



Audit of the Superior Court of California, County of Los Angeles

OCTOBER 2023



Judicial Council of California

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Superior Court of California, County of Los Angeles

Table of Contents

EXECUTIVE SUMMARY i

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

AUDIT SCOPE AND METHODOLOGY v

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

 CASH HANDLING..... 2

 PROCUREMENT AND CONTRACTS 12

 PAYMENT PROCESSING..... 13

 FINE AND FEE DISTRIBUTIONS..... 14

 FUND BALANCE..... 15

 JBSIS CASE FILING DATA 20

 ENHANCED COLLECTIONS 21

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 Los Angeles (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 Los Angeles

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
Cash Handling					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Manual Receipts	Yes	1	2022-3-01	Agrees
4	Mail Payments	Yes	1	2022-4-01	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	2	2022-6-01; 02	Agrees
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	1	2022-9-01	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	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distributions					
25	Distribution Calculations	Yes	✓		
Fund Balance					
26	Year-End Encumbrances	Yes	1	2022-26-01	Partially Agrees
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 revenue distribution and payment processing. For example, our review of the Court's revenue distributions found that its court management systems are properly programmed to ensure the fines, fees, penalties, and assessments it collects are properly distributed. In addition, our review found that the Court's payment processing practices demonstrated good management practices in the areas of the three-point match, payment authorizations, and court interpreters.

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

One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its controls over its manual receipts. Specifically, the Court does not maintain an accurate accounting of the manual receipt books issued to and controlled by the various payment collection locations. Additionally, the Court was unable to fully account for all of its manual receipts. Our review found that, at several payment locations, individual manual receipts were missing, skipped without being voided, or did not have a date to indicate whether the receipt was issued in sequential order. When the Court's manual receipt logs are not kept up to date, the Court cannot fully monitor the appropriate use of manual receipts at its payment locations and is without clear accountability of when or who used the manual receipt books, or which receipts they issued. The Court indicated it agreed with our finding and recommendation in this area and that it would implement corrective action by July 2023.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on September 9, 2022, and completed its fieldwork in May 2023. Audit Services shared the draft findings with the Court starting on February 9, 2023, and received the Court's final official responses on June 29, 2023. 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 Los Angeles (Court) operates 41 court facilities in 26 different cities throughout the county. 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 Los Angeles Superior Court and Average of all Superior Courts

Statistic	Los Angeles Superior Court	Average of All Superior Courts					All 58 Courts
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts		
Financial Highlights (Fiscal Year 2022-23)							
Total Revenue	\$ 1,037,066,339	\$ 3,516,596	\$ 14,926,999	\$ 56,356,321	\$ 283,441,690	\$ 58,298,424	
Total Expenditures	\$ 859,236,572	\$ 3,218,159	\$ 14,532,808	\$ 55,423,780	\$ 255,806,509	\$ 54,050,955	
Staff Salaries & Benefits As a % of Total Expenditures	\$ 718,603,546 83.6%	\$ 2,037,590 63.3%	\$ 10,635,517 73.2%	\$ 42,045,871 75.9%	\$ 206,241,699 80.6%	\$ 42,432,330 78.5%	
Judicial Officers and Staff (2023 Court Statistics Report)							
Judges	510	2	8	30	142	30	
Commissioners/Referees	75	-	1	4	21	4	
Non-Judicial Staff (approx.)	4,221	16	84	289	1,312	282	
Total	4,806	18	93	323	1,475	316	
New Case Filings (Fiscal Year 2021-22)							
Appeal Filings	350	9	74	130	154	81	
Civil Filings							
Civil	176,485	263	1,895	8,108	54,067	10,062	
Family Law	81,758	240	1,477	5,137	25,312	5,265	
Juvenile Delinquency	2,198	27	130	539	1,303	357	
Juvenile Dependency	15,715	30	171	547	3,486	676	
Mental Health	46,845	15	225	1,359	8,343	1,545	
Probate	16,089	58	325	986	4,623	997	
Small Claims	22,279	31	216	891	6,244	1,151	
Criminal Filings							
Felonies	33,130	200	1,169	3,686	13,675	3,208	
Misdemeanors / Infractions	801,920	3,282	16,654	55,404	239,708	52,647	
Total	1,196,769	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. Los Angeles Superior Court is a cluster 4 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Los Angeles (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-personnel 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 50 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 80 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 and court interpreters adhered to applicable Judicial Council policies.
<p>4</p>	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<p>We reviewed the Court’s process for updating and controlling access to its distribution tables.</p> <p>We also reviewed the Court’s calculations and distributions of fines, penalties, fees, and</p>

