



Audit of the Superior Court of California, County of Madera

APRIL 2024



Judicial Council of California

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Superior Court of California, County of Madera

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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 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 Madera (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 Madera

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	✓		
4	Mail Payments	Yes	✓		
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	✓		
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	✓		
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2022-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	1	2022-13-01	Agrees
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
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	✓		
Fine & Fee Distributions					
25	Distribution Calculations	Yes	✓		
Fund Balance					
26	Year-End Encumbrances	Yes	✓		
27	Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data					
28	Validity of JBSIS Data	Yes	1	2022-28-01	Agrees
Enhanced Collections					
29	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 year-end encumbrances and revenue distributions. For example, our review of the Court's fund balance found that the Court properly supported the encumbrances it reported on its final FY 2021-22 calculation form with valid contracts for goods or services not received by June 30, 2022. In addition, our review of the Court's revenue distributions found that its case management systems are properly programmed to ensure the fines, fees, penalties, and assessments it collects are properly distributed.

However, our audit did identify three reportable audit findings where we believe the Court should consider taking corrective actions 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.

A particular area of focus for the Court as it considers opportunities for improvement should include ensuring that its procurement process consistently begins with an approved purchase requisition form. Specifically, the Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. When the Court does not consistently document its purchase requests and authorizations, it risks the appearance that it is making purchases that may not be appropriate or allowed and not in its best interests. In addition, the Court should also focus on documenting its justification for not following a competitive procurement process such as for a sole source procurement. When courts do not reasonably justify a reason for not following the JBCM competitive bidding requirements when procuring goods or services, they risk both not obtaining the best value procurements and creating the appearance of not fairly awarding their procurement contracts. The Court indicated it agreed with our findings and recommendations and will implement corrective actions immediately.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on December 15, 2022, and completed its fieldwork in July 2023. Audit Services shared the draft findings with the Court starting on April 17, 2023, and received the Court's final official responses on September 27, 2023. The Court agreed with the findings, and its specific responses are included in the body of the report after each finding.

BACKGROUND ON THE COURT'S OPERATIONS

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

Statistic	Madera 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	\$ 16,427,117	\$ 3,321,890	\$ 14,929,531	\$ 56,272,477	\$ 279,691,643	\$ 57,712,989
Total Expenditures	\$ 15,520,319	\$ 3,218,479	\$ 14,532,931	\$ 55,424,086	\$ 264,442,952	\$ 55,242,386
Staff Salaries & Benefits As a % of Total Expenditures	\$ 11,615,837 74.8%	\$ 2,037,590 63.3%	\$ 10,635,642 73.2%	\$ 42,045,877 75.9%	\$ 212,938,514 80.5%	\$ 43,356,077 78.5%
Judicial Officers and Staff (2024 Court Statistics Report)						
Judges	10	2	8	30	144	30
Commissioners/Referees	1	-	1	4	21	4
Non-Judicial Staff (approx.)	110	19	96	330	1,528	326
Total	121	21	105	364	1,693	360
New Case Filings (Fiscal Year 2022-23)						
Appeal Filings	80	9	80	152	214	96
Civil Filings						
Civil	2,307	272	2,068	9,548	60,529	11,344
Family Law	2,431	253	1,547	5,530	25,721	5,439
Juvenile Delinquency	308	32	160	653	1,694	449
Juvenile Dependency	225	29	172	504	3,374	651
Mental Health	69	14	234	1,368	9,130	1,658
Probate	281	56	319	1,022	4,894	1,039
Small Claims	164	33	240	1,026	6,967	1,291
Criminal Filings						
Felonies	1,443	223	1,173	3,853	13,562	3,237
Misdemeanors / Infractions	16,054	3,771	17,293	55,832	237,196	52,765
Total	23,362	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 are 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 continuously updated.

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. Fresno Superior Court is a cluster 3 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Madera (Court) in order to determine whether it complied with certain key provisions of statute and the policies and procedures adopted by the Judicial Council of California. Our audit was limited to evaluating compliance with those requirements that, in our professional judgment, were necessary to answer the audit's objectives. The period covered by this audit was generally limited to fiscal year (FY) 2021-22, but certain compliance areas noted below required that we review earlier periods or current practices. Table 3 lists the specific audit objectives and the methods we used to address them.

