



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

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NOVEMBER 2024



Judicial Council of California

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**Superior Court of California, County of Alameda**

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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 Alameda (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 Alameda

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
<b>Cash Handling</b>					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Manual Receipts	Yes	✓		
4	Mail Payments	Yes	2	2024-4-01; 02	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	2	2024-6-01; 02	Agrees
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	1	2024-8-01	Agrees
9	Other Internal Controls	Yes	1	2024-9-01	Agrees
<b>Procurement and Contracts</b>					
10	Procurement Initiation	Yes	1	2024-10-01	Partially Disagrees
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	✓		
<b>Payment Processing</b>					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	1	2024-18-01	Agrees
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	✓		
<b>Fund Balance</b>					
25	Year-End Encumbrances	Yes	✓		
26	Use of "Held on Behalf" Funds	N/A	-		
<b>JBSIS Case Filing Data</b>					
27	Validity of JBSIS Data	Yes	✓		
<b>Enhanced Collections</b>					
28	Enhanced Collections	Yes	✓		

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

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

The Court demonstrated consistent adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of reporting year-end encumbrances, and in meeting enhanced collections requirements. For example, our review of the Court's fund balance found that the Court properly 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. In addition, our review found that the Court properly supports its timekeeping and other expenses that it charges to enhanced collections activities.

However, our audit did identify eight 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 eight 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 control over its change funds. Specifically, the Court does not require someone to count and verify the change funds at the end of each day while in the presence of a manager or supervisor. As a result, the Court risks not knowing for an extended period of time if one of its change funds is short funds. The Court indicated it agreed with our finding and recommendation in this area and that it will work towards taking corrective action.

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

Audit Services initiated its audit of the Court on January 29, 2024, and completed its fieldwork in May 2024. Audit Services shared the draft findings with the Court starting on April 30, 2024, and received the Court's final official responses on June 7, 2024. The Court generally 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 Alameda (Court) operates 10 court facilities in the cities of Alameda, Berkeley, Dublin, Fremont, Hayward, Oakland, and San Leandro. 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 Alameda Superior Court and Average of all Superior Courts

Statistic	Alameda Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
<b>Financial Highlights (Fiscal Year 2023-24)</b>						
Total Revenue	\$ 122,890,462	\$ 3,376,457	\$ 15,000,011	\$ 57,522,113	\$ 297,502,687	\$ 60,490,622
Total Expenditures	\$ 124,479,666	\$ 3,494,275	\$ 15,091,980	\$ 57,533,804	\$ 289,753,339	\$ 59,489,721
Staff Salaries & Benefits	\$ 97,576,367	\$ 2,181,311	\$ 11,118,697	\$ 42,462,619	\$ 224,968,133	\$ 45,329,140
As a % of Total Expenditures	78.4%	62.4%	73.7%	73.8%	77.6%	76.2%
<b>Judicial Officers and Staff (2024 Court Statistics Report)</b>						
Judges	73	2	8	30	144	30
Commissioners/Referees	10	-	1	4	21	4
Non-Judicial Staff (approx.)	745	19	96	330	1,528	326
Total	828	21	105	364	1,693	360
<b>New Case Filings (Fiscal Year 2022-23)</b>						
<b>Appeal Filings</b>	58	9	80	152	214	96
<b>Civil Filings</b>						
Civil	20,574	272	2,068	9,548	60,529	11,344
Family Law	9,211	253	1,547	5,527	25,717	5,438
Juvenile Delinquency	733	32	160	653	1,694	449
Juvenile Dependency	651	29	171	504	3,374	651
Mental Health	4,592	14	234	1,368	9,130	1,658
Probate	1,926	56	318	1,023	4,894	1,039
Small Claims	2,987	33	240	1,026	6,967	1,291
<b>Criminal Filings</b>						
Felonies	4,791	222	1,173	3,853	13,562	3,236
Misdemeanors / Infractions	141,457	3,770	17,293	55,832	237,196	52,765
<b>Total</b>	<b>186,980</b>	<b>4,690</b>	<b>23,284</b>	<b>79,486</b>	<b>363,277</b>	<b>77,967</b>

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts are from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of September 13, 2024, and may not agree with other reports as this data is continuously updated.

