



Audit of the Superior Court of California, County of Tulare

OCTOBER 2023



Judicial Council of California

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Superior Court of California, County of Tulare

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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 Tulare (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 Tulare

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	1	2023-4-01	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2023-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	1	2023-7-01	Agrees
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	1	2023-9-01	Agrees
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	1	2023-22-01	Agrees
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	✓		
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 procurement and reporting new case filing counts and data to JBSIS. For example, our review found that the Court's procurement practices demonstrated good management practices in the areas of the procurement initiation, authorization of procurements, and leveraged purchase agreements. In addition, our review found that the Court's records materially supported the new case filing counts and data it submitted to JBSIS.

However, our audit did identify five 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 five 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 segregation of duties. Specifically, at the Court's three payment locations, the person who verifies the cashier's closeout also prepares the deposits. Additionally, at one of the payment locations, the assigned change fund custodian also has other cash-related duties such as verifying opening cash balances, counting and verifying end-of-day collections, and preparing daily cash collection bank deposits. The Court indicated it agreed with our findings and recommendations in these areas and will update its processes to ensure it strengthens its segregation of duties.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on February 23, 2023, and completed its fieldwork in June 2023. Audit Services shared the draft findings with the Court starting on June 1, 2023, and received the Court's final official responses on June 21, 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 Tulare (Court) operates three court facilities in the cities of Visalia, Porterville, and Dinuba. 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 Tulare Superior Court and Average of all Superior Courts

Statistic	Tulare 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	\$ 43,233,027	\$ 3,516,596	\$ 14,926,999	\$ 56,356,321	\$ 283,441,690	\$ 58,298,424
Total Expenditures	\$ 41,281,031	\$ 3,218,159	\$ 14,532,808	\$ 55,423,780	\$ 255,806,509	\$ 54,050,955
Staff Salaries & Benefits	\$ 30,174,620	\$ 2,037,590	\$ 10,635,517	\$ 42,045,871	\$ 206,241,699	\$ 42,432,330
As a % of Total Expenditures	73.1%	63.3%	73.2%	75.9%	80.6%	78.5%
Judicial Officers and Staff (2023 Court Statistics Report)						
Judges	21	2	8	30	142	30
Commissioners/Referees	3	-	1	4	21	4
Non-Judicial Staff (approx.)	232	16	84	289	1,312	282
Total	256	18	93	323	1,475	316
New Case Filings (Fiscal Year 2021-22)						
Appeal Filings	139	9	74	130	154	81
Civil Filings						
Civil	6,041	263	1,895	8,108	54,067	10,062
Family Law	5,460	240	1,477	5,137	25,312	5,265
Juvenile Delinquency	563	27	130	539	1,303	357
Juvenile Dependency	846	30	171	547	3,486	676
Mental Health	1,042	15	225	1,359	8,343	1,545
Probate	747	58	325	986	4,623	997
Small Claims	484	31	216	891	6,244	1,151
Criminal Filings						
Felonies	3,431	200	1,169	3,686	13,675	3,208
Misdemeanors / Infractions	49,025	3,282	16,654	55,404	239,708	52,647
Total	67,778	4,155	22,336	76,787	356,915	75,989

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 August 2, 2023, 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. Tulare Superior Court is a cluster 3 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Tulare (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>During the planning phase for the audit, the Court informed us that the State Controller’s Office (SCO) recently completed a revenue audit of the Court’s fine and fee distributions and found one Court-related error related to the case types we</p>

		<p>review. Therefore, we limited our review to verifying that the Court took appropriate corrective action to resolve the error noted by the SCO.</p>
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 fiscal year we reviewed or in the prior fiscal year. As a result, no further review was deemed necessary.</p>
6	<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 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	<p>Determine whether Enhanced Collections revenue is funding only collections activities.</p>	<p>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</p>

	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 October 27, 2023, 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, Supervisor, CPA:

Sandra Gan, Senior Auditor (auditor in charge), CPA
Lorraine De Leon, Auditor
Linda Gow, Auditor
Joseph Pak, 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 void transactions and internet payments.

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

Finding Reference	Subject Area
2023-4-01	Mail Payments – Safeguarding
2023-6-01	Change Funds – Accountability
2023-7-01	End-of-Day Balancing and Closeout – Blind Closeout
2023-9-01	Other Internal Controls – Segregation of Duties

FINDING REFERENCE: 2023-4-01

MAIL PAYMENTS – SAFEGUARDING

CRITERIA

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

1. In implementing appropriate controls, courts must incorporate internal control concepts in establishing policies and procedures that help ensure that management directives are carried out. Control activities can be categorized as the establishment, preparation, completion, or performance of the following:
 - d. Safeguarding—Limiting access to and controlling the use of assets and records are ways to safeguard those assets and records.

FIN MANUAL, FIN 10.02, 6.1.1 USE OF SAFES AND VAULTS:

1. The preferred method for securing Cash Change Funds, unprocessed payments, or other valuable documents when not in use is to house them in a safe or vault. During the day, collections shall be secured in a lockable cash drawer or bag.