		assessments for certain high volume or complex case types.
5	<p>Determine whether the Court properly classified its year-end encumbrances for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court's Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2020-21) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal year. As a result, no further review was deemed necessary.</p>
6	<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 planned to select 20 cases from six case types, for a total of 120 reported cases, and review the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing. However, because the Court could not provide a detailed list of cases supporting the case filing counts it reported to JBSIS for the Felony case type, we selected and reviewed a total of 100 cases from five of the six case types.

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 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.</p>
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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, CIA:

Michelle O'Connor, Senior Auditor (auditor in charge), CPA, CGFM, CFE

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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, internet payments, and end-of-day balancing and closeout processes.

Nevertheless, we identified five 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
2022-3-01	Manual Receipts – Inventory and Use
2022-4-01	Mail Payments – Endorsement
2022-6-01	Change Fund – Accountability
2022-6-02	Change Fund – Periodic Counts
2022-9-01	Other Internal Controls – Access to Safe

FINDING REFERENCE: 2022-3-01

MANUAL RECEIPTS – INVENTORY AND USE

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.9 MANUAL RECEIPTS:

4. Manual receipt book acquisition and control:
 - a. Trial courts should acquire manual receipt books centrally at each physical location and a designee should inventory the books when received.
 - iv. Unissued books should be inventoried periodically (at a minimum annually) with a record of the inventory maintained by the supervisor of the area responsible for the books.
 - c. When acquired, the trial court must inspect the books to ensure all receipts are complete and in numerical sequence. The trial court fiscal office must log the books in a manual receipt book log that will contain information on each book that includes:
 - i. The book number;

- ii. The numerical sequence of receipts (from and to receipt numbers) for each book;
6. Issuance of manual receipt book by court facility supervisor or his or her designee to cashiers:
- a. The supervisor or his or her designee must maintain control and oversight of the manual receipt books. When the cashiering system and/or case management system is not available to process automated receipts, the supervisor or designee will retrieve and issue books of prenumbered receipts to cashiers. Manual receipt books should only be used when the cashiering system and/or case management system is down.
 - b. The supervisor or his or her designee issuing the prenumbered manual receipt books must monitor and maintain an accounting of the receipt books, including:
 - i. The receipt books issued;
 - ii. To whom the receipt book was issued;
 - iii. The date issued;
 - iv. The name of the person returning the book;
 - v. The date the books were returned (should be the end of the same day); and
 - vi. The receipt numbers used within each book.

CONDITION

We found that the manual receipt logs maintained by some payment collection locations do not accurately reflect all of the manual receipt books controlled by the payment collection locations. Specifically, we found that the West Covina Traffic location, which keeps individual logs for each manual receipt book, had 26 manual receipt books in its possession, but only had manual receipt logs for seven of the books. The Court did not have manual receipt logs for the other 19 manual receipt books. Also, the Criminal Justice Center location had 14 manual receipt books in its possession; however, only six of them were listed on its manual receipts log. The remaining eight books at this location, marked on their covers as being completely used, are not listed on the log even though these books remain in the Court's possession. When the Court's manual receipt logs are not kept up to date, the Court cannot fully monitor the appropriate use of manual receipts at its payment locations and is without clear accountability of when or who used the manual receipt books, or which receipts they issued.