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

## AUDIT SCOPE AND METHODOLOGY

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

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

	<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	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"> <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>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 2022-23 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>
4	<p>Determine whether the Court properly classified its year-end encumbrances for the most recent completed fiscal year.</p>	<p>We obtained the Court’s Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2022-23) and traced and verified year-end</p>

	Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.	<p>encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal year. As a result, no further review was deemed necessary.</p>
5	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 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	Determine whether Enhanced Collections revenue is funding only collections activities.	<p>We obtained the Court's Collection Report Template for fiscal year 2022-23 and determined whether the Court's collection program met the minimum requirements for a comprehensive collection program as defined in state law. We identified and analyzed the revenues, expenditures, and transfers ins/outs for Fund 120007 (Enhanced Collections) to verify that Enhanced Collections revenue was used only to fund collections activities.</p>

## **Assessment of Data Reliability**

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

## **Report Distribution**

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on November 25, 2024, and approved it for public release.

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

## **Audit Staff**

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

Michelle O’Connor, Senior Auditor (auditor in charge), CPA, CGFM, CFE  
Lorraine De Leon, Auditor  
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 processes, void transactions, and internet payments.

Nevertheless, we identified six 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
2024-4-01	Mail Payments – Endorsement
2024-4-02	Mail Payments – Receipts Log
2024-6-01	Change Fund – Accountability
2024-6-02	Change Fund – Periodic Counts
2024-8-01	Bank Deposits – Verification
2024-9-01	Other Internal Controls – Segregation of Duties

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#### **FINDING REFERENCE: 2024-4-01** *MAIL PAYMENTS – ENDORSEMENT*

#### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.4 CHECK, MONEY ORDER, AND CASHIER'S CHECK HANDLING PROCEDURES:

9. The trial court must restrictively endorse all checks, warrants, money orders, and other negotiable instruments immediately upon receipt and acceptance. Endorsements must contain the following information:
  - a. The name of the bank and branch number in which the deposit will be made.
  - b. The statement "For Deposit Only" followed by the name of the trial court.
  - c. The account name and number.

**CONDITION**

The Court does not restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail or drop-box. Instead, the mail and drop-box payments are not restrictively endorsed until they have been electronically deposited using a check scanner at the end of the day, which automatically adds an endorsement stamp. Nevertheless, the FIN Manual requires courts to restrictively endorse checks immediately upon receipt. Endorsing checks "for deposit only" into the court bank account immediately upon receipt protects a court's interests by limiting the potential for further negotiation of the checks. When courts do not restrictively endorse checks immediately upon receipt as required, they risk that unendorsed checks may be lost or stolen and cashed or deposited in a non-court bank account.

**RECOMMENDATION**

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should take steps, such as updating its local cash handling procedures and periodic staff training, to ensure that all staff consistently restrictively endorse all checks, money orders, and other negotiable instruments immediately upon receipt in the mail.

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

The Court agrees with the finding. We plan to distribute banking stamps to all locations and update our cash handling policy to indicate that all checks must be endorse-stamped upon receipt in the mail. We will notify management at all court locations of this requirement and request they include reference to the importance in their staff trainings.

**Response provided on 5/17/2024 by:** Alisha McCorvey, Management Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Alisha McCorvey, Management Analyst

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**FINDING REFERENCE: 2024-4-02**

*MAIL PAYMENTS – RECEIPTS LOG*

**CRITERIA**

FIN MANUAL, FIN 10.02, 6.4 PAYMENTS RECEIVED THROUGH THE MAIL AND DROP BOXES:

3. To provide for the strongest oversight and monitoring of payments received through the mail and drop boxes, courts should maintain a payments receipt log. Without a payment receipts log, courts have no record to reference or research if a mail or drop box payment is lost or stolen. The following method should be used for processing payments received through the mail and drop boxes:
  - a. The payments receipts log sheet should include the following information:
    - i. Case or docket number;
    - ii. Name of the person making the payment;
    - iii. Amount of cash, check, and money order;

- iv. Check or money order number;
- v. Date received in the mail or drop box; and
- vi. Name of the person opening the mail or drop box payments and the person recording the payment on the payments receipt log.

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

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

Judicial Council of California  
Director of Branch Accounting and Procurement  
Attn.: Trial Court Alternative Financial Policies and Procedures  
2850 Gateway Oaks Drive, Suite 300  
Sacramento, CA 95833-4348  
E-mail: [TCFin@jud.ca.gov](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 acknowledgment of receipt will be returned to the submitting court. The 60-business-day response time will begin once the court receives that acknowledgment of receipt. Absent a response from Judicial Council of California Staff within 60 business days, the alternative procedure will be in effect, subject to further review and consideration by Judicial Council of California Staff. **Undocumented procedures or those not approved by Judicial Council of California Staff will not be considered valid for audit purposes.**