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

	Audit Objective	Method
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 2021-22 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • The payments to in-court service providers adhered to applicable Judicial Council policies.
4	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<p>We reviewed the Court’s process for updating and controlling access to its distribution tables.</p> <p>We also reviewed the Court’s calculations and distributions of fines, penalties, fees, and</p>

		assessments for certain high volume or complex case types.
5	<p>Determine whether the Court properly classified its year-end encumbrances for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court's Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2021-22) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal year. As a result, no further review was deemed necessary.</p>
6	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 2020-21), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data. • We selected 10 cases from six case types, for a total of 60 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.
7	Determine whether Enhanced Collections revenue is funding only collections activities.	We obtained the Court's Collection Report Template for fiscal year 2021-22 and determined whether the Court's collection program met the minimum requirements for a comprehensive 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 collection program. We interviewed selected employees to determine how they track and report the time they charged to collections activities. We also reviewed other operating costs and expenditures charged to determine whether the costs were supported, allowable, and allocable to collections activities.
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Assessment of Data Reliability

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

Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on April 15, 2024, and approved it for public release.

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

meeting the nondisclosure requirements of rule 10.500(f) have been omitted from this audit report.

Audit Staff

This audit was completed by the following staff under the general supervision of Dawn Tomita, Manager, CFE, and Joe Meyer, Audit Supervisor, CPA:

Sandra Gan, Senior Auditor (auditor in charge), CPA

Joseph Pak, Auditor

Usamah Salem, Auditor, CFE

Tia Thao, Auditor

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTIONS

CASH HANDLING

The Court Followed Required Cash Handling Processes

Background

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

Results

Overall, the Court demonstrated compliance in the cash handling areas we evaluated during the audit. For example, the Court demonstrated sound management practices in the areas of its daily opening, void transactions, and internet payment processes.

PROCUREMENT AND CONTRACTS

The Court Should Ensure Its Procurement Practices Comply with the JBCM Requirements

Background

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

Results

The Court demonstrated compliance in various procurement areas we evaluated during our audit, such as entering into leveraged purchase agreements and other internal controls. Nevertheless, we identified two audit findings that we believe require the Court's corrective action. The findings pertained to the following specific areas of procurement:

Finding Reference	Subject Area
2022-10-01	Procurement – Initiation
2022-13-01	Procurement – Non-Competitive

FINDING REFERENCE: 2022-10-01

PROCUREMENT INITIATION

CRITERIA

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

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

1. Internal review and approvals: Consider the following:

- Have the proper approval signatures been obtained to conduct the procurement in conformance with the Judicial Branch Entity's Local Contracting Manual?
- Is the request in compliance with applicable equipment standards?
- Is there documentation in sufficient detail to support and justify conducting the procurement?
- Are there any program schedule requirements, special delivery instructions, time constraints, etc.?

CONDITION

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For six procurement transactions reviewed, the Court did not document or require a purchase requisition and management approval of the request prior to commencing the procurement process. For example, for one sample relating to Court security, the Court paid a vendor \$480,000 in FY 2021-22 after awarding it a contract, but the Court did not have a purchase requisition form. Additionally, the Court paid another vendor \$104,000 in FY 2021-22 for postage and printing services, but the Court did not have a purchase requisition form. According to the Court, the responsible person at the time was not processing requisitions for these procurements, but the current responsible person is. Nonetheless, the use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved the purchase request before commencement of the procurement process. When the Court does not consistently document its purchase requests and authorizations, it risks the appearance that it is making purchases that may not be appropriate or allowed and not in its best interests.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding and will correct its procurement procedure to require a purchase requisition to be completed and submitted to the appropriate approver prior to initiating the solicitation process.

Response provided on: 09/27/2023 **by:** Staci Martines, Chief Financial Officer

Date of Corrective Action: 10/01/23

Responsible Person(s): Staci Martines, CFO

FINDING REFERENCE: 2022-13-01*NON-COMPETITIVE PROCUREMENTS***CRITERIA****JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 5, 5.9 SOLE SOURCE:**

JBEs may purchase non-IT goods, non-IT services, and IT goods and services of any value without conducting a competitive procurement if (i) the vendor is the only source of the goods and/or services that meet the JBE's need, or (ii) a grant application submittal deadline does not permit the time needed for a competitive procurement of services.

