



**Audit of the  
Superior Court of California,  
County of Nevada**

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JULY 2022



JUDICIAL COUNCIL  
OF CALIFORNIA

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AUDIT SERVICES

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**Superior Court of California, County of Nevada**

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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, as well as similar audits of the appellate courts, 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 Nevada (Court) should be commended for demonstrating compliance with many of the Judicial Council's requirements evaluated during the audit. Table 1 below presents a summary of the audit's results, including references to any audit findings discussed in the body and a summary of the Court's agreement or disagreement with the noted findings. Other matters such as isolated or minor non-compliance—which in our professional judgement do not rise to the level of a reportable finding—were communicated separately to the Court's management in written form.

Table 1 Audit Results – At A Glance – California Superior Court, County of Nevada

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	✓		
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2021-6-01	Agree
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	1	2021-8-01	Agree
9	Other Internal Controls	Yes	1	2021-9-01	Disagree
<b>Procurement and Contracts</b>					
10	Procurement Initiation	Yes	1	2021-10-01	Agree
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	1	2021-16-01	Agree
<b>Payment Processing</b>					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	1	2021-18-01	Agree
19	Special Rules - In-Court Service Providers	Yes	1	2021-19-01	Agree
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
<b>Fine &amp; Fee Distributions</b>					
25	Distribution Calculations	N/A	-		
<b>Fund Balance</b>					
26	Year-End Encumbrances	Yes	✓		
27	Use of "Held on Behalf" Funds	N/A	-		
<b>JBSIS Case Filing Data</b>					
28	Validity of JBSIS Data	Yes	✓		
<b>Grant Award Compliance</b>					
29	AB 1058 Program	Yes	✓		
<b>Enhanced Collections</b>					
30	Enhanced Collections	Yes	✓		
<b>Other Areas</b>					
31	[None]	N/A	-		

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 area of meeting AB 1058 grant requirements. For example, our review found the Court properly supports its timekeeping and other expenses that it charges to the AB 1058 grant program.

However, our audit did identify seven 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 seven 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 change funds. Specifically, the Court does not require individuals who are not the change fund custodian to count its change funds totaling \$500 or more on a monthly basis in accordance with FIN Manual requirements. When the Court does not have a practice of having its change funds totaling \$500 or more counted on a monthly basis by individuals who are not the change fund custodian, it 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 it implemented corrective action between December 2021 and March 2022.

The Court should also focus on ensuring that its procurement process begins with an approved purchase requisition form. Specifically, the Court does not always use and document written purchase requisitions to demonstrate that an authorized individual approved the purchase request before commencement of the solicitation or vendor selection. When the Court does not have a practice of using written purchase requisitions to document its purchase requests and authorizations, it risks staff initiating and making purchases without the oversight of management, potentially resulting in procurements that may be either inappropriate or not in the Court's best interests. The Court indicated it agreed with our finding and recommendation in this area and it will implement corrective action in October 2022.

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

Audit Services initiated its audit of the Court on October 4, 2021, and completed its fieldwork in April 2022. Audit Services shared the draft findings with the Court starting on February 8, 2022, and received the Court's final official responses on June 14, 2022. The Court either agreed or disagreed with the findings and its specific responses for each are included in the body of the report.

## BACKGROUND ON THE COURT'S OPERATIONS

The Superior Court of California, County of Nevada (Court) operates two court facilities in the cities of Nevada City and Truckee. 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 Nevada Superior Court and Average of all Superior Courts

