



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

FEBRUARY 2022



JUDICIAL COUNCIL
OF CALIFORNIA

AUDIT SERVICES

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

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

Superior Court of California, County of Inyo

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

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

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	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	-		
Procurement and Contracts					
10	Procurement Initiation	Yes	✓		
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	1	2021-17-01	Agrees
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	1	2021-19-01	Agrees
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distributions					
25	CMS-Calculated Distributions	Yes	✓		
26	Manually-Calculated Distributions	N/A	-		
3% Fund Balance Cap					
27	Calculation of the 3% Cap	Yes	✓		
28	Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data					
29	Validity of JBSIS Data	Yes	1	2021-29-01	Agrees
Grant Award Compliance					
30	AB 1058 Program	Yes	✓		
Other Areas					
31	[None]	N/A	-		

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

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

The Court demonstrated consistent adherence to several different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of reporting on limits to its fund balance (3% fund balance cap) and in meeting AB 1058 grant requirements. For example, our review of the Court's 3% fund balance cap calculation and reporting process was sound. In addition, the Court properly supports its timekeeping and other expenses that it charges to the AB 1058 grant program.

However, our audit did identify three reportable audit findings where we believe the Court should consider taking corrective action to improve its operations and more fully comply with the Judicial Council's policies. These three findings are identified in Table 1 under the column "Reportable Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective.

One particular area of focus for the Court as it considers opportunities for improvement should include 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 15, 2021, and completed fieldwork on October 19, 2021. Audit Services shared the draft audit findings with the Court's officials on November 16, 2021, and received the Court's final official responses on December 27, 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 Inyo (Court) operates two court facilities in the cities of Bishop and Independence. 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 Inyo Superior Court and Average of all Superior Courts

Statistic	Inyo Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
Financial Highlights (Fiscal Year 2019-20)						
Total Revenue	\$ 2,973,760	\$ 2,801,621	\$ 11,732,226	\$ 47,147,065	\$ 222,407,059	\$ 46,418,993
Total Expenditures	\$ 2,941,659	\$ 2,685,427	\$ 11,793,650	\$ 47,226,007	\$ 224,959,605	\$ 46,782,011
Staff Salaries & Benefits	\$ 2,057,430	\$ 1,783,894	\$ 9,042,960	\$ 36,756,739	\$ 188,576,818	\$ 38,140,615
As a % of Total Expenditures	69.9%	66.4%	76.7%	77.8%	83.8%	81.5%
Judicial Officers and Staff (2020 Court Statistics Report)						
Judges	2	2	8	30	142	30
Commissioners/Referees	-	-	1	4	21	4
Non-Judicial Staff (approx.)	16	16	86	310	1,419	302
Total	18	18	95	344	1,582	336
New Case Filings (Fiscal Year 2018-19)						
Appeal Filings	2	6	79	173	213	100
Civil Filings						
Civil	244	271	2,007	9,365	57,502	10,862
Family Law	175	249	1,580	5,326	24,611	5,252
Juvenile Delinquency	57	39	185	840	2,020	547
Juvenile Dependency	16	37	198	554	4,268	798
Mental Health	1	10	172	1,124	8,357	1,472
Probate	41	47	254	900	3,725	824
Small Claims	13	44	336	1,835	11,700	2,164
Criminal Filings						
Felonies	149	224	1,141	3,715	13,068	3,126
Misdemeanors / Infractions	8,505	4,096	19,330	70,480	309,401	66,865
Total	9,203	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. Inyo Superior Court is a cluster 1 court.

AUDIT SCOPE AND METHODOLOGY

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

	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. 	The Audits and Financial Accountability Committee approved the fiscal year 2020-21 Audit Plan during the July 14, 2020, meeting. Per the approved Audit Plan, Audit Services proposed temporarily suspending cash handling audit work due to COVID-19. Our audit procedures rely extensively on in-person observations of key controls, and budget reductions and travel restrictions arising from COVID-19 limit our ability to complete this work. Therefore, Audit Services did not review cash handling internal controls and processes for the Court during the course of this audit.
3	Determine whether the Court demonstrated appropriate control over its non-personal services spending	We reviewed the Court's assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving

<p>activities. Specifically, our review included the following:</p> <ul style="list-style-type: none">▪ 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 2019-20 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.• Whether the payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.• Whether the payments for in-court service providers adhered to applicable Judicial Council policies. <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"> • Verified significant calculations and balance amounts. • Traced and verified significant inputs on the form (such as year-end encumbrances) to supporting records and the Phoenix accounting system. <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal years. As a result, no further review was deemed necessary.</p>
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2019-2020), we performed the following:</p> <ul style="list-style-type: none"> • 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.

