



**Audit of the  
Superior Court of California,  
County of Del Norte**

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FEBRUARY 2022



JUDICIAL COUNCIL  
OF CALIFORNIA

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AUDIT SERVICES

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**Superior Court of California, County of Del Norte**

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## EXECUTIVE SUMMARY

### Introduction

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

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

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

### Summary of Audit Results

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

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

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

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

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

The Court demonstrated consistent adherence to several different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of procurement authorization and authority levels, and in meeting AB 1058 grant requirements. For example, our review of the Court's procurement authorization and authority levels process found that the Court ensured procurements were approved by the appropriately designated Court staff. In addition, the Court properly supports its timekeeping and other expenses that it charges to the AB 1058 grant program.

However, our audit did identify 10 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 10 findings are identified in Table 1 under the column "Reportable Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective.

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

The Court should also focus on strengthening its controls over the required three-point-match verification process when paying invoices and claims. Specifically, the Court could not demonstrate how it matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization for some transactions. Without written agreements or authorizations that specify the expected work, term, and pay, court accounts payable staff cannot fully perform the required three-point match. As a result, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges. The Court indicated it agreed with our finding and recommendation in this area and it will implement corrective action.

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

Audit Services initiated its audit of the Court on March 12, 2021, and completed fieldwork on September 30, 2021. Audit Services shared the draft audit findings with the Court's officials on October 27, 2021, and received the Court's final official responses on November 16, 2021. Overall, the Court agreed with the findings and its specific responses are included in the body of the report after each finding.

## BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Del Norte (Court) operates one court facility in Crescent City. 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 Del Norte Superior Court and Average of all Superior Courts

Statistic	Del Norte Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
<b>Financial Highlights (Fiscal Year 2020-21)</b>						
Total Revenue	\$ 3,631,389	\$ 2,801,621	\$ 11,732,226	\$ 47,147,065	\$ 222,407,059	\$ 46,418,993
Total Expenditures	\$ 3,376,427	\$ 2,685,427	\$ 11,793,650	\$ 47,226,007	\$ 224,959,605	\$ 46,782,011
Staff Salaries & Benefits	\$ 2,540,179	\$ 1,783,894	\$ 9,042,960	\$ 36,756,739	\$ 188,576,818	\$ 38,140,615
As a % of Total Expenditures	75.2%	66.4%	76.7%	77.8%	83.8%	81.5%
<b>Judicial Officers and Staff (2021 Court Statistics Report)</b>						
Judges	2	2	8	30	142	30
Commissioners/Referees	1	-	1	4	21	4
Non-Judicial Staff (approx.)	23	16	86	310	1,419	302
Total	26	18	95	344	1,582	336
<b>New Case Filings (Fiscal Year 2019-20)</b>						
<b>Appeal Filings</b>	11	6	79	173	213	100
<b>Civil Filings</b>						
Civil	332	271	2,007	9,365	57,502	10,862
Family Law	424	249	1,580	5,326	24,611	5,252
Juvenile Delinquency	236	39	185	840	2,020	547
Juvenile Dependency	120	37	198	554	4,268	798
Mental Health	5	10	172	1,124	8,357	1,472
Probate	84	47	254	900	3,725	824
Small Claims	33	44	336	1,835	11,700	2,164
<b>Criminal Filings</b>						
Felonies	461	224	1,141	3,715	13,068	3,126
Misdemeanors / Infractions	5,182	4,096	19,330	70,480	309,401	66,865
<b>Total</b>	6,888	5,023	25,282	94,312	434,865	92,010

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts information is from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of September 9, 2021, and may not agree with other reports as this data is subject to continuous updates.