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

### CONDITION

The Court does not always maintain the suggested payment receipts log to create a record of the payments received in the mail. Specifically, the Berkeley, Dublin, Hayward Civil, Fremont, and Oakland Fallon Street Criminal payment collection locations do not maintain the suggested Payments Receipts Log to create a record of all payments received in the mail. The FIN Manual suggests that courts use such a log to capture and record key identifying information—such as the case numbers, the persons making the payment, and the check numbers—that may be useful in tracking lost mail payments and in reconciling mail payments entries in the CMS. The Court's written policies align with the FIN Manual, but staff at these locations do not follow the written policies. According to court staff at these locations, they were either unaware of the FIN Manual suggestion and the Court's policies, or the practices at the individual locations do not include the use of a mail log. As a result, the Court does not capture sufficient information to monitor and track individual mail payments nor does it have a record that managers can use to reconcile with and ensure the entry of all the mail payments into the CMS, and is therefore at increased risk for

lost or stolen mail payments.

### **RECOMMENDATION**

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should require the persons who open the mail to complete a payment receipts log with all key information necessary to establish a clear record of all the payments, cash and non-cash, received through the mail. The Court can subsequently use these logs to reconcile and confirm entry of these mail payments into its CMS during the end-of-day closeout process.

Alternatively, if the Court believes it cannot implement the FIN Manual's requirements due to operational needs, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure for the recording, tracking, and reconciling to the CMS of payments received through the mail.

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

The Court agrees with the finding. However, due to the large volume of mail some locations receive, and the time consuming and labor-intensive nature of creating a payment log sheet, we will prepare and submit a Request for Alternative Procedure.

**Response provided on 5/30/2024 by:** Alisha McCorvey, Management Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Alisha McCorvey, Management Analyst

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

*CHANGE FUND – ACCOUNTABILITY*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

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

### **CONDITION**

Although the Court currently maintains change funds ranging between \$200 and \$2,700 at its various payment collection locations, it does not require individuals responsible for making change from the change funds to count and verify the change funds at the end of each day while in the presence of a manager or supervisor. Instead, we found that the Court's locations have varying practices for verifying their change funds. Specifically, we found that at multiple locations, the change funds are counted only on days when the change funds are used, while other locations also verify their change funds on a weekly basis in addition to days when the change funds are used. Staff at one location with a \$200 change fund only verifies its change fund every two to three months. Additionally, we found that these counts and verifications are usually performed by a staff member alone, not in the presence of a manager or supervisor.



According to court staff at the various locations, they were either unaware of the FIN Manual requirement and the Court's written policies that align with the FIN Manual, or they stated it was not the practice at the various locations to count the change fund at the end of the day. As a result, the Court's current practice of not counting and verifying its change funds on a daily basis in the presence of two people, as required by the FIN Manual, potentially allows a change fund shortage to occur without clear accountability of when the shortage may have occurred or who may have caused the shortage.

### **RECOMMENDATION**

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should ensure that individuals responsible for making change from the change funds count, verify, and reconcile the change fund monies to the day's beginning balance at the end of each business day. In addition to verifying the change fund at the end of each business day, the Court should ensure that the daily verification is performed while in the presence of a court manager, supervisor, or designee.

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

The Court agrees with the finding. At this time supervisors currently count, verify, and reconcile the portion of the change fund that is distributed to staff. However, the remaining change box and undistributed bags are not counted daily. Therefore, we will update our cash handling policy to indicate that during the beginning and close of each day it is required that two people count, verify, and reconcile the change box and undistributed bags. We will indicate a log should be kept regarding this daily review. We will notify management at all court locations and provide a sample log that can be used.

**Response provided on 5/17/2024 by:** Alisha McCorvey, Management Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Alisha McCorvey, Management Analyst

### **FINDING REFERENCE: 2024-6-02**

#### *CHANGE FUND – PERIODIC COUNTS*

### **CRITERIA**

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

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 the change fund custodian to periodically count the change funds as frequently as suggested by the FIN Manual. Specifically, the Oakland Washington Street Criminal, Hayward Civil, Hayward Family Law, and Fremont locations all have change funds of \$500 or more, but someone other than the individuals responsible for making change from the change funds does not count and verify the change funds on a monthly basis, as suggested by both the FIN Manual and the Court's written policy. Additionally, the Oakland Fallon Street Criminal, Berkeley Civil, and Alameda Civil locations all have change funds between \$200 and \$499, but someone other than the individuals responsible for making change from the change funds does not count and verify these change funds on a quarterly basis, as suggested by both the FIN Manual and the Court's own policy. According to Court staff at the various locations, they either were unaware of the FIN Manual guidance, were unaware that the periodic counts were not occurring, or stated the periodic counts did not occur due to limited staffing. As a result of its current practice, the Court is at an increased risk of not knowing for an extended period of time if one of its change funds is short funds.

