



# **Audit of the Superior Court of California, County of Placer**

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April 2025



Judicial Council of California

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## Superior Court of California, County of Placer

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## **EXECUTIVE SUMMARY**

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 Placer (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 Placer

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	1	2024-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	1	2024-7-01	Agrees
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	✓		
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 procurement and payment processing. For example, our review found that the Court's procurement practices demonstrated good management practices in the areas of competitive and non-competitive procurements. In addition, our review of its payment processing practices found that the Court matches invoices and claims to the corresponding approved procurement documents and verifies that the goods or services billed agree with the goods or services listed in the procurement documents prior to payment processing.

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

One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over its end-of-day closeout process. For example, the Court does not follow a "blind closeout" process where cashiers count and record their collections on a recap form without any knowledge of the amounts the case management system (CMS) indicates they collected before submitting the form and collections to a supervisor or designated lead for verification. As a result, its current practice allows a cashier to know in advance when an overage occurs and potentially risks the cashier taking any overage without risk of detection. The Court indicated it agrees with our finding and recommendation in this area.

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

Audit Services initiated its audit of the Court on May 20, 2024, and completed its fieldwork in January 2025. Audit Services shared the draft findings with the Court starting on August 22, 2024, and received the Court's final official responses on September 20, 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 Placer (Court) operates four court facilities in the cities of Roseville and Auburn, and the unincorporated town of Tahoe City. The Court operates under the authority and direction of the Presiding Judge, who is responsible for ensuring the effective management and administration of the Court, consistent with any rules, policies, strategic plan, and the funding provided by the Judicial Council.

California's 58 superior courts each have differing workloads, staffing levels, and financial resources. They operate under a decentralized system of governance and are each responsible for their own local court operations and business decisions. The Presiding Judge has the authority to: develop a local budget and allocate the funding provided by the Judicial Council; approve procurements and contracts; and authorize the Court's expenditures. The information in Table 2 is intended to provide the reader with context and perspective on the Court's relative size and workload compared to averages of all 58 superior courts.

Table 2 – Statistical Data for Placer Superior Court and Average of all Superior Courts

Table 1 - Statistical Data for Fiscal Year 2023-24: Superior Court and Average of All Superior Courts						
Statistic	Placer 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 2023-24)						
Total Revenue	\$ 32,127,356	\$ 3,376,457	\$ 15,000,011	\$ 57,522,113	\$ 293,144,702	\$ 59,889,520
Total Expenditures	\$ 30,869,694	\$ 3,494,275	\$ 15,091,980	\$ 57,533,804	\$ 293,520,524	\$ 60,009,333
Staff Salaries & Benefits	\$ 24,374,653	\$ 2,181,311	\$ 11,118,697	\$ 42,462,619	\$ 225,828,428	\$ 45,447,802
As a % of Total Expenditures	79.0%	62.4%	73.7%	73.8%	76.9%	75.7%
Judicial Officers and Staff (2025 Court Statistics Report)						
Judges	11	2	8	30	144	30
Commissioners/Referees	5	-	1	4	21	4
Non-Judicial Staff (approx.)	157	17	86	298	1,380	294
Total	173	19	95	332	1,545	328
New Case Filings (Fiscal Year 2023-24)						
Appeal Filings	156	10	82	154	217	98
Civil Filings						
Civil	5,773	356	2,487	11,390	75,156	13,954
Family Law	2,979	234	1,537	5,460	25,574	5,395
Juvenile Delinquency	425	34	166	776	1,988	520
Juvenile Dependency	243	27	164	461	3,267	623
Mental Health	448	19	226	1,428	9,413	1,709
Probate	699	55	321	1,097	5,182	1,097
Small Claims	610	34	257	1,058	7,195	1,336
Criminal Filings						
Felonies	2,599	225	1,149	3,853	13,188	3,177
Misdemeanors / Infractions	29,656	4,031	18,513	59,228	254,665	56,466
Total	43,588	5,025	24,902	84,905	395,845	84,375

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 March 19, 2025, 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. Placer Superior Court is a cluster 2 court.

