



Audit of the Superior Court of California, County of Calaveras

JUNE 2024



Judicial Council of California

This report contains confidential material for the sole use of the intended recipient(s). Any review, use, distribution, or disclosure to others is strictly prohibited until the audit report is accepted by the Judicial Council.

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

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

Superior Court of California, County of Calaveras

Table of Contents

EXECUTIVE SUMMARY i

BACKGROUND ON THE COURT’S OPERATIONS..... iv

AUDIT SCOPE AND METHODOLOGY v

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION..... 1

 CASH HANDLING..... 2

 PROCUREMENT AND CONTRACTS 5

 PAYMENT PROCESSING..... 8

 FUND BALANCE..... 9

 JBSIS CASE FILING DATA..... 10

 ENHANCED COLLECTIONS 11

EXECUTIVE SUMMARY

Introduction

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

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

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

Summary of Audit Results

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

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

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
Cash Handling					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Manual Receipts	Yes	1	2023-3-01	Agrees
4	Mail Payments	Yes	✓		
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2023-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	✓		
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	1	2023-16-01	Agrees
Payment Processing					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	✓		
20	Special Rules - Court Interpreters	Yes	✓		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fund Balance					
25	Year-End Encumbrances	Yes	✓		
26	Use of "Held on Behalf" Funds	Yes	✓		
JBSIS Case Filing Data					
27	Validity of JBSIS Data	Yes	✓		
Enhanced Collections					
28	Enhanced Collections	Yes	✓		

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

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

The Court demonstrated consistent adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of reporting new case filing counts and data to JBSIS, and payment processing. For example, our review found that the Court's records materially supported the new case filing counts and data it submitted to JBSIS. In addition, our review found that the Court's payment processing practices demonstrated good management practices in the areas of the court interpreters and other items of expense.

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 the development and adoption of a Local Contracting Manual (LCM). Specifically, the JBCM requires that each judicial branch entity adopt an LCM for procurement and contracting for goods or services consistent with the requirements of Public Contract Code 19206. Additionally, the content of an LCM must identify individuals with responsibility and authority for procurement and contracting activities. Without an LCM, the Court risks staff initiating and making purchases without proper guidance and 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 that it is in the process of creating an LCM with an estimated completion by April 2024.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on September 7, 2023, and completed its fieldwork in January 2024. Audit Services shared the draft findings with the Court starting on December 5, 2023, and received the Court's final official responses on March 15, 2024. 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 Calaveras (Court) operates one court facility in the county seat of San Andreas. 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 Calaveras Superior Court and Average of all Superior Courts

Statistic	Calaveras 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 2022-23)						
Total Revenue	\$ 4,156,842	\$ 3,321,890	\$ 14,929,531	\$ 56,272,477	\$ 279,691,643	\$ 57,712,989
Total Expenditures	\$ 3,930,334	\$ 3,218,479	\$ 14,532,931	\$ 55,424,086	\$ 264,442,952	\$ 55,242,386
Staff Salaries & Benefits	\$ 2,738,495	\$ 2,037,590	\$ 10,635,642	\$ 42,045,877	\$ 212,938,514	\$ 43,356,077
As a % of Total Expenditures	69.7%	63.3%	73.2%	75.9%	80.5%	78.5%
Judicial Officers and Staff (2024 Court Statistics Report)						
Judges	2	2	8	30	144	30
Commissioners/Referees	1	-	1	4	21	4
Non-Judicial Staff (approx.)	25	19	96	330	1,528	326
Total	28	21	105	364	1,693	360
New Case Filings (Fiscal Year 2022-23)						
Appeal Filings	20	9	80	152	214	96
Civil Filings						
Civil	560	272	2,068	9,548	60,529	11,344
Family Law	434	253	1,547	5,530	25,721	5,439
Juvenile Delinquency	59	32	160	653	1,694	449
Juvenile Dependency	81	29	172	504	3,374	651
Mental Health	29	14	234	1,368	9,130	1,658
Probate	134	56	319	1,022	4,894	1,039
Small Claims	84	33	240	1,026	6,967	1,291
Criminal Filings						
Felonies	277	223	1,173	3,853	13,562	3,237
Misdemeanors / Infractions	3,333	3,771	17,293	55,832	237,196	52,765
Total	5,011	4,692	23,286	79,488	363,281	77,969

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts information is from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of January 24, 2024, and may not agree with other reports as this data is subject to continuous updates.