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

## AUDIT SCOPE AND METHODOLOGY

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

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

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

<p>its non-personal services spending activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"> <li>▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual.</li> <li>▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules.</li> </ul>	<p>appropriately segregated staff roles for approving purchases, procuring the goods or services, receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> <li>• Was properly authorized and approved by authorized court management.</li> <li>• Adhered to competitive bidding requirements, when applicable.</li> <li>• Had contracts, when applicable, that contained certain terms required to protect the Court’s interests.</li> </ul> <p>We selected a sample of 40 FY 2019-20 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> <li>• The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment.</li> <li>• Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix.</li> <li>• Whether the payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.</li> <li>• Whether the payments for in-court service providers adhered to applicable Judicial Council policies.</li> </ul> <p>(Note: We did not review court interpreter claims as the Audit Committee suggested we suspend reviewing these types of claims to allow courts time to develop procedures</p>
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		to address previously reported systemic audit findings related to court interpreter service claims.)
4	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	<p>We reviewed the Court's process for updating and controlling access to its distribution tables.</p> <p>We also reviewed the Court's calculations and distributions of fines, penalties, fees, and assessments for certain high volume or complex case types.</p>
5	<p>Determine whether the Court properly calculates its three percent fund balance cap for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court's final 3% <i>Fund Balance Cap Calculation Form</i> for the most recently completed fiscal year at the time of our testing (FY 2019-2020), and performed the following:</p> <ul style="list-style-type: none"> <li>• Verified significant calculations and balance amounts.</li> <li>• Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system.</li> </ul> <p>We obtained any Judicial Council-approved requests by the Court to hold excess prior year fund balances. However, the Court had not spent any of these held funds at the time of our review. As a result, no further review was deemed necessary.</p>
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2019-2020), we performed the following:</p> <ul style="list-style-type: none"> <li>• Obtained the relevant JBSIS case filings data the Court reported to the Judicial Council and reconciled the case filings counts it reported to its underlying records of cases supporting each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data.</li> </ul>

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

**Assessment of Data Reliability**

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

**Report Distribution**

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

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

### **Audit Staff**

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

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

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

## CASH HANDLING

### **Background**

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

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

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## 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.

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

<b>Finding Reference</b>	<b>Subject</b>
2021-10-01	Procurement – Initiation
2021-13-01	Procurement – Non-Competitive Sole Source
2021-15-01	Procurement – Contract Terms
2021-16-01	Other Internal Controls – Local Contracting Manual

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

#### *PROCUREMENT – INITIATION*

#### **CRITERIA**

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

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

1. Internal review and approvals: Consider the following:

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

### CONDITION

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For 11 procurement transactions reviewed for which we expected to see a purchase request, the Court did not document or require a purchase request and management approval of the request prior to commencing the procurement. For example, 10 of the procurement transactions related to various services and goods such as janitorial services, office furniture, and copy machine leases, the Court was either unable to provide evidence of a purchase request or did not have purchase requests for the procurements. For another procurement transaction involving office supplies in the amount of \$1,873, the Court was only able to provide purchase requisitions for a part of the procurement but not for the entire procurement transaction selected for review. The use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the procurement process.

### RECOMMENDATION

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

### COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree: The court will tighten its procurement practices to ensure purchase requests are included for all purchases including contracts; commencing immediately.

**Response provided on 10/27/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** 10/27/2021

**Responsible Person(s):** Esperanza Esparza, Court Executive Officer

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**FINDING REFERENCE: 2021-13-01**

## *PROCUREMENT – NON-COMPETITIVE SOLE SOURCE*

### **CRITERIA**

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

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

The sole source request should include the following information:

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

### **CONDITION**

The Court does not consistently document its rationale for—and approval of—sole source procurements. Specifically, for seven of the 23 procurements we reviewed, the court did not have supporting documentation explaining why only one vendor is the source of the goods or services the Court needs. The seven sample items we questioned were for goods and services such as office supplies and furniture, court reporters, and copier maintenance services. The Court explained that due to its remote location and limited resources, it could only obtain goods and services from a handful of vendors.

As a general rule, the Court should maximize competitive procurements and otherwise be positioned to explain why any non-competitive procurements have taken place. Audit Services appreciates the Court’s perspective that its remote location and few vendors may at times limit opportunities for competition. The Court could consider establishing a “Special Category Request” (SCR) for certain goods or services where—based on the Court’s experience—there is no viable competition. Chapter 5, Section 5.10 of the JBCM describes the SCR process in greater detail. However, Audit Services would caution the Court against developing an overreliance on SCRs. Each SCR is specific to a type of good or service and should include an analysis of the vendors who are willing to address the Court’s procurement needs. Finally, the Court should periodically reevaluate the merits of any SCR it establishes (such as annually) to ensure SCRs are withdrawn when new opportunities for competition arise.