Statistic	Nevada 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 2019-20)</b>						
Total Revenue	\$ 7,205,676	\$ 2,801,621	\$ 11,732,226	\$ 47,147,065	\$224,251,277	\$ 46,673,368
Total Expenditures	\$ 7,180,450	\$ 2,685,427	\$ 11,793,650	\$ 47,226,007	\$224,907,619	\$ 46,774,840
Staff Salaries & Benefits As a % of Total Expenditures	\$ 5,660,440 78.8%	\$ 1,783,894 66.4%	\$ 9,042,960 76.7%	\$ 36,756,739 77.8%	\$188,576,818 83.8%	\$ 38,140,615 81.5%
<b>Judicial Officers and Staff (2021 Court Statistics Report)</b>						
Judges	6	2	8	30	142	30
Commissioners/Referees	2	-	1	4	21	4
Non-Judicial Staff (approx.)	52	16	86	310	1,419	302
Total	60	18	95	344	1,582	336
<b>New Case Filings (Fiscal Year 2019-20)</b>						
<b>Appeal Filings</b>	7	6	69	140	134	78
<b>Civil Filings</b>						
Civil	1,193	265	1,932	8,189	52,641	9,898
Family Law	790	234	1,415	4,899	24,294	5,046
Juvenile Delinquency	35	25	121	502	1,245	337
Juvenile Dependency	55	33	186	558	3,901	742
Mental Health	67	14	206	1,383	8,293	1,536
Probate	195	53	289	1,004	4,323	945
Small Claims	138	37	203	818	5,802	1,070
<b>Criminal Filings</b>						
Felonies	464	241	1,268	3,870	13,958	3,336
Misdemeanors / Infractions	9,723	3,778	16,294	58,008	245,346	54,000
<b>Total</b>	12,667	4,686	21,983	79,371	359,937	76,988

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 May 5, 2022, 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. Nevada Superior Court is a cluster 2 court.

## AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Nevada (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) 2020-21, 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 activities. Specifically, our review included the following:	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,



	<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 2020-21 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> <p>(Note: We did not review court interpreter claims as the Audit Committee suggested we suspend reviewing these types of claims to allow courts time to develop procedures to address previously</p>
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		reported systemic audit findings related to court interpreter service claims.)
4	Determine whether the Court properly calculates fine and fee distributions for certain selected case types.	At the start of the fieldwork phase for the audit, the Court informed Audit Services that the State Controller's Office (SCO) had initiated a revenue audit of the Court's fine and fee distributions. Therefore, to not duplicate audit efforts, we did not review its current fine and fee calculations and distributions.
5	Determine whether the Court properly classified its year-end encumbrances for the most recent completed fiscal year.  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.	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 noted that the Court did not have any year-end encumbrances. As a result, no further review was deemed necessary.  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.
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	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 2019-20), we performed the following: <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</li> </ul>

		JBSIS definitions for reporting each case filing.
7	Determine whether the Court spent AB 1058 grant awards from the Judicial Council in compliance with the grant award requirements.	We selected one month from fiscal year 2020-21 for each of the Child Support Commissioner and Family Law Facilitator grant awards and obtained the invoices submitted to the Judicial Council to determine whether the Court had sufficient records to support the expenditures charged to the grant. For example, for personnel service costs charged to the grant award, we reviewed the payroll records and employee timesheets to verify the costs and time charged to the grant. We interviewed selected employees to determine how they track and report the time they charged to the grant. We also reviewed other operating costs and expenditures charged to the grant award to determine whether the costs were supported, allowable, and allocable to the grant.
8	Determine whether Enhanced Collections revenue is funding only collections activities.	We obtained the Court's Collection Report Template for fiscal year 2020-21 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.

### 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 July 21, 2022, 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, Audit Manager:

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

Joe Meyer, Senior Auditor, CPA, CIA

Sandra Gan, Senior Auditor, CPA

Lorraine De Leon, 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.

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 end-of-day balancing and closeout process and internet payments.

Nevertheless, we identified three 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
2021-6-01	Change Fund – Accountability
2021-8-01	Bank Deposits – Deposit Verification
2021-9-01	Other Internal Controls – Endorsement

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#### **FINDING REFERENCE: 2021-6-01**

#### *CHANGE FUND – ACCOUNTABILITY*

#### **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 individuals who are not the change fund custodians to count its change funds totaling \$500 or more on a monthly basis. Specifically, at the Nevada City Courthouse payment collection location, the change fund of \$805 is the responsibility of two court staff in the accounting department. Per Court documentation, the last two periodic counts

of the change fund were performed by one of the two court staff in the accounting department responsible for the change fund, and not by another individual who was not responsible for the change fund. According to the Court, it was unaware of the FIN Manual requirement.