		<ul style="list-style-type: none"> We selected 10 cases from five case types, and the only case for the year from a sixth case type, for a total of 51 reported cases. We 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 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
Veronica Lee, Auditor, CFE
Usamah Salem, Auditor, CFE
Tia Thao, Auditor

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

Background

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

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

PROCUREMENT AND CONTRACTS

The Court Complied with Applicable Requirements for Procuring Goods and Services

Background

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

Our review found that, except for a few minor instances of non-compliance that we communicated separately to the Court, the Court complied with applicable requirements for procuring goods and services. Specifically, the Court demonstrated compliance in various areas we evaluated during our audit, including demonstrating sound management practices in the area of leveraged purchase agreements.

PAYMENT PROCESSING

The Court Generally Complied with Most Payment Processing Requirements, But Could be More Consistent with the Three-Point Match and In-Court Service Providers Requirements

Background

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

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

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

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 seven 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, for four payment transactions, the Court paid amounts for goods and services that were greater than the rates or fees initially established in the contracts or agreements with the vendors. For example, accounts payable staff paid a vendor for yearly case management system maintenance fees in the amount of \$20,808. However, the Court's contract stated a yearly fee rate of \$15,496. The Court was unable to find and provide support for the increase in the yearly fee such as a contract amendment or a fee increase letter from the vendor.

For the other three payment transactions, the Court did not have support or documentation that demonstrated how accounts payable staff matched and agreed the invoices to the terms in an applicable contract or equivalent court authorization. For example, accounts payable staff paid an invoice from the County of Inyo for professional services related to its Drug Court Program in the amount of \$1,485. However, the MOU with the County has no reference to professional services for the Court's Drug Court Program. According to the Court, the amount paid was a flat rate paid on an annual basis for bailiff services relating to its Drug Court. However, the Court is unable to locate any documentation to support the rate paid for the Drug Court Program professional services. 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. We will be sure to follow the FIN Manual requirements for "three-point match".

Response provided on 12/27/2021 by: Pamela M. Foster, Court Executive Officer

Date of Corrective Action: 1/03/2022

Responsible Person(s): Pamela M. Foster, Court Executive Officer

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:

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

For three of the five in-court services claims reviewed, the Court processed and paid the claims even though the claimants did not include all the information required for the Court to fully verify the accuracy and validity of the claims. Specifically, the Court's accounts payable staff processed a court reporter claim and a claim for psychologist services for payment without requiring the claimants to include on their claim forms the case numbers and names for which they provided services. Also, for a court transcript claim, the Court's accounts payable staff processed the claim form without requiring the claimant to include on their claim form the claimants' signature. According to the Court, for the psychologist services claim and court transcript claim, it did not know why the case names and numbers, and the claimants' signature, were missing. For the court reporter claim, the Court stated that the court calendar can often have over 100 cases in a day and the reporter reports for the whole day. Therefore, if the Court wanted to know what cases were reported for a certain day, the Court would look at that docket for that day. Nonetheless, including the case numbers and names, as well as the claimants' signature, on in-court service provider claims is required by the FIN Manual. When courts do not require claimants to include all required information, courts risk paying invalid or inappropriate claims, and the claimants later asserting that the claims were not theirs or were unintended. 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. The court has added signature requirements to all claims submitted to the court.

We will be seeking an alternative procedure to the FIN Manual with regard to requiring case numbers on the claims for court reporter services as we have court reporters report all cases on any given day and therefore could be reporting a hundred cases per day and it would be cumbersome and inefficient in those instances.

Response provided on 12/27/2021 by: Pamela M. Foster, Court Executive Officer

Date of Corrective Action: 1/03/2022

Responsible Person(s): Pamela M. Foster, Court Executive Officer

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.

Our review of its fine and fee distributions found that, except for a few minor instances of non-compliance that we communicated separately to the Court, the Court configured its automated case management systems to accurately calculate and distribute the fines, penalties, assessments, and fees collected to the appropriate funds and entities.

THREE PERCENT FUND BALANCE CAP

The Court Appropriately Supported Its Three Percent Fund Balance Cap Calculations

Background

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

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

Our review found that the Court complied with the requirements for its 3% fund balance cap calculations. Specifically, we reviewed the inputs on its final FY 2019-20 3% fund balance cap calculation form and found that the Court used expenditure amounts that agreed to its accounting records. In addition, we found the Court did not report any encumbrances on its final FY 2019-20 calculation form. 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 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

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 end of August 2020.