In addition, the Court cannot fully account for all of its manual receipts. Specifically, at the Metropolitan Courthouse, we noted that one book was missing three receipts—which the Court was aware of, but could not explain—and the Compton Traffic location was also missing a receipt in one of its books. Additionally, at several of the payment locations we reviewed, manual receipt numbers were skipped without being voided, or did not have a date to indicate whether the receipt was issued in sequential order. For example, at the Compton Traffic location, we found that two receipts in one book were skipped, and one receipt in another book was skipped. Also, at the Metropolitan Courthouse, we found a receipt had been skipped in one of its books. Finally, at the Criminal Justice Center location, the last three receipts in one book were unused, even though this book was marked as being completely used. The unused receipts were not subsequently voided to prevent their potential misuse. However, the FIN Manual requires

courts to maintain control and accountability over the manual receipting process so that courts can mitigate the potential for misuse and fraud.

RECOMMENDATION

The Court should ensure its payment collection locations maintain control and oversight of their manual receipt books, including keeping an accurate inventory of all manual receipt books and a detailed log to monitor and maintain an accounting of the receipts books and receipts numbers used.

Furthermore, the Court should require that manual receipts in each book be fully accounted for and used in sequential order. If a manual receipt is skipped or not used, it should be marked as “void” to mitigate any potential risk of misuse or fraud.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the findings. It is the Court’s practice to follow the FIN Manual’s requirements of controlling the inventory and usage of manual receipt books, and has trained its staff accordingly. Internal Audit will send a formal reminder to management at all Courthouses to keep an inventory of all manual receipt books acquired, a detailed log to monitor and track the distribution of the receipt books and ensure manual receipts in each book are fully accounted for and used in sequential order.

The Court agrees that manual receipts should be accounted for and used in sequential order. Therefore, the Court will instruct employees to deface unused or skipped receipts to avoid the potential for misuse and fraud.

Response provided on 3/8/2023 by: Mariangela Guillen, Compliance Administrator

Date of Corrective Action: December 2023

Responsible Person(s): Internal Audit

FINDING REFERENCE: 2022-4-01

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. 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 consistently restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail. Specifically, at five payment collection locations we reviewed, the mail is opened by a team and any check payments are logged, then forwarded to another clerk for processing. The checks are not restrictively endorsed immediately upon receipt at these locations, but instead are endorsed after they have been processed in the CMS. However, both the FIN Manual and the Court's written procedures require clerks 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 cashed or deposited in a non-court bank account if checks are lost or stolen.

RECOMMENDATION

To prevent Court checks from being deposited into non-court bank accounts, the Court should take steps, such as 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 findings. The Court's written procedure, the Mail & Drop Box Payment Procedure (08-PR-012-00), requires clerks responsible for opening the mail and drop box contents to restrictively endorse checks, money orders, etc. immediately upon receipt. The Internal Audit department will send a formal reminder to management at all Court locations of this requirement. In addition, the Cash Handling Basics e-learning module, which is available on-demand to all court employees, will be updated to emphasize the importance and requirement to safekeep all payments received by following established mail and drop box procedures.

Response provided on 3/8/2023 by: Mariangela Guillen, Compliance Administrator

Date of Corrective Action: December 2023

Responsible Person(s): Internal Audit

FINDING REFERENCE: 2022-6-01

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.

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

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

Although the Court's Finance division maintains two change funds totaling \$3,000, it 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. Specifically, the bookkeeper counts her \$2,000 change fund by herself both at the beginning of the day and toward the end of the day and signs a log, but this count is not performed in the presence of a manager or supervisor. Additionally, the supervisor's \$1,000 change fund is not counted on a daily basis. Instead, the supervisor's change fund is counted and verified by a second person on a monthly basis.

Similarly, although the Court's payment locations maintain change funds of varying amounts, it 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. Specifically, we found that the bookkeeper or other responsible person at various location generally counts the change fund sometime during the day and signs a log, but this count is not always performed in the presence of a manager or supervisor. This is because the Court's written procedures do not fully align with the FIN Manual because they do not require the count to be performed in front of a second person at the end of the day. Additionally, while the Court's written procedures require a daily count of the bookkeeper's change fund, the procedures do not also require a daily count of the supervisor's secondary change fund, which is maintained by many payment locations.

