



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

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NOVEMBER 2024



Judicial Council of California

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**Superior Court of California, County of Plumas**

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## EXECUTIVE SUMMARY

### Introduction

Government Code, sections 77206(g) and 77009(h) provide the Judicial Council of California (Judicial Council) with the authority to inspect and review superior court records and to perform audits, reviews, and investigations of superior court operations. The Judicial Council's Office of Audit Services (Audit Services) periodically conducts performance audits of the superior courts in order to verify their compliance with the Judicial Council's policies and with state law. These audits are primarily focused on assisting the courts identify which of their practices, if any, can be improved upon to better promote sound business practices and to demonstrate accountability for their spending of the public's funds.

State law authorizes the Judicial Council to establish each superior court's annual budget and to adopt rules for court administration, practice, and procedure. Most of the criteria used by Audit Services stems from the policies promulgated by the Judicial Council, such as those contained within the *Trial Court Financial Policies and Procedures Manual* (FIN Manual) and the *Judicial Branch Contracting Manual* (JBCM). These policies establish both mandatory requirements that all superior courts must follow, as well as suggestive guidance. California's courts drastically vary in terms of their caseloads, budget, and staffing levels, thus requiring the Judicial Council to adopt rules that at times provide the courts with flexibility given their varying resources and constraints. State law also requires the superior courts to operate under a decentralized system of management, and the Judicial Council's policies establish the boundaries within which courts exercise their discretion when managing their day-to-day operations.

Audit Services' annual audit plan for the Judicial Branch establishes the scope of each audit and provides a tentative schedule for the courts being audited during the fiscal year. The audit plan explains those scope areas deemed to be of higher risk based on Audit Services' professional judgment and recognizes that other state audit agencies may, at times, perform reviews that may overlap with Audit Services work. In those instances, Audit Services may curtail its planned procedures as noted in the scope and methodology section of this report.

### Summary of Audit Results

Our audit found that the Superior Court of California, County of Plumas (Court) demonstrated compliance with many of the Judicial Council's requirements evaluated during the audit. Table 1 below presents a summary of the audit's results.

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

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	1	2023-3-01	Agrees
4	Mail Payments	Yes	1	2023-4-01	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	✓		
7	End-Of-Day Balancing and Closeout	Yes	1	2023-7-01	Agrees
8	Bank Deposits	Yes	1	2023-8-01	Agrees
9	Other Internal Controls	Yes	1	2023-9-01	Agrees
<b>Procurement and Contracts</b>					
10	Procurement Initiation	Yes	1	2023-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	1	2023-15-01	Agrees
16	Other Internal Controls	Yes	2	2023-16-01; 02	Agrees
<b>Payment Processing</b>					
17	3-Point Match Process	Yes	1	2023-17-01	Agrees
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	✓		
<b>Fine &amp; Fee Distributions</b>					
25	Distribution Calculations	Yes	✓		
<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	1	2023-28-01	Agrees
<b>Enhanced Collections</b>					
29	Enhanced Collections	No	-	See Table 3, Item # 7	

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 adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court generally demonstrated good compliance in the areas of payment processing and reporting year-end encumbrances. For example, our review found that the Court's payment processing practices demonstrated good management practices in the areas of review and approval prior to payment as well as allowable costs. In addition, our review of the Court's fund balance found that the Court properly disencumbered unneeded encumbrances at end of FY 2021-22 for goods or services that it had already received by June 30, 2022.

However, our audit did identify 11 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 11 findings are identified in Table 1 under the column "Reportable Findings" and include reference numbers indicating where the reader can view in further detail the specific findings and the Court's perspective.

One particular area of focus for the Court as it considers opportunities for improvement should include strengthening its segregation of duties. Specifically, the person who verifies the daily collections closeout also prepares the deposit. However, the FIN Manual requires courts to segregate duties so that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of their duties. Another area of focus for the Court as it considers opportunities for improvement should include ensuring that it has current, valid contracts on file. Our review found that for some procurement transactions, the Court was unable to provide a current written contract or agreement stipulating the agreed-upon services and pricing. Without written POs, agreements, or authorizations that specify the expected scope of work, term, and pay, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

However, we note that we were unable to complete our audit work in one area. Specifically, in the enhanced collections area, we were unable to obtain the fiscal year 2022-23 Collection Report Template because the Court had not completed the document or provided it to JCC's Budget Services. Without reviewing this document, we were unable to determine whether the Court's collection program meets the minimum requirements for a comprehensive collection program.

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

Audit Services initiated its audit of the Court on June 22, 2023, and completed its fieldwork in December 2023. Audit Services shared the draft findings with the Court starting on December 1, 2023. The Court agreed with the findings and its specific responses are included in the body of the report after each finding.