CONDITION

The Court does not always properly safeguard its mail and drop box payments. Specifically, at the Criminal/Traffic payment location, we observed that mail payments, once sorted, are kept unsecured in a letter tray located in an open area in the office until they are processed. Until these payments are processed and safeguarded by a clerk, there is a significant risk of possible theft, manipulation, and concealment of these payments.

Additionally, one of the Civil/Family Law payment location's drop boxes is unsecured and accessible to the public. Specifically, this drop box, which is located in an area where the public makes payments, is an open box with no lockable lid. We observed that anybody who walks into this area during open hours could potentially reach in and take anything deposited in the box, including payments. As a result, the Court is at increased risk of lost or stolen payments.

RECOMMENDATION

To ensure it properly safeguards its payments received through the mail and in its drop boxes, the Court should do the following:

- Secure its unprocessed mail and drop box payments in a locked drawer or safe until they are ready for processing.
- Ensure all of its drop boxes are secure, with lockable lids to prevent unauthorized access to any payments placed in the drop boxes.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with this recommendation and will take the appropriate action to ensure the mail and drop box payments are always kept secure. In addition, the Court shall remove the unsecured drop box accessible to the public and install a secure drop box in its place.

Response provided on 06/21/2023 by: Sophia Almanza, Court Financial Officer

Date of Corrective Action: 07/31/2023

Responsible Person(s): Sherry Pacillas, Director of Court Operations

FINDING REFERENCE: 2023-6-01

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.

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

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

CONDITION

The Court does not require an individual who is not responsible for making change from its change funds to count the location's change funds in a timely manner as set out in the FIN Manual. Specifically, the \$500 change funds at the Criminal/Traffic Division and the Civil/Family Law Division are counted on a quarterly basis rather than monthly as suggested by the FIN Manual for change funds of \$500 or more. In addition, while the change fund at the Criminal/Traffic Division is verified by an individual other than the assigned change fund custodian, the change fund at the Civil/Family Law Division is verified by the assigned change fund custodian or the backup change fund custodian, rather than someone who is not responsible for making change from the change fund. Finally, change funds with a size of \$200 to \$499.99 should be counted on a quarterly basis by an employee who is not responsible for making change from the change fund. While the \$300 change fund at the Collection Division is counted by an employee who is not responsible for making change from the change fund, it has not been counted quarterly, but about once every two years.

Additionally, the Court does not adequately document its appointment of change fund custodians when the change fund is \$500 or more. Specifically, the CEO or designee did not appoint official change fund custodians for the three payment locations that have \$500 change funds— the Criminal/Traffic and Civil/Family Law Divisions in Visalia, and the Porterville location. Furthermore, the Court did not conduct audits of the change funds, nor did it complete a Change Fund Change of Custodian Form when the change funds were transferred to new custodians. According to court staff, they were unaware of the FIN Manual guidelines. Nonetheless, the FIN Manual requires courts to document the appointment of change fund custodian and record the transfer of custodianship for change fund of \$500 or more.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages or overages, 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, such as monthly for its \$500 change funds, and quarterly for the Collection Division's \$300 change fund.

To ensure that the cash in each change fund remains reasonably secure and fully accounted for, the Court should appoint a single custodian, who is not also a cashier, for each of its cash change funds of \$500 or more and provide each assigned custodian with a copy of the FIN Manual policy to ensure they understand the requirements applicable to change funds.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with this recommendation and will take the appropriate action to verify its change funds at the frequency specified in the FIN Manual.

Response provided on 06/21/2023 by: Sophia Almanza, Court Financial Officer

Date of Corrective Action: 07/31/2023

Responsible Person(s): Fauzia Jamil, Supervising Accountant

FINDING REFERENCE: 2023-7-01

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

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 report without any knowledge of the amounts the case management system (CMS) indicates they collected, before submitting the report and collections to a supervisor for verification of the collections against the recap report and the CMS collections reports. Instead, the Court's cashiers count and compare their daily collections totals against CMS reports that indicate how much they collected before they submit their daily collections to a designated supervisor for verification. According to the Court, cashiers follow this practice because its CMS does not allow for 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 the designated supervisor verifies 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 individual cash

drawer/bag 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 this recommendation. The Court will work with our case management system vendor to update the system to remove the collected amount.

Response provided on 06/21/2023 by: Sophia Almanza, Court Financial Officer

Date of Corrective Action: 07/31/2023

Responsible Person(s): Sophia Almanza, Court Financial Officer

FINDING REFERENCE: 2023-9-01

OTHER INTERNAL CONTROLS – SEGREGATION OF DUTIES

CRITERIA

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

6. Appropriate Segregation of Duties

- a. An organization plan should be established that provides for an appropriate segregation of duties; this will help safeguard trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction.
- b. Work must be assigned to court employees in such fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties.