Finally, we found that at some locations, instead of counting the change fund daily, the change fund is counted only on days when the change fund is used to make change, or the change fund is counted at the beginning of the day instead of 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 its local cash handling policies and procedures align with FIN Manual requirements. Specifically, 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.

Alternatively, if the Court believes it cannot implement the FIN Manual's requirements, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure for the count and verification of the change funds at the end of each day while in the presence of a manager or supervisor for its Finance Division and outlying payment collection locations.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the findings. The Court agrees that change funds must be counted, verified, and reconciled daily. However, Court managers, supervisors, and bookkeepers have numerous closing procedures that need to be completed in a short timeframe at the end of the day, such as closing out credit card terminals, addressing variances, and balancing cashiers.

The Court will submit an alternative procedure to the Judicial Council that captures the intent of the recommendation and the Court's circumstances. In the interim, the Court will reassess the amount of the change funds assigned to each location to minimize the risk of unaccountable funds that are not consistently utilized.

Response provided on 3/8/2023 by: Mariangela Guillen, Compliance Administrator

Date of Corrective Action: February 2024

Responsible Person(s): Revenue Management

FINDING REFERENCE: 2022-6-02

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

Although the Court's written procedures require individuals—generally the manager or supervisor—who are not the change fund custodians to count the change funds on a monthly basis, our review found that this count is not always being performed as frequently as required. Additionally, the FIN Manual suggests this verification should be performed monthly for change funds of \$500 or more, quarterly for change funds of \$200 or more, and annually for smaller change funds. However, we found that at some payment locations, this verification is performed sporadically or not at all. For instance, we found that the Van Nuys Courthouse did not start performing a monthly verification count of its \$1,000 change fund until October 2022, only a month before our review. Additionally, at the Compton Traffic, Stanley Mosk Civil, and Pasadena Traffic locations, as well as for the supervisor's change fund at the West Covina Traffic location, we were told this periodic count by someone else does not occur. Not following the Court's written procedures or the FIN Manual guidelines places the Court at an increased risk of not knowing for an extended period of time if its change funds are missing funds.

Furthermore, some payment locations do not have an individual other than the assigned change fund custodian periodically count their change funds. Specifically, at the Chatsworth Traffic payment location, the manager who periodically counts and verifies the supervisor's \$300 change fund is also the backup custodian with access to the supervisor's change fund. A similar process is in place for the \$325 change fund at the Stanley Mosk Family Law payment location, as well as the \$275 change fund at the Criminal Justice Center's Criminal payment location, and the \$150 change fund at the Stanley Mosk Probate payment location. According to the Court, this is due to internally established practices. Nonetheless, the FIN manual suggests that a trial court employee, other than the individuals responsible for making change from the cash change fund, should perform the periodic count.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should ensure Court staff follow the Court's written procedures, as well as the FIN Manual guidelines, that an individual, other than the individuals responsible for the change fund, count and verify its change funds at the frequency specified in Court's written procedures and the FIN Manual.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the findings. The Internal Audit department will send a formal reminder to management at all Court locations to verify the bookkeeper, manager, and supervisor change funds monthly by a second individual that is not responsible for or has access to the change fund.

The Court would like to clarify that the Court's Internal Audit team audited the Van Nuys Courthouse cash operations in May 2022 and noted the same finding regarding the monthly verification of change funds. The Courthouse implemented the recommended corrective action in October 2022 based on the internal review and coincidentally a month before the JCC review.

Response provided on 3/8/2023 by: Mariangela Guillen, Compliance Administrator

Date of Corrective Action: December 2023

Responsible Person(s): Internal Audit

FINDING REFERENCE: 2022-9-01

OTHER INTERNAL CONTROLS – ACCESS TO SAFE

CRITERIA

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

3. When using safes and vaults, the following procedures must be followed:
 - b. The combination should be memorized by trial court employees and should not be kept in legible form. If necessary to maintain the combination in legible form, it should not be kept in any written or electronic document that identifies it as the combination to the safe and should be maintained in a secure location not visible or accessible to anyone else. Only the court executive officer or the court executive officer's designee is approved to maintain the combination to the safe in legible form that identifies it as such.
 - d. The court executive officer or his or her designee will maintain a record showing the following information:
 - i. The date the combination was last changed; and
 - ii. The names of persons knowing the current combination.