### **RECOMMENDATION**

To ensure it can explain why certain goods or services were not procured competitively, the Court must comply with the JBCM’s requirements for identifying and using sole-source providers. If the Court believes there is no viable competition for certain goods or services given its remote location, it should consider developing a “Special Category Request” per Chapter 5, section 5.10 of the JBCM.

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

Agree: The court will update its procurement procedures and requests forms to provide language and a narrative section to document and authorize sole source purchases.

**Response provided on 10/27/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** 12/01/2021

**Responsible Person(s):** Cheyenne Schaad, Chief Fiscal Officer

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**FINDING REFERENCE: 2021-15-01**

*PROCUREMENT – 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 five of the 25 procurement transactions reviewed, the Court did not execute written contracts or agreements stipulating the agreed-upon services and pricing. Specifically, for four of the payment transactions, the Court stated it did not have written agreements or contracts. For one other procurement transaction, relating to juvenile dependency counsel services, the Court stated that the attorneys' contract had expired. Additionally, the Court stated that, although it did not renew the contract, the attorney remained assigned to the case due to its complexity. Nonetheless, without written 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 protect its best interests, the Court should institute a practice of executing written contracts and agreements prior to receiving goods and/or services. Further, it should ensure these contracts and agreements include clear and complete terms that are in its best interest. Specifically, prior to executing contracts or agreements, it should establish and include in its contracts and agreements clear descriptions of the goods or services expected from the vendor and the associated pricing so that both the vendor and Court know what is expected and what it will pay. This will help to ensure it continues to receive best value goods and services.

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

Partially agree: While the court recognizes the need for tighter constraints in purchasing and contracting, the court does not agree that the order (signed by a judge) was inappropriately managed. The court has utilized conflict attorneys when needed and proper accounting has been submitted to the court for signature. Conflict Attorney appointments don't function in the same manner as a standard contract attorney would. Therefore, having an order submitted to the judge for signature is appropriate.

**Response provided on 10/28/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** NA

**Responsible Person(s):** NA

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**FINDING REFERENCE: 2021-16-01**

*OTHER INTERNAL CONTROLS – LOCAL CONTRACTING MANUAL*

**CRITERIA****PUBLIC CONTRACT CODE 19206:**

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

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

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

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

**CONDITION**

The Court has not adopted a Local Contracting Manual (LCM), as required by the Judicial Branch Contracting Manual (JBCM) and state law. Audit Services inquired of the Court why they did not adopt a LCM and the Court stated it uses the JBCM. Therefore, the court has not officially documented various internal control procedures related to delegations of authority, the use of non-competitive and competitive processes, or other required tasks. As a result, the Court is at increased risk of not procuring and reporting the goods and services it procures as required by the JBCM and state law.

**RECOMMENDATION**

To ensure its procurement practices are documented and in compliance with the JBCM requirements, the Court should take steps to develop and adopt a Local Contracting Manual that is consistent with the JBCM and applicable state laws for its procurement and contracting activities.

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

Agree: The court is currently working on creating and implementing our local contracting manual per this requirement.

**Response provided on 10/28/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** 6/30/2022

**Responsible Person(s):** Lesley Plunkett, Assistant Court Executive Officer

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## PAYMENT PROCESSING

### The Court Should Strengthen 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.

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

Finding Reference	Subject
2021-17-01	Payment Processing – Three-Point Match
2021-18-01	Payment Processing – Approval and Authority Levels
2021-19-01	Special Rules – In-Court Service Providers

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#### FINDING REFERENCE: 2021-17-01

##### *PAYMENT PROCESSING – 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 six payment transactions reviewed, the Court could not demonstrate completing the entire three-point match verification process when paying invoices and claims. Specifically, accounts payable staff could not demonstrate how they matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization for these transactions. For example, for record storage and retrieval services, the Court was unable to demonstrate how it was able match and agree \$514 of a \$746 invoice to pricing terms in the agreement with the vendor. For another payment transaction, relating to internet services in the amount of \$250, the Court did not have updated agreements or addendums specifying the change in payment terms. The Court stated that its IT staff verbally verified the rate over the phone with the vendor but did not receive an agreement with the updated pricing terms. 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. Additionally, when Court staff do not perform the required three-point match, 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 that it has a written contract or agreement with clear pricing terms on file for each of its procurements, and provides these contracts or agreements to its accounts payable staff so that they are able to fully perform the required three-point match and verify the accuracy of vendor invoices prior to payment approval and processing.