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

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Calaveras (Court) in order to determine whether it complied with certain key provisions of statute and the policies and procedures adopted by the Judicial Council of California. Our audit was limited to evaluating compliance with those requirements that, in our professional judgment, were necessary to answer the audit's objectives. The period covered by this audit was generally limited to fiscal year (FY) 2022-23, but certain compliance areas noted below required that we review earlier periods or current practices. Table 3 lists the specific audit objectives and the methods we used to address them.

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

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

	<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>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 2022-23 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • The payments to in-court service providers adhered to applicable Judicial Council policies.
4	<p>Determine whether the Court properly classified its year-end encumbrances for the most recent completed fiscal year.</p>	<p>We obtained the Court’s Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2021-22) and traced and verified year-end</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>encumbrances to supporting records and the Phoenix accounting system.</p> <p>We obtained any Judicial Council-approved requests by the Court to hold excess prior year fund balances. To the extent that the Court had and spent any of these held funds, we verified that such spending was limited for the purposes previously approved by the Judicial Council.</p>
5	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 2021-22), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data. • We selected 10 cases from six case types, for a total of 60 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.
6	Determine whether Enhanced Collections revenue is funding only collections activities.	<p>We obtained the Court's Collection Report Template for fiscal year 2022-23 and determined whether the Court's collection program met the minimum requirements for a comprehensive collection program as defined in state law. We identified and analyzed the revenues, expenditures, and transfers ins/outs for Fund 120007 (Enhanced Collections) to verify that Enhanced Collections revenue was used only to fund collections activities. For example, for personnel service costs charged to collections activities, we reviewed employee timesheets to verify the costs and time charged to the enhanced</p>

		collection program. We interviewed selected employees to determine how they track and report the time they charged to collections activities.
--	--	---

Assessment of Data Reliability

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

Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on June 26, 2024, and approved it for public release.

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

Audit Staff

This audit was completed by the following staff under the general supervision of Joe Meyer, Audit Supervisor, CPA, CIA:

- Michelle O’Connor, Senior Auditor (auditor in charge), CPA, CGFM, CFE
- Lorraine De Leon, Auditor
- Tia Thao, Auditor

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Generally Followed Required Cash Handling Procedures, But Can Improve Its Handling and Control of Its Manual Receipts and Its Change Fund

Background

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

Results

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

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

Finding Reference	Subject Area
2023-4-01	Handwritten Receipts – Monitoring and Accounting for Use
2023-6-01	Change Fund – Accountability

FINDING REFERENCE: 2023-3-01

HANDWRITTEN RECEIPTS – MONITORING AND ACCOUNTING FOR USE

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS:

6. Issuance of manual receipt book by court facility supervisor or his or her designee to cashiers
 - a. The supervisor or his or her designee must maintain control and oversight of the manual receipt books. When the cashiering system and/or case management system is not available to process automated receipts, the supervisor or designee will retrieve and issue books of prenumbered receipts to cashiers. Manual receipt books should only be used when the cashiering system and/or case management system is down.
 - b. The supervisor or his or her designee issuing the prenumbered manual receipt books must monitor and maintain an accounting of the receipt books, including:
 - i. The receipt books issued;
 - ii. To whom the receipt book was issued;

- iii. The date issued;
- iv. The name of the person returning the book;
- v. The date the books were returned (should be the end of the same day); and
- vi. The receipt numbers used within each book.

CONDITION

The Court does not maintain accurate logs of its manual receipt books. Specifically, the Fiscal Office does not maintain an inventory log of the three manual receipt books in its possession. Additionally, the Court distributes the manual receipt books for use when the CMS is unavailable, but we found that the log the Court uses to monitor and account for manual receipts used is not accurate. For instance, the last use of a manual receipt listed on the log was in September 2020, but we found multiple manual receipts used between May 2022 and October 2023 that were not listed on the log. Furthermore, the log does not note which receipt numbers were used each time a book was issued, and it does not show which of the three manual receipt books were used. According to court staff we interviewed, they were unaware of these FIN requirements. Additionally, the Court does not have written local cash handling policies and procedures that, consistent with the FIN Manual, address the required overall monitoring and accounting of the manual receipt books. When courts do not monitor and thoroughly maintain an accounting of their manual receipt books, they are at increased risk that staff may use manual receipts inappropriately and possibly without clear accountability of who used the manual receipts.

RECOMMENDATION

The Court should ensure it maintains constant control and oversight of its manual receipt books, including keeping detailed logs to monitor and maintain an accounting of all receipt books in its possession and which receipts were used.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. A manual receipt log has already been produced. The procedure for this practice will be completed by 3/1/2024.