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

4. 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

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 should take additional precautions to safeguard the contents of its safes maintained by the Finance division and outlying locations. Specifically, the safe combination forms filed with Finance by the outlying locations have the combination written on them. The FIN Manual states that if it is necessary to maintain the combination in legible form, it should not be kept in any document that identifies it as the combination to the safe. Only the Chief Executive Officer or designee is approved to maintain the combination in a legible form that identifies it as such. According to the Court's Finance Manager, the forms are filed with Finance as a central repository so that if an outlying location had trouble opening their safe for some reason, Finance has a copy of the combination as a backup. Additionally, Finance's own forms, maintained on-site, also contains this information. This occurs at least in part because the Court's policies require the locations to submit a form containing the combination to Finance, but does not prohibit locations from making a copy of the form or specify what must then be done with any copies of the form the location may have. As a result, the Court may leave itself susceptible to the potential theft of cash by those individuals with knowledge of the safe combination and unauthorized access to the safe.

RECOMMENDATION

To ensure it properly safeguards the contents of its safe, the Court should remind staff to memorize the combination to the safe and not keep the safe combination in legible form, except as allowed by the FIN Manual. If it is necessary to maintain the combination in legible form, only the CEO or designee should be allowed to maintain the safe combination in legible form that identifies it as such in a secure location not visible or accessible to anyone else.

Alternatively, if the Court believes it cannot implement the FIN Manual's requirements, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure for the safeguarding of the contents of its safes maintained by the Finance division and outlying locations.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the findings. The Court has several security measures in place to control and monitor building access which restricts the public and non-local employees to enter the Clerk's Office. In addition, court safes are in rooms safeguarded by keys and/or alarms which restrict the access to authorized local employees only. Therefore, a non-authorized employee with knowledge of the safe combination would not likely gain unrestricted access to a court safe and its contents.

The Court agrees to obtain a written CEO delegation of authority to memorialize the designation of Revenue Management as the responsible office for maintaining all Court Safe Combination Forms, which include the combination in legible format. In addition, the Court will obtain a written CEO delegation of authority to designate Court Administrators with the responsibility of maintaining their local Safe Combination Form in a secure location.

Response provided on 3/8/2023 by: Mariangela Guillen, Compliance Administrator

Date of Corrective Action: February 2024

Responsible Person(s): Revenue Management

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 and authority levels, and leveraged purchase agreements.

PAYMENT PROCESSING

The Court Complied with Applicable Payment Processing Requirements

Background

Trial courts must institute procedures and internal controls to ensure they pay for appropriate goods and services in an economical and responsible manner, ensuring that they receive acceptable goods and services prior to payment. Thus, the FIN Manual provides courts with various policies on payment processing and provides uniform guidelines for processing vendor invoices and in-court service provider claims. All invoices and claims received from trial court vendors, suppliers, consultants and other contractors are routed to the trial court accounts payable department for processing. The accounts payable staff must process the invoices in a timely fashion and in accordance with the terms and conditions of the respective agreements. Staff must match all invoices to the proper supporting procurement and receipt documentation, and must ensure approval for payment is authorized by court management acting within the scope of their authority.

Results

Our review found that the Court complied with applicable requirements in the payment processing areas we evaluated during our audit. Specifically, the Court demonstrated sound management practices in the areas of the three-point match, review and approval prior to payments, and court interpreters.

FINE AND FEE DISTRIBUTIONS

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

Background

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

Results

Our review of its fine and fee distributions found that the Court configured its automated case management system to accurately calculate and distribute the fines, penalties, assessments, and fees collected to the appropriate funds and entities.