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

Agree: The court is tightening up its procedures in order to comply with the three-point match requirement.

**Response provided on 10/28/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** 10/28/2021

**Responsible Person(s):** Cheyenne Schaad, Chief Fiscal Officer

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**FINDING REFERENCE: 2021-18-01**

*PAYMENT PROCESSING – 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).

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](mailto: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**

For nine of the samples 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. For example, for one invoice relating to collection services in the amount of \$7,725, the same authorized court official both procured the services and approved the invoice for payment. According to the Court, due to its small size and

limited staff, it does the best it can when performing procurement and accounts payable processes.

Additionally, for another sample reviewed, the court was unable to provide documentation showing who procured the goods. Specifically, the invoice was for furniture from an office supplies vendor in the amount of \$1,699. According to the Court, this vendor is the only office supplies vendor in town, and the Court does not have a written contract with them. Therefore, Audit Services was unable to determine whether the court staff who approved the invoice for payment was different from the court staff who procured the goods. 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 procurement documentation, and a segregation of duties between the procurement and accounts payable duties of Court staff.

### **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.

Alternatively, if the Court cannot implement the FIN Manual's requirements, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure for implementing controls that provide for the segregation of duties between procurement and authorizing vendor payment functions.

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

Agree: The court has already corrected this finding. The Court has authorized the Assistant CEO to approve purchase of goods which leaves the CEO available for approving the payment of invoices. The Court did not have the appropriate staff to fully separate the duties necessary to comply prior to July 2021 when the court was able to fill the ACEO position.

**Response provided on 10/28/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** 10/28/2021

**Responsible Person(s):** Esperanza Esparza, Court Executive Officer

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

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

### **CRITERIA**

FIN MANUAL, FIN 8.02, 6.3 COMPLETE CLAIM DOCUMENTATION:

1. The documentation required to pay a claim consists of a court-approved claim form that includes at least the following information:
  - a. The name and address of the person or business submitting the claim,

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

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

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

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

4. 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](mailto: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

For four of the five in-court services claims reviewed, the Court processed and paid the claims even though the claimants did not include all the information required for the Court to verify the accuracy and validity of the claims. Specifically, the Court's accounts payable staff processed two court reporter claims for payment without requiring the claimants to include on their claim forms the case numbers and names for which they provided services as well as the claimants' address. Also, for two court transcript claims, the Court's accounts payable staff processed the claim forms without requiring the claimants to include on their claim forms the claimants' address. According to the Court, the previous claim forms did not include an area for the claimants to disclose their address. However, the claim forms were later updated to require the claimants' address. Additionally, the Court stated it only requires case numbers and names on claim forms when services are provided for a specific case. When claimants are assigned to work a full day, the claimants note this on their claim form by writing the word "calendar" instead of listing the case names and numbers worked on. However, including the case numbers and names, as well as the claimants address, on in-court service provider claims is required by the FIN Manual. If the Court believes the FIN Manual's requirements are not appropriate given its circumstances, the Court can seek the Judicial Council's approval for alternative procedures.

### **RECOMMENDATION**

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

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

Alternatively, if the Court cannot implement the FIN Manual's requirements, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure for reconciling and verifying the accuracy of in-court service provider claims prior to payment approval and processing.

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

Agree: While the Court does in fact require this information; it was an oversight of the court that the claimant was using an outdated invoice which did not include the address. In regards to not including the case number; the court does require this information be provided. However, the court was not requiring this information when the court reporters worked for multiple case calendars. The court was unaware that this was in violation of the FIN manual. The court has since required all Pro Tem Court reporters to include copies of the calendars (with case numbers) with their invoices. Further, the court reporters have received updated invoice templates to include addresses and other required information.