Additionally, at the Truckee Courthouse payment collection location, the Court does not require a count of its change fund totaling \$600 on a monthly basis. According to the Court, it believed it was not required to perform monthly counts because it considers itself to have two separate change funds: one change fund of \$400, and another for \$200 which the Court considers a "back-up" to the \$400 change fund. While the Court believed it had two separate change funds, the back-up and the main, this location in actuality had a total change fund of \$600. The FIN Manual requires courts to have individuals, other than those responsible for making change from the change fund, count and verify it at least monthly if the change fund is \$500 or more. Without periodic independent counts of the change funds, courts may not know for an extended period of time whether their change funds are short of funds.

### **RECOMMENDATION**

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should promptly implement its change fund audits to ensure that an individual, other than the individuals responsible for the change fund, count and verify its change funds at the frequency specified in the FIN Manual.

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

The court is in agreement with the change fund findings presented by the auditors. The Nevada City location has reduced the change fund amount to \$499 dollars; the Truckee location is in the process of doing so as well. The court has drafted desktop procedures for the change fund process that include a quarterly count by the Principal Analyst or designee at both locations.

**Response provided on 2/14/2022 by:** Laila Waheed, Principal Analyst

**Date of Corrective Action:** December 2021 – March 2022

**Responsible Person(s):** Anna Miller (Accounting Technician), Theresa Lambert (Court Accountant), Amber Wiberg (Branch Supervisor), Laila Waheed (Principal Analyst)

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### **FINDING REFERENCE: 2021-8-01**

#### *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) before 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**

For both of the Nevada City Courthouse and Truckee Courthouse payment collection locations, the Court did not always require a second person to verify that the amounts being deposited are correct. Specifically, for the Nevada City Courthouse payment collection location, a supervisor or lead counts and prepares the collection for deposit; however, a second court staff in the accounting department only verifies the checks and other negotiable instruments, not the cash amounts. The cash amounts are stored in a sealable, clear bank deposit bag by the supervisor or lead preparing the deposit before providing it to the Court's accounting department. Additionally, the Court does not require the second court staff in accounting verifying the checks and other negotiable instruments to sign the deposit slip. At the Truckee Courthouse payment collection location, the Court did not require a court employee who did not prepare the deposit, to review and verify the daily deposits before tendering the collections for deposit with the bank. In addition, the Court does not require the person preparing the deposit to sign the deposit slip.

The Court stated it was unaware of the FIN Manual requirements. However, when the Court does not perform the required review and verification of its deposits, there is a risk that the daily deposits may not be intact at the time they are prepared and deposited. As a result, any potential deposit shortage would be without clear accountability of when or who may have been responsible for the discrepancy.

### **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 is in agreement with the auditors findings. Court staff preparing deposits have been instructed of the requirement to have a second person count and sign the deposit bag prior to sealing. In Nevada City, accounting staff count and sign the deposit bag; in Truckee, the Supervisor or Clerk III will count and sign the deposit bag. The procedural updates are drafted in desktop procedures for future reference.

**Response provided on 2/14/2022 by:** Laila Waheed, Principal Analyst

**Date of Corrective Action:** December 2022

**Responsible Person(s):** Sharry Shumaker (Manager), Amber Wiberg (Branch Supervisor), Laila Waheed (Principal Analyst)

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**FINDING REFERENCE: 2021-9-01**

*OTHER INTERNAL CONTROLS – 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 at the Nevada City Courthouse payment collection location. Specifically, all checks, including money orders and other negotiable instruments, received and counted in the end-of-day collections are not restrictively endorsed. Additionally, checks, money orders and other negotiable instruments received via mail are not restrictively endorsed immediately upon receipt and are left unendorsed in crates on an empty desk in an unsecured area. According to the Court, it does not restrictively endorse the checks until the time the accounting department prepares the deposits and electronically scans the checks for deposit. When scanned, the scanner machine adds the restrictive endorsement. 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, the Court should take steps to ensure that all staff consistently restrictively endorse all checks, money orders, and other negotiable instruments immediately upon receipt.

