found that the Court complied with the requirements for reporting year-end encumbrances. Specifically, the Court supported the encumbrances it reported on its final FY 2021-22 calculation form with valid contracts for goods or services not received by June 30, 2022. Finally, we did not review its use of any excess funds because the Court has not requested the Judicial Council to hold any such funds on its behalf.

JBSIS CASE FILING DATA

The Court Reported 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.

Results

Our review found that the Court's records supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2020-21.

ENHANCED COLLECTIONS

The Court Appropriately Recovered Costs for its Enhanced Collections Program

Background

Penal Code section 1463.010(a) requires the Judicial Council to adopt guidelines for a comprehensive program concerning the collection of monies owed for fees, fines, forfeitures, penalties, and assessments imposed by court order. In addition, as part of its guidelines, the Judicial Council may establish standard agreements for entities to provide collection services. Section (b) requires courts and counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county. The program may be in whole or in part staffed and operated in the court itself, in the county, or contracted with a third party. Also, in carrying out its collection program, each superior court and county is required to develop a cooperative plan to implement the Judicial Council guidelines. Section (c) requires the Judicial Council to develop performance measures and benchmarks to review the effectiveness of the cooperative superior court and county collection programs operating pursuant to this section. Further, it requires each superior court and county to jointly report to the Judicial Council information requested in a reporting template on an annual basis.

The standards by which a court or county may recover the costs of operating a comprehensive collection program are provided in Penal Code section 1463.007. Collection costs (with the exception of capital expenditures) may be recovered from the collection of delinquent court-ordered fines, fees, forfeitures, penalties, and assessments imposed on infraction, misdemeanor, and felony cases before revenues are distributed to any other government entity. A comprehensive collection program is a separate and distinct revenue collection activity that meets certain requirements and engages in certain collection activity components as defined in state law. Eligible costs that can be recovered include staff costs, costs paid to another entity under an agreement for their collection activities, and indirect costs.

Results

Our review found that the Court had a qualified enhanced collections program. Furthermore, we found that the Court appropriately recovered only eligible collection costs.