**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 quarterly for its change funds between \$200 and \$499, and monthly for its change funds of \$500 or more.

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

The Court agrees with the finding. We will notify management that they must designate a non-change fund custodian to conduct change fund counts in accordance with the frequency based on cash change fund size.

**Response provided on 5/17/2024 by:** Alisha McCorvey, Management Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Alisha McCorvey, Management Analyst

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**FINDING REFERENCE: 2024-8-01***BANK DEPOSITS – DEPOSIT VERIFICATION***CRITERIA**

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

3. Deposits consisting of coin and paper currency in excess of \$100 will be prepared as follows:
  - b. The coin and paper currency portion of any bank deposit must be counted by one person and verified and initialed by a second person (preferably a supervisor or lead) prior to tendering the deposit to an armored car service, a court employee for deposit to a bank night deposit drop safe, or a bank teller within the lobby of the bank.
  - c. Paper currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two court employees who will sign a court copy of the deposit slip

indicating they have verified the coin and paper currency amount contained in the deposit bag.

### **CONDITION**

The Court does not require one person to prepare and a second person to verify and initial its bank deposits. Instead, a single person at each payment location prepares the deposit and signs the deposit slip with no secondary verification process. According to court staff, they were unaware of the FIN manual requirement and stated this is the long-standing practice at the various payment locations. However, the FIN Manual requires courts to have a second person, preferably a supervisor or lead, verify deposits, and for both employees to sign a court copy of the deposit slip indicating they have verified the coin and paper currency amount contained in the deposit bag. Without a secondary verification of the Court's deposit, any potential deposit shortage would be without clear accountability of when the shortage may have occurred or who may have been responsible for the discrepancy—the Court or the bank.

### **RECOMMENDATION**

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should ensure that a lead or supervisor verifies and initials its daily bank deposits after they are prepared by another court employee.

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

The Court agrees with the finding. We plan to update our cash handling policy to indicate when the cash deposit exceeds \$100 a second person will need to verify the amount and initial the deposit slip and the deposit bag. Together, the two employees will seal the deposit bag for the next day's deposit pickup.

**Response provided on 5/17/2024 by:** Alisha McCorvey, Management Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Alisha McCorvey, Management Analyst

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### **FINDING REFERENCE: 2024-9-01**

#### *OTHER INTERNAL CONTROLS – SEPARATION 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.

**CONDITION**

The Court does not adequately segregate court staff duties when preparing its deposits. Specifically, at the Alameda, Berkeley, Dublin, Fremont, Hayward, and Oakland Fallon Street payment collection locations, the person who verifies the cashier's closeout also prepares the deposit. According to the court staff, this is the long-standing practice at these locations. 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. As a result of the lack of segregation of duties, potential fund shortages and thefts may occur and go undetected.

**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.

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

The Court agrees with the finding. Currently the person who verifies the cashier's closeout does not complete any void-related duties or receive any money in the CMS. However, we can strengthen the safeguarding of trial court assets by requiring a second person to verify the cash deposit, initial the deposit slip, deposit bag, and be present when the cash is sealed inside the deposit bag. We will update the cash handling policy accordingly.

**Response provided on 5/17/2024 by:** Alisha McCorvey, Management Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Alisha McCorvey, Management Analyst

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## PROCUREMENT AND CONTRACTS

### The Court Complies with Most Applicable Requirements for Procuring Goods and Services, But Should Ensure it Consistently Uses Purchase Requisitions

#### Background

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

#### Results

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

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

Finding Reference	Subject
2024-10-01	Procurement Initiation

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**FINDING REFERENCE: 2024-10-01***PROCUREMENT INITIATION***CRITERIA**

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

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

1. Internal review and approvals: Consider the following:

- Have the proper approval signatures been obtained to conduct the procurement in conformance with the Judicial Branch Entity's Local Contracting Manual?
- Is the request in compliance with applicable equipment standards?
- Is there documentation in sufficient detail to support and justify conducting the procurement?

**CONDITION**

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. For five of the 20 procurement transactions reviewed for which we expected to see a purchase request, the Court did not document or require a purchase request and management approval of the request prior to commencing the procurement.

Specifically, for four procurement transactions we reviewed ranging between \$24,838 and \$625,000 related to IT equipment, IT support, and IT consulting services, the Court did not have a purchase request on file. For two of these procurement transactions, the Court indicated that emails between a staff member and a manager acted as the purchase request. However, the email communications did not specifically request a purchase, specify the costs associated with a purchase, or indicate approval to proceed with a procurement. The Court did not have a purchase request or potential purchase request on file for the other two IT-related transactions.