FUND BALANCE

The Court Should Ensure It Includes Only Appropriate Expenses In 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

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; however, we identified one audit finding in the fund balance area that we believe requires the Court’s corrective action. This finding pertained to the following specific area of fund balance:

Finding Reference	Subject Area
2022-26-01	Fund Balance – Encumbrances

FINDING REFERENCE: 2022-26-01
FUND BALANCE – ENCUMBRANCES

CRITERIA

FIN MANUAL, FIN 5.01, 6.6, 6.6.1, ENCUMBRANCE GUIDELINES:

1. To encumber current fiscal year money, courts must have a valid contract or agreement by June 30 of the current year. Contracts may be encumbered with current year funds as of the execution date if the contract does not state or imply a delay in delivery to the next fiscal year. For multiyear agreements, courts must follow the rules in paragraph 3.
3. Multi-year agreements, which span more than one fiscal year, may be encumbered (1) totally to the year in which the agreement is executed, or (2) to more than one budget year, depending on the funding authority and the nature of the expense, as described below:
 - a. Annual Recurring Operating Costs. The annual state budget includes an appropriation for trial court operations that covers the current fiscal year. This appropriation is generally intended to support a court's operational expenditures for that specific fiscal year. To the extent that annually recurring operating expenses are incurred through a multiyear agreement, each year's expenses must be encumbered against the budget year in which the goods or services are received. Examples of annually recurring expenses include leases, janitorial services, security services, and annual subscriptions.
 - b. Nonrecurring Costs. To the extent that certain costs are nonrecurring, where the goods or services are provided through a multiyear agreement, the contract's costs must be encumbered either totally against the budget year in which the agreement is executed or to more than one budget year, depending on the delivery date, per paragraph c. Examples of nonrecurring goods and services include a case management system replacement project and a one-time consultant contract for a specific purpose that might take multiple years or cross fiscal years.

FIN MANUAL, FIN 5.01, 6.8, 6.8.3, YEAR-END ENCUMBRANCES:

1. The trial court must review the ending balances for all open POs, MOUs, IBAs, and contracts and the related encumbrances for validity. Unneeded encumbrance balances, including balances for blanket purchase orders that will not be used by the end of the fiscal year (June 30), must be disencumbered and the disencumbrance must be recorded in that fiscal year.

CONDITION

At the end of fiscal year (FY) 2020-21, the Court encumbered more than it should for its financial commitments. Courts self-report their annual expenditures on the Fund Balance Cap Calculation Form, including their year-end expenditure accrual amounts and encumbrances. If a court overstates its year-end encumbrance information on the form, it may potentially inflate how much fund balance it may carry over from one year to the next.

Specifically, for FY 2020-21, six of the 25 year-end encumbrances reviewed were for annual recurring operating costs. These six year-end encumbrances totaled around \$4.3 million, or 15% percent of the \$28 million the Court reported as encumbrances at the end of FY 2020-21. The Court encumbered the following annual recurring expenses:

- \$1.9 million for remote appearance audio and video fees, to be incurred in FY 2021-22.

- \$1.1 million in annual maintenance and license fees for the Court's CMS, to be incurred in FY 2021-22.
- \$680,000 in annual subscription fees for the Court's online payment and e-filing system for correctable traffic ticket violations and other online dispute resolution services.
- \$599,000 in annual subscription fees for another of the Court's CMS's, to be incurred in FY 2021-22.
- \$27,000 in maintenance and license fees for miscellaneous jury office equipment, to be incurred in FY 2021-22 and FY 2022-23.
- \$24,000 for annual maintenance of the Court's system used to receipt fines and fees for distribution to governmental entities, to be incurred in FY 2021-22.

In addition, contrary to the FIN Manual, the Court encumbered annual recurring operating costs at fiscal year-end that stated or implied a delay to the next fiscal year or later. Specifically, five of the six year-end encumbrances, which together total \$3.65 million, were for services that were explicitly to be provided in subsequent fiscal years. These encumbrances were related to multi-year agreements. According to the FIN Manual, to the extent that annually recurring operating expenses are incurred through a multi-year agreement, each year's expenses must be encumbered against the budget year in which the goods or services are received.