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

The sole source request should include the following information:

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

CONDITION

For two of the procurements reviewed, the Court did not document its justification for not following a competitive procurement process. In one sample we tested, the Court paid a vendor \$104,000 in FY 2021-22 for printing and postage services, and in another sample, the Court paid a vendor \$101,000 for audio-visual system maintenance. Both of these procurements exceeded the JBCM's \$10,000 threshold for non-competitive procurements. The Court indicated that both of these procurements were sole source procurements, but there is no related documentation on file. According to the Court, the responsible person at the time did not complete written justifications for conducting a sole source procurement for either of these procurements.

However, according to the JBCM, a sole source request must be provided to the sole source approver and should document the description of the goods or services, an explanation of why the goods and services cannot be competitively bid, any efforts to solicit competitive bids, documentation that pricing offered is fair and reasonable, and any other special factors affecting the cost or other aspects of the procurement. When courts do not reasonably justify a reason for not following the JBCM competitive bidding requirements when procuring goods or services, they risk both not obtaining the best value procurements and creating the appearance of not fairly awarding their procurement contracts.

RECOMMENDATION

To ensure it can explain why certain goods or services were not procured competitively, the Court must comply with the JBCM's requirements for identifying and using sole source providers.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the finding. The Court has altered its competitive procurement procedure and any future procurements that do not qualify for an exception to the NCB policy (which would be accompanied by appropriate documentation) will follow the appropriate bid process.

Response provided on 09/27/2023 by: Staci Martines, Chief Financial Officer

Date of Corrective Action: 07/01/2023

Responsible Person(s): Staci Martines, CFO

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 allowable costs, court interpreters, and other items of expense.

FINE AND FEE DISTRIBUTIONS

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

Background

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

Results

During the initial audit planning process, the Court informed us that the State Controller's Office (SCO) completed a revenue audit of the Court, for the period July 1, 2014 to June 30, 2018, and released its report in June 2020. Our review of the SCO audit report noted two findings related to the case types we review. Our review found that the Court took appropriate corrective action to resolve the issues reported by the SCO.

FUND BALANCE

The Court Appropriately Supported Its Year-End Encumbrances

Background

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

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

Results

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

JBSIS CASE FILING DATA

The Court 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.

Results

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 Area
2022-28-01	JBSIS Data Quality – Case Filing Counts and Data

FINDING REFERENCE: 2022-28-01

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 2020-21 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 2020-21 based on the summary CMS data provided at the time of our fieldwork in late January 2023.

Table 1 - Comparison of JBSIS Case Filings Data to Underlying Court Records for fiscal year 2020-21

JBSIS Report / Case Category	JBSIS versus Court Records				Workload Formula Case Weight (^)
	A	B	(A-B)	(C/A)	
	Filings in JBSIS(*)	Court Records(#)	Net Difference	Error Rate	
05a Unlawful Detainer	166	166	-	0.00%	182
05a Civil – Limited	1,180	1,284	(104)	-8.81%	
05a EDD	-	-	-	0.00%	
05b Civil – Unlimited	627	627	-	0.00%	
05b Civil – Complex	-	-	-	0.00%	
05b Asbestos	-	-	-	0.00%	475
06a Family Law – Marital	461	463	(2)	-0.43%	
06a Family Law – Child Support	503	503	-	0.00%	
06a Family Law – Domestic Violence	202	208	(6)	-2.97%	
06a Family Law – Parentage	53	54	(1)	-1.89%	
06a Family Law – Other	825	830	(5)	-0.61%	813
07c Felony	1,737	1,828	(91)	-5.24%	
08a Juvenile Delinquency	187	187	-	0.00%	
09a Juvenile Dependency	366	365	1	0.27%	478
10a Mental Health	67	67	-	0.00%	
11a Misdemeanor – Traffic	4,091	4,113	(22)	-0.54%	
11a Misdemeanor – Non-Traffic	2,536	2,620	(84)	-3.31%	2,225
11a Infractions	10,769	10,804	(35)	-0.33%	
12a Conservator / Guardianship	89	94	(5)	-5.62%	
12a Estates / Trusts	132	132	-	0.00%	2,225
13a Small Claims	118	118	-	0.00%	
Overall Total	24,109	24,463	(354)	-1.47%	

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

Notes:

- * Reported case filings for fiscal year 20-21, by JBSIS report and case category, as accessed by Audit Services in January 2023.
- # 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 Workload Formula budget allocations.