## **AUDIT SCOPE AND METHODOLOGY**

Audit Services initiated an audit of the Superior Court of California, County of Placer (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) 2023-24, 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

	<b>Audit Objective</b>	<b>Method</b>
1	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court's compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>▪ Determine whether the Court complied with the mandatory requirements in the FIN manual for internal controls over cash (payment) handling.</li> <li>▪ Assess the quality of the Court's internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions.</li> </ul>	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	<p>Determine whether the Court demonstrated appropriate control over its non-personal services spending activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"><li>▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual.</li><li>▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules.</li></ul>	<p>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, receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"><li>• Was properly authorized and approved by authorized court management.</li><li>• Adhered to competitive bidding requirements, when applicable.</li><li>• Had contracts, when applicable, that contained certain terms required to protect the Court’s interests.</li></ul> <p>We selected a sample of 40 FY 2023-24 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"><li>• The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment.</li><li>• Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix.</li><li>• The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.</li><li>• The payments to in-court service providers adhered to applicable Judicial Council policies.</li></ul>
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4	<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 2022-23) and traced and verified year-end 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	<p>Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).</p>	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2022-23), we performed the following:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• We selected 10 cases from six case types, for a total of 60 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.</li> </ul>
6	<p>Determine whether Enhanced Collections revenue is funding only collections activities.</p>	<p>We obtained the Court's Collection Report Template for fiscal year 2023-24 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</p>

		120007 (Enhanced Collections) to verify that Enhanced Collections revenue was used only to fund collections activities.
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**Assessment of Data Reliability**

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 17, 2025, 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:

Sandra Gan, Senior Auditor (auditor in charge), CPA  
Michelle O’Connor, CPA, CGFM, CFE  
Jennifer Cabrera, Auditor  
Pha Moua, Auditor  
Usamah Salem, Auditor, CFE  
Tia Thao, Auditor

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

## CASH HANDLING

### The Court Should Strengthen Its Controls Over Certain Payment Collection Processes

#### Background

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

#### Results

Overall, the Court demonstrated compliance in many of the areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its 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
2024-6-01	Change Fund – Accountability
2024-7-01	End-of-Day Balancing and Closeout – Blind Closeout

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#### FINDING REFERENCE: 2024-6-01

##### *CHANGE FUND – ACCOUNTABILITY*

#### CRITERIA

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

6. The court executive officer or his or her designee must appoint a custodian for each Cash Change Fund that is \$500 or more at any separately managed trial court location. The custodian is responsible for the safekeeping, replacement, disbursement, and accounting for the assigned Cash Change Fund. A copy of this policy must be given to the custodian to ensure that he or she understands the requirements for the Cash Change Fund.
  - c. When custody of the Cash Change Fund is transferred to another custodian:
    - i. A personal audit of the fund must be made by the trial court employees directly concerned; and
    - ii. A Cash Change Fund Change of Custodian form (provided in 7.0, Associated Documents) must be completed and then approved by the court executive officer or his or her designee.

7. At the end of each business day, individuals responsible for making change from the Cash Change Fund must—in the presence of a court manager, supervisor, or his or her designee count, verify, and reconcile the Change Fund monies to the day's beginning balance, and initial and date the verification/reconciliation.
8. A trial court employee, other than the individuals responsible for making change from the Cash Change Fund, should count the Cash Change Fund in accordance with the following schedule and report the count to the fiscal officer.

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

**SUPERIOR COURT OF CALIFORNIA, COUNTY OF PLACER, ALTERNATIVE PROCEDURE APPROVED BY THE JUDICIAL COUNCIL OF CALIFORNIA ON DECEMBER 11, 2018, FOR FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND (7):**

At the Gibson and Tahoe courthouses, at least once a week, randomly as determined by the location manager, individuals responsible for making change from the Cash Change Fund must, in the presence of a court manager, supervisor, or his or her designees, or two Trial Court finance employees maintaining dual custody, count, verify, and reconcile the Change Fund monies to the day's beginning balance, and initial and date the verification/reconciliation. In addition, two Finance HQ staff shall perform a random count of the Tahoe location Change Fund no less than once per fiscal year.