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

The court disagrees with this finding. The court has been compliant with FIN 10.02. As referenced, currently the FIN Manual, FIN 10.02, 6.3.4 CHECK, MONEY ORDER, AND CASHIER'S CHECK HANDLING PROCEDURES indicates that the "trial court must restrictively endorse [...] upon receipt and acceptance." (emphasis added). The words "and acceptance" are significant as they represent the contemplation of an additional step beyond simple receipt of said items. This analysis is consistent with canons of construction and the "rule against surplusage". To require a court to perform these tasks upon simple receipt would be to deem the terminology "and acceptance" as functionally meaningless and insignificant. When the rule was drafted, it could have been drafted to indicate that endorsement was required upon receipt. Indeed, the court is aware that the current draft rules contemplate eliminating the "and acceptance" language from FIN 10.02.

The court recognizes that FIN 13.01, section 6.4.1 lacks the “and acceptance” terminology. However, this section of the FIN references back to FIN 10.02 for additional procedures and therefore the court believes this leaves the FIN as unclear. The court has followed the plain language of FIN 10.02 irrespective of FIN 13.01 because the language FIN 13.01 indicates that FIN 10.02 is more exhaustive on procedural issues.

Notwithstanding the foregoing, and with an understanding of the contemplated upcoming rule change, the court took immediate corrective action to modify existing practices and restrictively endorse checks upon receipt at the Nevada City Location. Desktop procedures have been drafted to include that step and staff have been instructed and trained accordingly.

**Response provided on 3/7/2022 by:** Jason Galkin, Court Executive Officer

**Date of Corrective Action:** December 2021

**Responsible Person(s):** Laila Waheed (Principal Analyst), Sharry Shumaker (Manager)

***AUDIT SERVICES' COMMENTS ON THE COURT'S VIEW***

To provide clarity and perspective, we are commenting on the Court's response.

Despite disagreeing with our audit finding and recommendation to restrictively endorse checks (and other negotiable instruments) immediately upon receipt, the Court's response indicates it has modified its procedures—consistent with our finding—in light of anticipated clarifications to the FIN Manual. With immediate and restrictive endorsement, the Court limits opportunities for individuals to steal undeposited checks and then use them to negotiate payment at a bank. Once all checks are restrictively endorsed, the Court can secure the endorsed checks onsite while using a payment receipts log (as suggested by the FIN Manual) to maintain accountability over the public's payments that are in the Court's possession. Ultimately, the restrictive endorsement simply protects both the Court and the payee from having a check stolen and then cashed. There is little downside risk to immediately endorsing a check, which the Court may later reject and not deposit. In such a scenario, the Court would simply deface and return the previously endorsed check.

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## PROCUREMENT AND CONTRACTS

### The Court Complies with Most Applicable Requirements for Procuring Goods and Services, But Can Strengthen Some of Its Procurement Controls

#### 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.

The Court demonstrated compliance in various of the procurement areas we evaluated during our audit, including demonstrating sound management practices in the area of entering into leveraged purchase agreements. Nevertheless, we identified two audit findings that we believe require the Court's corrective action. The findings pertained to the following specific areas of procurement:

Finding Reference	Subject
2021-10-01	Procurement – Initiation
2021-16-01	Other Internal Controls – Local Contracting Manual

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#### **FINDING REFERENCE: 2021-10-01**

#### *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. Specifically, for 10 procurement transactions reviewed, the Court did not document or require a purchase request and management approval of the request prior to commencing the procurement. For nine of those 10 procurement transactions, including contracts for security services in the amount of \$311,000 and dependency counsel services in the amount of \$54,000, the Court could not provide a purchase requisition. Additionally, for one other procurement transaction related to media services in the amount of \$16,834, the purchase requisition was approved on September 29, 2020; however, the contract was signed on an earlier date of September 20, 2020.