Additionally, for one procurement transaction related to HR investigative services in the amount of \$270,000, the purchase request was not submitted, reviewed, and approved until after the procurement had already taken place. The contract and a related amendment were signed in June 2021 and November 2022, respectively; however, the purchase request was not submitted and approved until January 2023. According to the Court, the purchase request was not available because the CEO negotiated and executed this contract, and court staff did not create the purchase request to encumber funds until after the contract had been executed. Nonetheless, the use of a purchase request form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the procurement process. When the Court does not consistently document its purchase requests and authorizations, it risks the appearance that it is making purchases that may not be appropriate or not allowed and not in its best interests.

**RECOMMENDATION**

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

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

The Court understands the auditor's position and disagrees in part. However, the Court will take steps to revise our documents and processes to include language that clearly delineates a purchase request in order to satisfy the recommendations above.

**Response provided on 5/14/2024 by:** Eddie Sanchez, Procurement and Contracts Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Eddie Sanchez, Procurement and Contracts Analyst

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## PAYMENT PROCESSING

### The Court Could be More Consistent with Payment Approval and Authority Levels

#### 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 court interpreters, other items of expense, and jury expenses.

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

Finding Reference	Subject
2024-18-01	Payment Approval and Authority Levels

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#### **FINDING REFERENCE: 2024-18-01**

#### *PAYMENT APPROVAL AND AUTHORITY LEVELS*

#### **CRITERIA**

FIN MANUAL, FIN 8.01, 6.2.1 ROUTING OF VENDOR INVOICES:

3. The court executive officer or an authorized representative must approve all invoices for payment.

#### **CONDITION**

For 15 of the 40 expenditure samples we reviewed, the Court did not properly approve the invoices for payment. Specifically, 11 of the sample expenditures we reviewed—related to purchases such as IT equipment and services, juvenile dependency services, office supplies, legal



library subscriptions, vehicle leasing, and training, and which totaled \$370,783—were approved for payment by division directors. However, the Court did not have documented "signature cards" on file for these division directors that the Court uses to establish staff authority and dollar amount limits for invoice payment approval. Additionally, for another two samples reviewed totaling \$8,503 for advertising and investigation services, the invoice approvers had signature cards on file, but the cards did not specify the approval limits. Finally, for two other samples reviewed, the individuals who approved the invoices for payment exceeded their approval limits. Specifically, one individual with an approval authorization limit of \$10,000 approved a \$26,639 payment to jurors for jury duty service, and another individual with an approval limit of \$15,000 approved a \$17,640 payment for IT consulting services. After our initial review, the Court provided an updated signature card for one of the approvers, but not the other.

The FIN Manual requires courts to have authorized staff review and approve invoices and claims for payment because not all court staff may have the expertise and knowledge needed to properly assess the appropriateness of the payment transaction, accuracy of the records submitted, and reasonableness of the expenditure. As a result, the Court is at increased risk of disbursing funds that it may later find to be excessive or inappropriate. Additionally, when the Court does not follow its invoice payment approval limits and does not document invoice payment approvals, the Court is at an increased risk for unauthorized and inappropriate payments.

### **RECOMMENDATION**

To ensure that all invoices are properly paid, the Court should take steps to ensure accounts payable staff process invoices for payment only when approved by authorized court officials acting within the scope of their authority. The Court should also consider providing refresher training to accounts payable staff regarding the necessary approvals that must be obtained prior to processing invoices for payment.

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

The Court agrees to the corrective action(s) proposed in this audit memo. The Court will begin by updating and reconciling a list of the Court's Authorized Signature Cards (ASC). The Cards will be updated and reviewed to ensure the appropriate threshold limits, division cost centers, and approvers are properly identified on the Authorized Signature Cards. The Court will also revise the ASC template that will incorporate additional details of each designated approver.

We will maintain a separate signature card for each designated approver, including division directors, that will detail their authority and approval limits. The signature cards will continue to be renewed annually.

Furthermore, the accounts payable manager will train staff on processing invoices by properly reviewing officials' authority levels and ensuring approvals are within the scope of their authority as indicated on the ASC before payments are issued.

**Response provided on 5/14/2024 by:** Eddie Sanchez, Procurement and Contracts Analyst

**Date of Corrective Action:** July 2025

**Responsible Person(s):** Eddie Sanchez, Procurement and Contracts Analyst; Pretika Singh, Fiscal Services Specialist; Latasha McCorvey, Fiscal Services Specialist.

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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 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 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.

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

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