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	37	37	-	0.00%	324
05a Civil – Limited	104	104	-	0.00%	
05a EDD	-	-	-	0.00%	
05b Civil – Unlimited	103	103	-	0.00%	
05b Civil – Complex	-	-	-	0.00%	
05b Asbestos	-	-	-	0.00%	
06a Family Law – Marital	60	60	-	0.00%	
06a Family Law – Child Support	39	39	-	0.00%	
06a Family Law – Domestic Violence	34	34	-	0.00%	
06a Family Law – Parentage	33	33	-	0.00%	
06a Family Law – Other	9	9	-	0.00%	
07c Felony	149	149	-	0.00%	
08a Juvenile Delinquency	33	33	-	0.00%	
09a Juvenile Dependency	16	16	-	0.00%	
10a Mental Health	1	7	(6)	-600.00%	
11a Misdemeanor – Traffic	282	281	1	0.35%	
11a Misdemeanor – Non-Traffic	451	451	-	0.00%	
11a Infractions	7,772	7,772	-	0.00%	
12a Conservator / Guardianship	16	16	-	0.00%	
12a Estates / Trusts	25	25	-	0.00%	
13a Small Claims	13	13	-	0.00%	
Overall Total	9,177	9,182	(5)	-0.05%	

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 May 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 one variance resulting in an error rate of only 0.05% of all reporting filings. Nevertheless, the Court's reported filings for Mental Health (324 minutes/filing) was understated by six filings (or 600% of all filings in that case category). Since the amount of error exceeds the council's tolerable error rate for JBSIS reporting, the Court will need to amend its reported filings on JBSIS for report 10a. According to the Court, it did not report the six Mental Health cases because of its interpretation of the JBSIS Manual in effect prior to July 2018. Specifically, the JBSIS manual prior to July 2018 stated, "Report all mental health petitions only if they are initial filings and not part of existing court cases". The Court interpreted this to mean that it does not need to report mental health competency cases because

when competency is questioned, the proceedings are conducted in the existing criminal case. However, the JBSIS Manual effective after July 2018, and applicable to the fiscal year 2019-20 case filings, states that "A mental competency filing should be counted each time doubt is declared for each underlying criminal or juvenile case." Therefore, the Court should have reported the six new mental health competency case filings for fiscal year 2019-20.

Review of Case Files for JBSIS Data Quality

Aside from reconciling JBSIS case filings data to its underlying case-specific records, we also selected a sample of case files to review and determine whether the Court followed the JBSIS Manual’s case-type definitions. Our review of 60 case filings from fiscal year 2019-20 found the issues noted in Table 2 below.

Table 2 - Misclassification and Other Errors Identified During Review of Case File Records

Selected Case Type	# of Case Files Reviewed	# of Case Files With Errors	Error Description
Civil – Unlimited	10	0	
Family Law – Child Support	10	0	
Family Law – Domestic Violence	10	1	Incorrect case type filed
Felony	10	0	
Juvenile - Dependency	10	0	
Mental Health	1	0	
Total	51	1	

The specific errors noted above are as follows:

- Family Law-Domestic Violence: For one of the 10 Family Law-Domestic Violence cases reviewed, the Court reported the filing in a manner that did not agree with the JBSIS Manual data element definitions for the case type. Specifically, a Register Out-of-State Restraining Order – Tribal Court (Form DV-600) was recorded in JBSIS column 90 which is for cases filed using form DV-100, not DV-600. Per the JBSIS Manual, this case should have been recorded in JBSIS column 130 for Family Law - Other FL Petitions and Complaints. According to the Court, this is a recurring error resulting from the Court’s written procedure for processing these cases which does not specify which JBSIS Column these cases are assigned to. The Court stated it will revise its procedure as well as locate all applicable cases filed from July 2020 to present and submit amended JBSIS reports for the affected months.

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.

- Provide training to clarify for staff certain JBSIS case type definitions and the required case file records.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Inyo Superior Court agrees with the recommendations, and has taken the following corrective actions:

- Regarding Table 1: On November 16, 2021, the court submitted amended JBSIS 10a reports for September 2019 and June 2020 in order to report the six (6) missing filings.
- Regarding Table 2: The court reclassified all tribal restraining orders (Form DV-600) filed from July 1, 2019 through May 26, 2021 to column 130 of the 06a report. On June 2, 2021 the court submitted amended JBSIS 06a reports for July 2019 through April 2021. Additionally, on May 24, 2021, the court revised its written procedure for registering out-of-state restraining orders to include that those filings should be reported to column 130. The revised procedure was provided to court staff.

Response provided on 11/16/2021 by: Lindsay Eropkin, Court Operations Manager

Date of Corrective Action: 6/02/2021 and 11/16/2021

Responsible Person(s): Lindsay Eropkin, Court Operations Manager

GRANT AWARD COMPLIANCE

The Court Followed Appropriate Grant Accounting and Administrative Procedures

Background

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

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

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

OTHER AREAS

Background

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