According to the Court, purchase requisitions were not created for some of the procurements because they are regularly contracted services. Nonetheless, the use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the procurement process.

### **RECOMMENDATION**

To ensure it can demonstrate that its purchases are appropriately justified, funded, and approved, the Court should take steps to ensure it obtains and documents in its procurement files the approved purchase requisitions prior to the start of the purchasing activity.

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

The court is in agreement with the findings. The court is developing a Local Contracting Manual to include processes for procurement and contracting procedures as well as training management and accounting staff on proper process steps in alignment with FIN guidelines.

**Response provided on 6/14/2022 by:** Laila Waheed, Principal Analyst

**Date of Corrective Action:** October 1, 2022

**Responsible Person(s):** Laila Waheed, Principal Analyst

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### **FINDING REFERENCE: 2021-16-01**

*OTHER INTERNAL CONTROLS – LOCAL CONTRACTING MANUAL*

**CRITERIA****PUBLIC CONTRACT CODE 19206:**

The Judicial Council shall adopt and publish no later than January 1, 2012, a Judicial Branch Contracting Manual incorporating procurement and contracting policies and procedures that must be followed by all judicial branch entities subject to this part. The policies and procedures shall include a requirement that each judicial branch entity shall adopt a local contracting manual for procurement and contracting for goods or services by that judicial branch entity. The policies and procedures in the manuals shall be consistent with this code and substantially similar to the provisions contained in the State Administrative Manual (SAM) and the State Contracting Manual (SCM).

**JUDICIAL BRANCH CONTRACTING MANUAL, INTRODUCTION, 4. LOCAL CONTRACTING MANUAL:**

PCC 19206 requires the Judicial Council to include in this Manual a requirement that each JBE shall adopt a Local Contracting Manual for procurement and contracting for goods and services by that JBE. The content of each Local Contracting Manual must be “consistent with” the PCC and “substantially similar” to the provisions contained in the SAM and the SCM.

- Each JBE must adopt a manual consistent with the requirements of PCC 19206.
- Each JBE must identify individual(s) with responsibility and authority for procurement and contracting activities as required by this Manual.
- Each JBE may include in its Local Contracting Manual policies and procedures governing its procurement and contracting activities, and those policies and procedures must not be inconsistent with this Manual or with applicable law.

**CONDITION**

The Court has not adopted a Local Contracting Manual (LCM), as required by the Judicial Branch Contracting Manual (JBCM) and state law. Audit Services inquired of the Court why they did not adopt an LCM and the Court stated it has not had sufficient resource availability to develop and formally adopt a LCM. In the meantime, the Court has informally utilized the JBCM. Per Public Contract Code 19206, courts shall adopt a local contracting manual for the procurement and contracting of goods or services. When the courts do not document an LCM with the various internal control procedures related to delegations of authority, the use of non-competitive and competitive processes, or other required tasks, the Court is at increased risk of not properly procuring and reporting the goods and services it procures as required by the JBCM and state law.

**RECOMMENDATION**

To ensure its procurement practices are documented and in compliance with the JBCM requirements, the Court should take steps to develop and adopt a Local Contracting Manual that is consistent with the JBCM and applicable state laws for its procurement and contracting activities.

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

The court is in agreement with the findings. The court has begun developing a Local Contracting Manual to include processes for procurement and contracting procedures as well as training management and accounting staff on proper process steps in alignment with FIN guidelines.

**Response provided on 6/14/2022 by:** Laila Waheed, Principal Analyst

**Date of Corrective Action:** October 1, 2022

**Responsible Person(s):** Laila Waheed, Principal Analyst

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## PAYMENT PROCESSING

### **The Court Generally Complied with Most Payment Processing Requirements, But Could be More Consistent with the Payment Approval and Authority Levels and In-Court Service Provider 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.