**Response provided on 10/28/2021 by:** Cheyenne Schaad, Chief Fiscal Officer  
**Date of Corrective Action:** 10/21/2021  
**Responsible Person(s):** Cheyenne Schaad, Chief Fiscal Officer

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## FINE AND FEE DISTRIBUTIONS

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

#### Background

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

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

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

Finding Reference	Subject
2021-25-01	CMS – Calculated Distributions

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#### FINDING REFERENCE: 2021-25-01 *CMS – CALCULATED DISTRIBUTIONS*

#### CRITERIA

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

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

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

1. Each payment received by the trial court is ultimately distributed according to a schedule established by the Legislature.
2. The court must assure that:
  - a. The state schedule for revenue distribution is accurately entered in the court's case management system.
  - b. The state schedule is consistently followed by every court location either through centralized input that serves all locations or by separately entering and verifying data entry for each location.

## CONDITION

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

- For the DUI and reckless driving cases reviewed, the amounts the Court distributed for these violations did not match the expected distributions. Specifically, the Court is not accurately distributing certain amounts under PC 1463.14(a) or PC 1463.16. For PC 1463.14(a) and PC 1463.16, each distributes \$50 for certain Vehicle Code violations to be used for drug testing and the county's alcohol education programs. The variances we noted for these cases ranged from \$7.21 more than expected being distributed under PC 1463.14(a) as well as PC 1463.16 for the DUI case, to \$5.05 less than expected being distributed under PC 1463.16 for the reckless driving case. In addition, the Court is not accurately distributing the PC 1463.18 penalty amount for the DUI case we reviewed. In addition, PC 1463.18 calls for a \$20 penalty on DUI cases to be distributed to a restitution fund. However, we noted for this case the variance was \$2.85 more than expected being distributed.
- Additionally, the Court could not provide a copy of the county Board of Supervisors (BOS) resolution that authorizes it to transfer the \$50 PC 1463.16 amount to a special county account for the county's alcoholism education program. According to PC 1463.16, the county board of supervisors must approve the transfer of \$50 upon each fine collected for certain violations of the Vehicle Code to the program. As a result, the Court is at risk of transferring this penalty amount for unauthorized purposes.
- For three of the cases reviewed, the Court was unable to demonstrate that it is transferring the GC 68090.8 2% State Automation amount from all penalties in a manner consistent with state law. GC 68090.8 requires that 2% of all fines, penalties, and forfeitures collected in criminal cases be transmitted to the state to help pay for state trial court automated systems. We found that for all three cases, the Court was distributing less than expected—as much as \$3.92 less for reckless driving cases.

- In addition to, and at least in part because of, the issues noted above, the Court's distributions did not match the expected distributions throughout for four of the five violations we reviewed. Specifically, the actual distributions did not match the expected distributions for the DUI, reckless driving, speeding bail forfeiture, and speeding traffic school cases we reviewed. Areas where we noted variances included distributions made under PC 1464, GC 76101, GC 76104, GC 70372(a), and PC 1465.7, among others. As a result, the Court distributes more to some state and local funds than it should, and also distributes less to some other state and local funds than it should.

Although the above variances may individually be small, they may become significant when aggregated over time. According to the Court, its distribution tables in its CMS have not been updated in some time, largely because its distributions were set up in its previous CMS, which was an archaic system that did not allow for automated updates. Until its CMS tables are reconfigured and corrected, the Court will continue to incorrectly distribute some fines and penalties.

### **RECOMMENDATION**

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

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

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

Agree: The Court is transitioning to E-Court this fiscal year. E-Court works closely with courts in setting up and updating distributions. The Court believes that once this migration takes place any errors that may be existing will be eliminated.

The Court cannot provide Board of Supervisors Resolutions as the County is unable to retrieve them as requested multiple times. The county states they can only look up resolutions by date of enactment. However, these fines/fees have been vetted through the SCO audit as valid. The only resolution for the court at this point is to eliminate the application of said fines/fees until the county can provide the resolution.