Response provided on 1/12/2024 by: Margaret L. Smith, Court Executive Officer

Date of Corrective Action: On or before 3/1/2024

Responsible Person(s): Terri Coombs, Court Manager

FINDING REFERENCE: 2023-6-01

CHANGE FUND – ACCOUNTABILITY

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

7. At the end of each business day, individuals responsible for making change from the Cash Change Fund must—in the presence of a court manager, supervisor, or his or her designee—count, verify, and reconcile the Change Fund monies to the day's beginning balance, and initial and date the verification/reconciliation.

8. A trial court employee, other than the individuals responsible for making change from the Cash Change Fund, should count the Cash Change Fund in accordance with the following schedule and report the count to the fiscal officer.

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

CONDITION

Although the Court maintains a \$350 change fund, it does not require someone to count and verify the change fund at the end of each day while in the presence of a manager or supervisor as required by the FIN Manual. Instead, court staff stated they try to count the change fund once a week. Additionally, the Court does not require individuals who are not the change fund custodian to count its change fund on a periodic basis in accordance with FIN Manual guidance.

Specifically, the FIN Manual states that change funds between \$200 and \$499 should be counted on a quarterly basis. However, the Court's \$350 change fund is not counted on a quarterly basis by an individual other than the individual responsible for making change. This occurs at least in part because the Court does not have written local cash handling policies and procedures that, consistent with the FIN Manual, address the required overall monitoring and accounting of the change fund. As a result, the Court's current practice potentially allows a change fund shortage to occur without clear accountability of when the shortage may have occurred or who may have caused the shortage.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should:

- Ensure that individuals responsible for making change from the change funds count and verify the change fund at the end of each business day in the presence of a court manager, supervisor, or designee.
- Ensure that an individual, other than the individual responsible for making change from the change fund, counts and verifies its change fund at the frequency specified in the FIN Manual.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees. The Court is in the process of writing a procedure for this. The Change Fund Log has already been produced and being used. The change fund is being counted at the end of every day. At the end of each month, it will be taken to the fiscal manager to be verified and counted. The procedure will be done by 3/1/2024.

Response provided on 1/12/2024 by: Margaret L. Smith, Court Executive Officer

Date of Corrective Action: On or before 3/1/2024

Responsible Person(s): Terri Coombs, Court Manager

PROCUREMENT AND CONTRACTS

The Court Complied with Most Applicable Requirements for Procuring Goods and Services, but Should Develop and Adopt a Local Contracting Manual

Background

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

Results

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, including demonstrating good management practices overall in the areas of procurement authorization and authority levels, soliciting competitive procurements, and entering into both leveraged purchase agreements and non-competitive procurements.

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

Finding Reference	Subject
2023-16-01	Other Internal Controls – Local Contracting Manual

FINDING REFERENCE: 2023-16-01***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 (SAM) and the State Contracting Manual (SCM).

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. According to court staff, the previous CEO did not make the establishment of an LCM a priority. According to the Court, it informally utilizes the JBCM. However, although the Court has authorization matrices for purchasing and invoice approval, without the required LCM, the Court has not officially documented various internal control procedures related to delegations of authority, the use of purchase cards, the use of non-competitive and competitive processes, or other required tasks, such as providing notice to certain state agencies when entering into certain large contracts. As a result, the Court is at increased risk of not properly 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

The Court agrees to the finding and will adhere to the recommendations provided within the Memorandum. The Court will 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.

Response provided on 3/15/2024 by: Bao Nguyen, Administrative Services Manager

Date of Corrective Action: 4/15/2024

Responsible Person(s): Bao Nguyen, Administrative Services Manager

PAYMENT PROCESSING

The Court Complied with Applicable Payment Processing 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.

Results

Our review found that the Court complied with applicable requirements in the payment processing areas we evaluated during our audit. Specifically, the Court demonstrated sound management practices in the areas of court interpreters and other items of expense.

FUND BALANCE

The Court Appropriately Supported Its Year-End Encumbrances

Background

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

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

Results

Our review found that the Court complied with the requirements for reporting year-end encumbrances. Specifically, the Court supported the encumbrances it reported on its final FY 2021-22 calculation form with valid contracts for goods or services not received by June 30, 2022.

Finally, we found the Court had excess funds held on its behalf at the end of FY 2019-20, FY 2020-21, and FY 2021-22. Our review found that the Court complied with the requirements to spend its held funds for the purposes previously approved by the Judicial Council.

JBSIS CASE FILING DATA

The Court Reported Accurate New Case Filing Counts and Data to JBSIS

Background

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

Results

Our review found that the Court's records supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2021-22.

ENHANCED COLLECTIONS

The Court Appropriately Recovered Costs for its Enhanced Collections Program

Background

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

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

Results

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