The Court demonstrated compliance in many of the payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of other items of expense, jury expenses, and allowable costs. Nevertheless, we identified two audit findings in the payment processing area that we believe requires the Court's corrective action. The findings pertained to the following specific areas of payment processing:

Finding Reference	Subject
2021-18-01	Payment Processing – Payment Approval and Authority Levels
2021-19-01	Special Rules – In-Court Service Providers

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#### **FINDING REFERENCE: 2021-18-01**

##### *PAYMENT PROCESSING – 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 11 of the 40 expenditure samples reviewed, the Court did not properly approve the invoices. Specifically, for seven of the sample expenditures reviewed, including media services in the amount of \$20,422, the Court used prior purchase authorizations, such as purchase requisitions, as approval for related invoices or claims. According to Court staff, it was under the impression

that a purchase requisition signature could simultaneously act as both a purchase request approval and invoice payment approval.

For another two expenditure samples reviewed, the Court did not approve payment of invoices according to its established limits. For example, the Family Law Facilitator and Self-Help Center Director approved an invoice for payment in the amount \$5,987 for legal publication subscriptions when their assigned approval threshold was only \$1,000 based on the informal payment approval matrix. The Court acknowledged the oversight and indicated that moving forward, all publications will be approved by the Court Executive Officer.

Finally, for two other sample expenditures, relating to jury payments, the Deputy Jury Commissioner (DJC) approved juror payments; however, the DJC neither documented their review and approval of the payments, nor is the DJC listed as an authorized invoice payment approver on the informal payment approval matrix. According to Court staff, at the time the DJC reviewed the juror payments, the Court did not have a policy for the DJC to document their review and approval of juror payments.

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 is in agreement with the finding. Prior to the audit, the court updated and improved the Executive Order to more specifically delegate authority in alignment with California Rules of Court section 10.603 (c)(6)(D). The updated delegation of duties was not in effect during the audit period. Accounting staff have been informed of the authority limits. Draft desktop procedures have been developed to address the process. The court is focused on improving and standardizing payment processing authorization as well as training management and accounting staff on proper process steps in alignment with FIN guidelines.

**Response provided on 6/14/2022 by:** Laila Waheed, Principal Analyst

**Date of Corrective Action:** October 1, 2022

**Responsible Person(s):** Laila Waheed, Principal Analyst

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**FINDING REFERENCE: 2021-19-01***SPECIAL RULES – IN-COURT SERVICE PROVIDERS***CRITERIA**

## FIN MANUAL, FIN 8.02, 6.3 COMPLETE CLAIM DOCUMENTATION:

1. The documentation required to pay a claim consists of a court-approved claim form that includes at least the following information:
  - a. The name and address of the person or business submitting the claim,
  - b. The tax identification number of the person or business submitting the claim. (If the tax identification number is on file with the court, it need not appear on every claim form.),
  - c. The signature of the person making the claim or the person authorized to sign for the business making the claim,
  - d. The case number and name, and
  - e. The amount of compensation claimed.

## FIN MANUAL, FIN 8.02, 6.8 RECONCILIATION OF CLAIMS:

After the accounts payable department has received and recorded a claim, it must be reconciled to the court authorization for the services provided and the service provider's invoice. The claim should be reviewed against the court authorization to verify the appointment, rates, and any hour or dollar limits that may apply. The invoice should be reviewed against the court authorization for the rates and hours charged, and other costs incurred. The correctness of unit price extensions and totals should also be reviewed. Previous claims for the same matter should also be reviewed to assure that limits are not exceeded.

**CONDITION**

For three of the eight in-court services claims reviewed, the Court processed and paid the claims even though the claimants did not include all the information required for the Court to fully verify the accuracy and validity of the claims. Specifically, for one court reporter claim, the Court's accounts payable staff processed the claim for payment without requiring the claimant to include on their claim form the case numbers and names for which they provided services as well as the claimant's signature. Similarly, for an investigator services claim, the Court's accounts payable staff processed the claim for payment without requiring the claimant's signature. Finally, for a court reporter claim in the amount of \$2,565, both the claimant's signature and address were missing from the claim form. Specifically, the claimant's invoice claimed mileage expenses between Truckee, California and Reno, Nevada; however, the address given did not include a street address in Reno, Nevada to verify that the mileage claimed on the invoice was accurate.