**Response provided on 10/28/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** 6/30/2022

**Responsible Person(s):** Esperanza Esparza, Court Executive Officer and Cheyenne Schaad, Chief Fiscal Officer

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## THREE PERCENT FUND BALANCE CAP

### The Court Should Ensure Its Three Percent Fund Balance Cap Calculations Includes Financial Commitments That Qualify as Year-End Encumbrances

#### Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed three percent of its prior fiscal year operating budget. To assist in ensuring compliance with this requirement, the Judicial Council requires courts to prepare and submit a final 3% Fund Balance Cap Calculation Form (calculation form) approximately six months after the end of the fiscal year, which calculates the amount of fund balance that a court may carry over into the next fiscal year. Courts self-report the inputs on the calculation form, such as year-end expenditures, expenditure accruals, and encumbrances.

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

We identified one audit finding in the three percent fund balance cap area that we believe requires the Court’s corrective action. This finding pertained to the following specific area of the three percent fund balance cap calculations:

Finding Reference	Subject
2021-27-01	Calculation of the Three Percent Cap - Encumbrances

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#### FINDING REFERENCE: 2021-27-01

#### *CALCULATION OF THE THREE PERCENT CAP – ENCUMBRANCES*

#### CRITERIA

FIN MANUAL, FIN 5.01, 6.6 ENCUMBRANCES:

Any encumbrance amount over \$750 must be posted in the accounting system, ensuring adequate amounts are reserved for the expenditures contemplated. Trial courts may make the determination to encumber amounts less than \$750 if deemed necessary. As invoices related to encumbrances are paid, encumbrances should be liquidated by an amount equal to the payment. Once the last payment related to the contract, PO, MOU, or IBA is made, the encumbrances

associated with the contract, PO, MOU, or IBA must be disencumbered. Similarly, all encumbrances associated with contracts, POs, MOUs, or IBAs that have expired or have been canceled must also be disencumbered.

#### FIN MANUAL, FIN 5.01, 6.8.3 YEAR-END ENCUMBRANCES:

2. Open encumbrances on June 30 must be handled by the trial court in one of the following ways:
  - a. Accrue encumbrances when goods have been received or services have been provided in the current fiscal year and the invoice will not be paid until the next fiscal year. The accrual must be reversed, and the payment must be made against the encumbered amount in the next fiscal year, offsetting the reversed entry.
  - b. Encumbrances budgeted for commitments in the current fiscal year, but goods and services were not received should be reflected on the QFS and the State CAFR information as Reserve for Encumbrances Within Fund Balance.

#### **CONDITION**

At the end of fiscal year 2019-20, the Court did not report any year-end encumbrances, although it should have reported at least \$34,247. Specifically, we noted the Court ordered \$34,247 in miscellaneous computer supplies on the last day of the fiscal year (June 30, 2020), but it accrued this amount as an expense instead of reserving fund balance through an encumbrance, as required by the FIN Manual. The Court had not received the goods or services by June 30<sup>th</sup> (so an accrual was inappropriate); nevertheless, the Court was able to provide evidence it had placed the order with the vendor despite not having a purchase order.

The Court's decision to accrue (and not encumber) this amount did not affect the Judicial Council's calculation of the Court's cap amount, since removing the improper accrual and adding back the missing encumbrance has no net effect on the Court's operating budget and the 3% cap it is based on. However, the missing encumbrance of \$34,247 did affect the Judicial Council's calculation of how much fund balance the Court was allowed to keep. Current year encumbrances are excluded—per council policy—when determining the portion of fund balance subject to the cap, and by not having the encumbrance the Court's fund balance subject to reduction was overstated (by \$34,247, or the amount of the missing encumbrance).

Finally, we noted the Court had requested that \$300,000 of its reduced fund balance be “held on behalf” by the Judicial Council. Judicial Council's Budget Services and the Court may need to re-evaluate this “held on behalf” amount should there be an adjustment given the Court's overstatement of fund balance subject to the cap and the resulting reduction.

#### **RECOMMENDATION**

To ensure the Court does not continue to accrue amounts that should be encumbered at fiscal year-end, the Court should provide training to its fiscal staff—or consult with the Branch Accounting & Procurement office—to ensure its encumbrance and accrual practices are consistent with the FIN Manual.