**CONDITION**

Although the Court currently maintains a \$2,000 change fund at the Gibson Courthouse in Roseville, its verification practices do not fully align with its JCC-approved alternative procedures. Specifically, this change fund is counted once every two to three weeks instead of on a weekly basis. According to court staff, this has been the Court's long-standing practice. Nonetheless, although the FIN Manual requires this count to be performed on a daily basis, the Court's approved alternative procedures allow the Court to reduce the frequency of this count to once a week. However, the Court's current practice is to perform this count less frequently than required by its alternative procedures. In addition, the Tahoe City location currently maintains a \$300 change fund, but its verification practices also do not fully align with its JCC-approved alternative procedures. Specifically, the Court's alternative procedures require two fiscal staff to perform a random count of the Tahoe City location's change fund no less than once per fiscal year, but fiscal staff do not perform this count, according to staff at the Tahoe City location. As a result, the Court's current practice of not counting and verifying its change funds as required by its JCC-approved alternative procedures 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.

Furthermore, the Court does not require individuals other than the change fund custodians to count its change funds on a periodic basis in accordance with FIN Manual guidance. Specifically, the FIN Manual suggests that change funds of \$500 or more should be counted monthly by an individual other than the assigned change fund custodian. However, the \$2,000 change fund at the Gibson Courthouse is verified only by those who are also responsible for making change from the change fund. Not following this FIN manual guidance places the Court at an increased risk of not knowing for an extended period of time if its change funds are missing funds.

Finally, the CEO or his or her designee has not officially appointed a change fund custodian to maintain responsibility for the \$2,000 change fund at the Gibson Courthouse, as required by the FIN Manual. Instead, all fiscal staff members collectively maintain the cash change fund. According to the Court, this occurs because fiscal staff need access to the change fund for coverage when staff members are unavailable, and court staff also indicated they were unaware of this requirement. However, the FIN Manual requires the CEO or his or her designee to appoint a custodian for each change fund that is \$500 or more who is not a cashier, and to provide the custodian with a copy of the FIN Manual policy to ensure the custodian understand the requirements applicable to change fund. As a result, the Court is at risk of staff inappropriately using the change fund as no one individual has been delegated specific written overall responsibility for the change fund.

### **RECOMMENDATION**

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should comply with its JCC-approved alternate procedures for the frequency at which it verifies its change funds. Additionally, the Court should ensure that an individual other than the custodian counts and verifies its change funds at the frequency specified in the FIN Manual. Finally, the CEO or his designee should appoint a change fund custodian to maintain responsibility for any change funds of \$500 or more.

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

The Court agrees with the auditor's comments. Foremost, the Court will immediately implement corrective action to ensure the change fund is counted no less than once per week and monthly by a non-custodian. Because the defined \$2,000 cash drawer is not used in the same manner as we believe the FIN Manual describes [*Cash Change Fund-The beginning balance in a cashier's cash drawer or cash register to be used for making change when receiving payments from customers*], but rather as a replenishment fund to restock cashier drawers, assigning one custodian to the replenishment fund would prove to be inefficient and problematic due to the organizational structure of this court. As well, the safe where all monetary items are stored, including the replenishment drawer, is accessed by multiple members of the Fiscal staff which dilutes the purpose of having one custodian over the replenishment fund. Therefore, the Court will seek an alternative procedure request for approval to name the Fiscal Services Division as the custodian of the fund. Lastly, in an effort to further mitigate risk, the Court will also reduce the size of the replenishment drawer from \$2,000 to \$750.