The Court was unable to provide an explanation. Nonetheless, including the case numbers and names, as well as the claimants' signature and address, on in-court service provider claims is required by the FIN Manual. When courts do not require claimants to include all required information, courts risk paying invalid or inappropriate claims, and the claimants later asserting that the claims were not theirs or were unintended.

**RECOMMENDATION**

To ensure court accounts payable staff responsible for processing in-court service provider claims have the information they need to reconcile and verify the accuracy of these claims prior to payment approval and processing, the Court should require all in-court service providers to use a claim form that includes at least the following information:

- The name and address of the person or business submitting the claim,
- The tax identification number of the person or business submitting the claim. (If the tax identification number is on file with the court, it need not appear on every claim form.),
- The signature of the person making the claim or authorized to sign for the business making the claim,
- The case number and name, and
- The amount of compensation claimed.

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

The court agrees with the finding. The court will review the claim form to ensure all information is requested and create procedures for accounting staff to verify required elements are provided by claimants.

**Response provided on 6/14/2022 by:** Laila Waheed, Principal Analyst

**Date of Corrective Action:** October 1, 2022

**Responsible Person(s):** Laila Waheed, Principal Analyst

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## FINE AND FEE DISTRIBUTIONS

### **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.

At the start of the fieldwork phase for the audit, the Court informed Audit Services that the State Controller's Office (SCO) had initiated a revenue audit of the Court's fine and fee distributions. Therefore, to not duplicate audit efforts, we did not review its current fine and fee calculations and distributions.

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## FUND BALANCE

### The Court Did Not Have Year-End Encumbrances or Funds Held on Its Behalf

#### 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.

Our review found that the Court had neither year-end encumbrances nor any excess funds for which it has requested the Judicial Council to hold on its behalf. As a result, no further review was deemed necessary.

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## **JBSIS CASE FILING DATA**

### **The Court Reported Materially Accurate New Case Filing Counts and Data to JBSIS**

#### **Background**

The Judicial Branch Statistical Information System (JBSIS) is a reporting system that defines and electronically collects summary information from court case management systems for each major case processing area of the court. JBSIS directly supports the technology goals of the Judicial Council's strategic plan, providing information for judicial branch policy and budgetary decisions, management reports for court administrators, and the Judicial Council's legislative mandate to report on the business of the courts. Authorization for JBSIS is found in California Rules of Court, rule 10.400: "Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, JBSIS is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch, the Legislature, and other state agencies that require information from the courts to fulfill their mandates. Each trial court must collect and report to the Judicial Council information according to its capability and level of automation as prescribed by the JBSIS Manual adopted by the Judicial Council..." The Court Executives Advisory Committee is responsible for oversight of this program.

Our review found that the Court's records materially supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2019-20.

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## **GRANT AWARD COMPLIANCE**

### **The Court Followed Appropriate Grant Accounting and Administrative Procedures**

#### **Background**

Grant fund awards may substantially benefit a trial court's ability to serve the public. At the same time, the acceptance of grant funds may also represent an area of risk to the court because the grant money received by the court is provided for specific purposes and under conditions that apply to its use. Noncompliance with the terms of significant grant awards may result in the Court losing access to this grant funding in future years, or may result in the Court repaying funds spent inappropriately.

Courts are responsible for separately accounting for its receipt and spending of grant funds in Phoenix by using the appropriate grant coding. Courts are also responsible for following applicable federal, state, or Judicial Council rules when administering grant funds. These rules may pertain to performance reporting, financial reporting, personnel time tracking, among other areas.

Our review of its grant administration practices found that the Court followed appropriate grant accounting and administrative procedures and demonstrated material compliance with the Child Support Services grant and the Family Law Facilitator grant (AB 1058 program components) terms and conditions.

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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.

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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## **OTHER AREAS**

### **Background**

We did not identify any other significant areas during the initial audit planning process that, based on our professional judgement, warranted any additional audit work. Therefore, we did not review compliance with any other areas.

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