According to the Court, for three of the encumbrances, its understanding is that the FIN Manual allows a court that has substantial financial commitments that are typically not encumbered—but considered substantial enough to affect budget projections—to encumber the commitments to assist the court in tracking those commitments throughout the fiscal year. While this understanding may have made sense under the JCC's 2014 encumbrance policy, the off-cycle revision to the 10th edition of the FIN Manual—which is included in the current 11th version of the FIN Manual—does not allow this practice. The Court acknowledged that two other encumbrances should not have been encumbered at fiscal year-end. For the final encumbrance, the Court indicated that it considered the second year of the annual subscription fee to be a one-time expense.

RECOMMENDATION

To ensure the Court does not continue to encumber amounts at fiscal year-end that are for annual recurring operating costs or for future fiscal years of multi-year budget agreements, the Court should provide training to its fiscal staff to ensure its encumbrance practices are consistent with FIN Manual policies.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

1. Agree in part.

\$1.9M: ATI – This Purchase Order (PO) is intended for conference on demand streaming services for remote appearances that became a new court cost.

The FIN Manual states, “a multiyear contract for nonrecurring costs in paragraph b, in which the contract does not specify a delivery date or otherwise imply a delay in delivery, may be fully encumbered against the budget year in which the contract was executed.”

At the time the commitment was encumbered, this was not a recurring operating cost, and usage was to be determined. The Court also contends that the cost to enable and support remote court appearances was time limited due to uncertainty of when the Covid-19 state of emergency would lift. Therefore, the court felt it was reasonable and within FIN Manual guidelines to encumber the funds.

Additionally, SB 241, (Umberg), for Civil actions, was chaptered on 9/23/2021 with a scheduled sunset. As such, costs to support remote appearances were not permanent. SB 241 states that “This bill would, until July 1, 2023, authorize a party to appear remotely and the court to conduct conferences, hearings, proceedings, and trials in civil cases, in whole or in part, through the use of remote technology.”

2. As of June 2021, and even as of September 2021, remote appearances were not a permanent ongoing annual recurring operating cost, and the statutory authority for remote appearances was scheduled to sunset. Agree in part.

\$1.1M: Tyler - invoice indicates standard annual maintenance.

The Court re-encumbered funds for the delayed deliverables and/or enhancement for the new case management systems. At the time funds were re-encumbered, the coding was not adjusted to reflect the appropriate coding and line-item description which should have been changed to reflect implementation and development GL 938401 rather than 943503 so as not to appear that we were encumbering future licenses. These funds supplemented the contractually obligated amount of one-time cost for implementation and development of the case management systems due to unforeseen issues with the vendors delay in delivering all the deliverables on the original agreements/subsequent amendments. If a PO line item expires it should fall in line with the encumbrance rules to allow us to re-encumber the funds through the Funds Held on Behalf process.

3. Agree in part.

\$680K: Intresys - year 2 subscription to Online Dispute Resolution enhancements

This was a one-time cost – as the original concept was for the vendor to collect their own fees by charging the end-user a fee to cover their cost. Again, due to unforeseen delays in the implementation no revenue was collected so the Court had to front another year’s worth of fees to complete and launch the application. Based on the PR and PO there were no future year implied deliverables.

However, after reviewing the PR, PO and contract – while the PR and PO did not have implied deliverables in the text, the actual contract did state contract year 2 ended in year 12/31/2022 which therefore does imply it was for FY21-22. It was subsequently decided that the court would not charge a fee and this one-time or time limited expense has now been added to CTS’s base budget.

4. Agree in part.

\$599K: JTI - See response for Item 2.

5. \$27K: OPEX – This should have been prepaid.

6. \$24K: ACI – This was inadvertently encumbered and will be liquidated.

Response provided on 6/23/2023 by: Christine Padilla, Finance Director

Date of Corrective Action: FY 2023/24

The Court will provide training to fiscal staff related to the FIN MANUAL, FIN 5.01, 6.6, 6.6.1, ENCUMBRANCE GUIDELINES to ensure guidelines are being followed during their year-end review of encumbrances that are eligible and need to be committed against prior year funds for the new fiscal year. Additionally, fiscal management will perform a review of fiscal staff's recommendations for commitments as a second level of review to ensure compliance.

Responsible Person(s): Christine Padilla, Finance Director

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 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.