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

Agree; The court's prior understanding of year end was to accrue purchases placed prior to June 30<sup>th</sup>. However, in reviewing this finding and the Financial Policy and Procedure manual, the court understands that encumbering the funds would be the correct recording for this expense.

**Response provided on 11/03/2021 by:** Cheyenne Schaad, Chief Fiscal Officer

**Date of Corrective Action:** 6/30/2022

**Responsible Person(s):** Cheyenne Schaad, Chief Fiscal Officer

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## JBSIS CASE FILING DATA

### The Court Should Ensure It Reports Accurate Case Filing Counts and Data to JBSIS

#### Background

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

Our review found that the Court maintained documentation to support the JBSIS case filings data it submitted to the Office of Court Research. Nevertheless, our review identified one JBSIS related audit finding that we believe requires the Court’s continuous monitoring. This finding pertained to the following specific area of the JBSIS case filings data:

Finding Reference	Subject
2021-29-01	JBSIS Data Quality – Case Filing Counts and Data

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#### **FINDING REFERENCE: 2021-29-01**

#### *JBSIS DATA QUALITY – CASE FILING COUNTS AND DATA*

#### **CRITERIA**

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

Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, the Judicial Branch Statistical Information System (JBSIS) is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch...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.

#### JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM MANUAL – VERSION 3.0, APPENDIX H—DATA QUALITY ASSURANCE;

#### Error Quantification and Acceptable Error Rates

The error rate is determined by the difference of the reported value and the correct value, divided by the reported value. The magnitude of the error relative to the number of filings in a given period affected determines how courts should remedy the error. The JBSIS subcommittee determined that a 2% error rate met the criteria of being rigorous enough to ensure high data quality without posing an undue burden for courts.

The committee determined that an error rate of 2% or more in any one data element for a specific case type or cumulative across case types for one data element—limited at this time to filings, dispositions, trials, and time to disposition, when reported—should be established as the threshold above which courts must submit amended data correcting the report and that amended reports to resolve the error must be submitted within 60 days of error discovery.

### **CONDITION**

To better ensure courts can identify and research potential JBSIS reporting errors, effective July 2018, the JBSIS Manual includes data quality standards that encourage courts to have methods of both routine and non-routine reviews of their data. Examples of these review methods include courts performing random reviews of selected case files to ensure the data reported to JBSIS is consistent with the judicial branch's agreed-upon case type definitions. However, implementing such an approach requires courts to know which cases they have reported to JBSIS and when. Without this information, neither the courts nor external parties are well-positioned to evaluate the accuracy of the reported case filings data or determine which of the many monthly JBSIS reports require amendment if errors are found.

### Reconciliation Between JBSIS Case Filing Counts and Court-Based Records

JBSIS data contains aggregated counts of new case filings, which should be supported by case-specific records at the trial court level. Columns A through D from Table 1 compare the Court's aggregated JBSIS data for fiscal year 2019-20 against its own corroborating CMS data. In short, columns A through D illustrate whether the Court can support its JBSIS filings data for fiscal year 2019-20 based on the summary CMS data provided at the time of our fieldwork at the beginning of March 2021.

Table 1 - Comparison of JBSIS Case Filings Data to Underlying Court Records for fiscal year 2019-20