Although the Court reported to JBSIS a materially accurate total count of 24,109 new case filings in fiscal year 2020-21, the count did not always agree to the number of filings supported by case type reports. As shown in columns A through D, we found five variances exceeding the 2% error rate, with a total error rate of only 1.47% of all reporting filings. Nevertheless, the Court’s reported filings for the following case categories had variances that individually exceeded 2%, ranging from 2.97% to 8.81%: 05a - Civil Limited, 06a - Family Law- Domestic Violence, 07c - Felony, 11a - Misdemeanor-Non-Traffic, and 12a - Conservator/Guardianship. Since the percentage of errors exceeded the Council’s tolerable error rate for JBSIS reporting, the Court will need to amend its reported filings on JBSIS for the noted five case categories.

According to the Court, the main reason for the variances is due to clerical issues. The Court's CMS is set up to automatically capture case filings data entered by the clerks and assign them to the specific JBSIS case categories. If the CMS is unable to automatically assign a case to a case category, it will place the case filing in a Review Case queue. The clerks review cases in the queue and manually assign them to the correct case categories. However, some cases were not reviewed and assigned to the correct JBSIS case categories. Additionally, for some cases, clerks either did not enter or incorrectly entered information into the CMS. According to the Court, it was backlogged from reduced operations during COVID and believes this may have contributed to the variances.

Review of Case Files for JBSIS Data Quality

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

RECOMMENDATION

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

- Resubmit updated case filings data to JBSIS for fiscal year 2020-21 via an amended report.
- Provide additional training to clerks to ensure they review cases in the Review Case queue and assign them to the appropriate JBSIS case category.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree.

- On February 15, 2023, the Assistant Court Executive Officer directed Criminal and Traffic supervisors to complete all outstanding JBSIS related work queues, which were impacting JBSIS case type categorization. This work was completed on February 24, 2023, to ensure amended reporting data was accurate.
- On March 8, 2023, the Assistant Court Executive Officer sent out to all supervisors the JBSIS Manual, data definitions and other supporting documentation such as the DOJ Hierarchy table. In this correspondence, information regarding how information is captured and reported, as well as the supervisors' responsibilities and Administration's expectations were outlined to ensure accurate data entry and reporting through continued training and review.
- There have been ongoing discussions between Administration and leadership teams regarding JBSIS related work queues and who's responsibility it is to address and correct those issues.

- Administration has set a schedule for JBSIS reporting and provided information to the division leadership teams so they can adequately prepare and allocate resources to these tasks. Follow up will be performed by Administration to ensure the divisions are on track for the scheduled reporting period.
- Administration will also conduct random sampling of cases during the reporting periods to help identify data entry and training issues.
- While the Judicial Council has indicated the courts should be aware of what cases are included in each of the JBSIS reports submitted on a particular date, our case management system currently does not have the ability to capture this information. Administration is working with the vendor to either update our case management system to include this functionality, or at a minimum implement processes to run robust searches at the same time as the JBSIS reports for comparison and preservation purposes.
- Administration worked with the Judicial Council's Office of Court Research / Operation and Programs Division and received approval to submit amended data for the months in which our court exceeded the 2% error threshold in the specified case categories. As of May 3, 2023, all amended reports were submitted to the JBSIS database.

Response provided on 05/04/2023 by: Adrienne Calip, Court Executive Officer

Date of Corrective Action: Corrective action began 02/15/2023 and is ongoing.

Responsible Person(s): Amy Downey, Assistant Court Executive Officer and Kristina Wyatt, Manager – Administrative Services

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.