**Response provided on 9/20/2024 by:** Julie Kelly, Chief Administrative Officer

**Date of Corrective Action:** 8/22/2024, 12/1/2024 for alternative procedure

**Responsible Person(s):** Julie Kelly, Chief Administrative Officer

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**FINDING REFERENCE: 2024-7-01**

*END-OF-DAY BALANCING AND CLOSEOUT – BLIND CLOSEOUT*

**CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.10 DAILY BALANCING AND CLOSEOUT:

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

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

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

Judicial Council of California  
Director of Branch Accounting and Procurement  
Attn.: Trial Court Alternative Financial Policies and Procedures  
2850 Gateway Oaks Drive, Suite 300  
Sacramento, CA 95833-4348  
E-mail: [TCFin@jud.ca.gov](mailto:TCFin@jud.ca.gov)



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

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

### **CONDITION**

The Court does not require cashiers to follow what is commonly known as a "blind closeout" process when performing their end-of-day closeout. A "blind closeout" is where cashiers count and record their collections on a recap form without any knowledge of the amounts the CMS indicates they collected, before submitting the form and collections to the supervisor or designated lead for verification against the recap form and the CMS collections reports. Instead, we observed cashiers counting and comparing their daily collection totals against CMS totals before submitting their daily collections to the fiscal division or the location supervisor for verification. This occurs at least in part because the Court's local desktop procedures do not require cashiers to follow a "blind closeout" process. As a result, the Court's current practice allows a cashier to know in advance when an overage occurs and potentially risks the cashier taking any overage without risk of detection of the missing overage amount when Fiscal or the location supervisor verify the end-of-day collections to the CMS reports because all amounts would still balance.

### **RECOMMENDATION**

To better safeguard its funds and ensure clear accountability for shortages and overages, the Court should update its local cash handling policies and procedures. Specifically, the Court should require its cashiers to complete their recap of the collections in their till at the end of each workday without knowledge of the CMS collections, a "blind closeout." Afterwards, cashiers should submit their completed recap report and collections to a designated supervisor for verification of their collections to the recap report, and then complete the verification process by verifying the recap report to the CMS collections closeout report. If its CMS does not allow it to implement a blind closeout process, the Court should request approval from the Judicial Council for an alternative procedure that mitigates the potential risk created by not being able to follow a blind closeout process.

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

The Court agrees with the auditor's comments and the following actions will be taken. The CMS will be updated to remove till report access from all cashiers thereby preventing advance knowledge of the closing till collections. At the end of each day, the cashier will submit a till recap, their total collected payment instruments and their cash drawer to Fiscal Services staff for reconciliation and verification, thereby following the "blind closeout" process. Local cash handling policies and procedures will be updated, and all applicable staff will receive training.

**Response provided on 9/20/2024 by:** Julie Kelly, Chief Administrative Officer

**Date of Corrective Action:** 11/1/2024

**Responsible Person(s):** Julie Kelly, Chief Administrative Officer; Jennifer Tisdale, Chief Operating Officer

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## **PROCUREMENT AND CONTRACTS**

### **The Court Complied with Applicable Requirements for Procuring Goods and Services**

#### ***Background***

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

#### ***Results***

Our review found that the Court complied with applicable requirements for procuring goods and services. Specifically, the Court demonstrated compliance in various areas we evaluated during our audit, including demonstrating sound management practices in the areas of competitive and non-competitive procurements and contract terms.

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## **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 three-point match, review and approval prior to payment, and allowable costs.

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## **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 generally complied with the requirements for reporting year-end encumbrances. Specifically, the Court supported the encumbrances it reported on its final FY 2022-23 calculation form with valid contracts for goods or services not received by June 30, 2023.

Finally, we found the Court had excess funds held on its behalf at the end of FY 2021-22 and FY 2022-23. Our review found that the Court complied with the requirements to spend its held funds for the purposes previously approved by the Judicial Council.

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## **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 2022-23.

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## **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 has a qualified enhanced collections program. Furthermore, we found that the Court appropriately recovered only eligible collection costs.

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