JBSIS Report / Case Category	JBSIS versus Court Records				WAFM Case Weight (^)
	A	B	(A-B)	(C/A)	
	Filings in JBSIS(*)	Court Records(#)	Net Difference	Error Rate	
05a Unlawful Detainer	73	74	(1)	-1.37%	
05a Civil – Limited	137	133	4	2.92%	182
05a EDD	-	-	-	0.00%	
05b Civil – Unlimited	122	122	-	0.00%	
05b Civil – Complex	-	-	-	0.00%	
05b Asbestos	-	-	-	0.00%	
06a Family Law – Marital	102	101	1	0.98%	
06a Family Law – Child Support	164	172	(8)	-4.88%	405
06a Family Law – Domestic Violence	87	87	-	0.00%	
06a Family Law – Parentage	49	50	(1)	-2.04%	1260
06a Family Law – Other	22	12	10	45.45%	571
07c Felony	461	466	(5)	-1.08%	
08a Juvenile Delinquency	94	28	66	70.21%	646
09a Juvenile Dependency	84	79	5	5.95%	1211
10a Mental Health	5	5	-	0.00%	
11a Misdemeanor – Traffic	378	500	(122)	-32.28%	103
11a Misdemeanor – Non-Traffic	308	363	(55)	-17.86%	478
11a Infractions	4,496	4,507	(11)	-0.24%	
12a Conservator / Guardianship	33	32	1	3.03%	2225
12a Estates / Trusts	51	41	10	19.61%	1831
13a Small Claims	33	33	-	0.00%	
<b>Overall Total</b>	<b>6,699</b>	<b>6,805</b>	<b>(106)</b>	<b>-1.58%</b>	

Source: Judicial Branch Statistical Information System (JBSIS) and the Court's CMS records.

**Notes:**

\* Reported case filings for fiscal year 2019-20, by JBSIS report and case category, as accessed by Audit Services in April 2021.

# Court CMS data provided by the Court to substantiate the aggregate filings data reported to JBSIS.

^ Applicable case weight (shown as minutes per filing), which is eventually applied to filings to determine WAFM budget allocations.

As shown in columns A through D, we found 10 variances resulting in an overall error rate of only 1.58% of all reporting filings. Nevertheless, the Court's reported filings for the following case categories had variances that individually ranged between -2.04% and 70.21%: Civil Limited, Family Law-Child Support, Family Law-Parentage, Family Law-Other, Juvenile Delinquency, Juvenile Dependency, Misdemeanor-Traffic, Misdemeanor-Non-Traffic, Conservator/Guardianship, and Estates/Trusts. Since the amount of the errors exceeds the council's tolerable error rate for JBSIS reporting, the Court will need to amend its reported filings on JBSIS for the noted 10 case categories.

The Court enters filings data manually via the JBSIS portal for all case types, and the Court does not have a practice of keeping records of which specific cases were counted and included in the manual upload to JBSIS. As a result, the Court could only provide us with case-specific listings from CMS (by JBSIS report type) during our fieldwork. In some cases, the JBSIS data was consistent with the Court's records (columns A and B), while in other cases it was not and the Court suspects there are errors with its CMS-generated lists. For example, the Court believes its CMS is not properly reporting case filings for juvenile dependency and delinquency filings and is instead reporting court work-flow processes. Regardless, the Court should develop a policy and practice of keeping records of the specific case filings it reports to JBSIS so the Court (and external parties) can periodically monitor the accuracy of the data it is reporting.

#### Review of Case Files for JBSIS Data Quality

We selected a sample of 60 case files to review whether the Court's CMS reports of specific case filings met the Judicial Council's definition of a reportable filing. Our review found that, except for three minor issues that we communicated separately to the Court, the filings we reviewed were consistent with the JBSIS Manual's case-type definitions.

#### **RECOMMENDATION**

To ensure it is doing all it reasonably can to ensure accurate and complete JBSIS reporting, the Court should do the following:

- Resubmit updated case filings data to JBSIS for fiscal year 2019-20 via an amended report.
- Maintain the case filing data documentation to support its case filing data submitted via the JBSIS portal.

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

Agree.

The court has since created new case type sub-types to be able to run reports and confirm the filings. The court is unable to resubmit updated case filings as it has no ability to confirm the accuracy of the data due to the system not able to differentiate between a workflow process and a filing. The court will be transitioning to a new case management system (eCourt/Journal) that is set up to comply with JBSIS reporting and accurately report the filings and workflow processes with more accuracy.

The court has already started to print out further reports with its most recent JBSIS reporting to confirm the numbers being reported.

**Response provided on 10/28/2021 by:** Esperanza Esparza, Court Executive Officer

**Date of Corrective Action:** 6/30/2022

**Responsible Person(s):** Esperanza Esparza, Court Executive Officer

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## **GRANT AWARD COMPLIANCE**

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

#### **Background**

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

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

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

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## **OTHER AREAS**

### **Background**

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

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