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

5. A person who is responsible for the Cash Change Fund to make change may perform other collection-related review or oversight duties but should not be a cashier.
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.
 - a. The designated Cash Change Fund custodian should have no other cash-handling responsibilities, as noted in subsection 6.3.1(5).

CONDITION

The Court does not adequately segregate court staff duties. Specifically, at the Criminal/Traffic, the Civil/Family Law, and the Collections payment locations, the person who verifies the cashier's closeout also prepares the deposits. Additionally, at the Civil/Family Law payment location, the assigned change fund custodian has other cash-related duties such as verifying opening cash balances, counting, and verifying end of day collections, and preparing daily cash collection bank deposits. According to court staff, they were not aware of the FIN Manual requirement to segregate these duties. Nonetheless, the FIN Manual requires courts to segregate duties so that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of their duties.

RECOMMENDATION

To reduce the risk of potential fund shortages and thefts, the Court should require someone other than the person who verifies the cashier's closeout to prepare the deposit. Additionally, the Court should ensure that its change fund custodians have no other cash handling responsibilities.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the commendation and will require the person who verifies the cashier's closeout be different than the person who prepares the deposit. The Court will update its process to ensure change fund custodians have no other cash handling responsibilities.

Response provided on 06/21/2023 by: Sophia Almanza, Court Financial Officer

Date of Corrective Action: 07/31/2023

Responsible Person(s): Sophia Almanza, Court Financial Officer

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 procurement initiation, authorization of procurements, and leveraged purchase agreements.

PAYMENT PROCESSING

The Court Generally Complied with Applicable Payment Processing Requirements, But Could Improve Its Accuracy of Certain Payments

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

The Court demonstrated compliance in various payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of three-point match process, review and approval prior to payment, and allowable costs. Nevertheless, we identified one audit finding in the payment processing area that we believe requires the Court's corrective action. This finding pertained to the following specific area of payment processing:

Finding Reference	Subject
2023-22-01	Payment Processing – Jury Expenses

FINDING REFERENCE: 2023-22-01

PAYMENT PROCESSING – JURY EXPENSES

CRITERIA

CALIFORNIA CODE OF CIVIL PROCEDURE, PART 1, TITLE 3, CHAPTER 1, SECTION 215

- (a) Except as provided in subdivision (b), on and after July 1, 2000, the fee for jurors in the superior court, in civil and criminal cases, is fifteen dollars (\$15) a day for each day's attendance as a juror after the first day.
- (b) A juror who is employed by a federal, state, or local government entity, or by any other public entity as defined in Section 481.200, and who receives regular compensation and benefits while performing jury service, may not be paid the fee described in subdivision (a).

- (c) All jurors in the superior court, in civil and criminal cases, shall be reimbursed for mileage at the rate of thirty-four cents (\$0.34) per mile for each mile actually traveled in attending and returning from court as a juror after the first day.

CONDITION

Our review of two jury payment transactions revealed that the Court does not pay jurors for their actual mileage to the Court. Specifically, the Court overpaid one juror more than \$180 in July 2021 when it paid the juror \$228.48 for mileage based on the ZIP Code of the juror's residence instead of the \$46.92 that we calculated using the actual mileage from the juror's residence address to the Court. Similarly, we found that the Court overpaid another juror more than \$40 in June 2022 when it paid the juror \$56.10 based on the ZIP Code of the juror's residence instead of the \$12.72 that we calculated using the actual mileage from the juror's residence address to the Court. Although the Court used the correct mileage rate, it used estimated miles when paying juror mileage because its computer system calculates mileage using ZIP Codes rather than actual addresses. However, state law requires courts to pay jurors for each actual mile traveled after the first day of service to attend court and, as of 2023, to return from court. As a result, the Court overpays some jurors and likely underpays other jurors for the mileage they travel to perform jury services at the Court.

RECOMMENDATION

To ensure the Court accurately calculates the reimbursable mileage it must pay jurors, it should recalibrate its computer system to determine the juror mileage fees to pay using mileage that is calculated based on the juror's actual address rather than on the juror's ZIP Code.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the recommendation and is currently working with the jury system vendor to recalibrate the jury system to calculate mileage based on the juror's actual address.

Response provided on 06/21/2023 by Sophia Almanza, Court Financial Officer

Date of Corrective Action: 07/31/2023

Responsible Person(s): Deanna Jasso, Director of Court Administration

FINE AND FEE DISTRIBUTIONS

The Court Corrected the Calculation and Distribution Issues Reported by the State Controller's Office in its Recently Completed Revenue Audit of the Court

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) recently completed a revenue audit of the Court in January 2022. Our review of the SCO audit report noted one finding related to the case types we review. Therefore, we limited our review to the SCO's audit report finding. Our review found that the Court took appropriate corrective action to resolve the issue 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 generally 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 Reported Materially 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 materially supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2020-21.

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.