## BACKGROUND ON THE COURT’S OPERATIONS

The Superior Court of California, County of Plumas (Court) operates one court facility in the county seat of Quincy. 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 Plumas Superior Court and Average of all Superior Courts

Statistic	Plumas Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
<b>Financial Highlights (Fiscal Year 2023-24)</b>						
Total Revenue	\$ 2,293,080	\$ 3,376,457	\$ 15,000,011	\$ 57,522,113	\$ 297,502,687	\$ 60,490,622
Total Expenditures	\$ 1,881,916	\$ 3,494,275	\$ 15,091,980	\$ 57,533,804	\$ 289,753,339	\$ 59,489,721
Staff Salaries & Benefits As a % of Total Expenditures	\$ 1,173,296 62.3%	\$ 2,181,311 62.4%	\$ 11,118,697 73.7%	\$ 42,462,619 73.8%	\$ 224,968,133 77.6%	\$ 45,329,140 76.2%
<b>Judicial Officers and Staff (2024 Court Statistics Report)</b>						
Judges	2	2	8	30	144	30
Commissioners/Referees	-	-	1	4	21	4
Non-Judicial Staff (approx.)	12	19	96	330	1,528	326
Total	14	21	105	364	1,693	360
<b>New Case Filings (Fiscal Year 2022-23)</b>						
Appeal Filings	-	9	80	152	214	96
Civil Filings						
Civil	265	272	2,068	9,548	60,529	11,344
Family Law	196	253	1,547	5,527	25,717	5,438
Juvenile Delinquency	15	32	160	653	1,694	449
Juvenile Dependency	17	29	171	504	3,374	651
Mental Health	5	14	234	1,368	9,130	1,658
Probate	56	56	318	1,023	4,894	1,039
Small Claims	17	33	240	1,026	6,967	1,291
Criminal Filings						
Felonies	80	222	1,173	3,853	13,562	3,236
Misdemeanors / Infractions	1,972	3,770	17,293	55,832	237,196	52,765
Total	2,623	4,690	23,284	79,486	363,277	77,967

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

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

## AUDIT SCOPE AND METHODOLOGY

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

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

	<b>Audit Objective</b>	<b>Method</b>
1	Through inquiry, auditor observation, and review of local court policies and procedures, identify areas of high risk to evaluate the Court’s compliance.	Audit Services developed an annual audit plan generally identifying areas of high risk at the superior courts. At the Court, we made inquiries and reviewed any local procedures to further understand its unique processes in each compliance area.
2	<p>Determine whether the Court implemented adequate internal controls over its handling of cash receipts and other payments. Such a review will include, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>▪ Determine whether the Court complied with the mandatory requirements in the FIN manual for internal controls over cash (payment) handling.</li> <li>▪ Assess the quality of the Court’s internal controls to minimize the potential for theft, such as controls over the use of manual receipts and voided transactions.</li> </ul>	We obtained information from the Court regarding the types and average volume of collections at each of its payment collection locations. For selected locations, we observed the Court’s practice for safeguarding and accounting for cash and other forms of payments from the public. For example, we reviewed and observed the Court’s practice for appropriately segregating incompatible duties, assigning cash drawers to cashiers at the beginning of the day, reviewing and approving void transactions, safeguarding and accounting for manual receipts, opening and processing mail payments, controlling access to change funds, overseeing the end-of-day balancing and closeout process, and preparing and accounting for the daily bank deposits.
3	Determine whether the Court demonstrated appropriate control over its non-personal services spending	We reviewed the Court’s assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving purchases, procuring the goods or services,



	<p>activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"> <li>▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual.</li> <li>▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules.</li> </ul>	<p>receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> <li>• Was properly authorized and approved by authorized court management.</li> <li>• Adhered to competitive bidding requirements, when applicable.</li> <li>• Had contracts, when applicable, that contained certain terms required to protect the Court’s interests.</li> </ul> <p>We selected a sample of 40 FY 2022-23 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> <li>• The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment.</li> <li>• Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix.</li> <li>• The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810.</li> <li>• The payments to in-court service providers adhered to applicable Judicial Council policies.</li> </ul>
4	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<p>During the planning phase for the audit, the Court informed us that the State Controller’s Office (SCO) recently completed a revenue audit of the Court’s fine and fee distributions and found one Court-related error. Therefore, we limited our</p>

		review to verifying that the Court took appropriate corrective action to resolve the error noted by the SCO.
5	<p>Determine whether the Court properly classified its year-end encumbrances for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court’s Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2021-22) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the 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 2021-22), we performed the following:</p> <ul style="list-style-type: none"> <li>• Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data.</li> <li>• We planned to select 10 cases from six case types, for a total of 60 cases, and review the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing. However, the Court had only five cases for one of the six case types, so we selected and reviewed a total of 55 cases.</li> </ul>
7	<p>Determine whether Enhanced Collections revenue is funding only collections activities.</p>	<p>During our review, the Court had not completed or provided the Collection Report Template (CRT) for FY 2022-23 to JCC’s Budget Services.</p>

		Therefore, we were unable to determine whether the Court’s collection program meets the minimum requirements for a comprehensive collection program.
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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 November 25, 2024, and approved it for public release.

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

**Audit Staff**

This audit was completed by the following staff under the general supervision of Dawn Tomita, Manager, CFE, and Joe Meyer, Supervisor, CPA:

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

#### Results

The Court demonstrated compliance in some of the areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its void transactions and internet payments.

Nevertheless, we identified 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
2023-3-01	Manual Receipts – Control
2023-4-01	Mail Payment Processing – Endorsement and Safekeeping
2023-7-01	End-of-Day Balancing and Closeout – Blind Closeout
2023-8-01	Bank Deposits – Deposit Verification
2023-9-01	Segregation of Duties

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#### **FINDING REFERENCE: 2023-3-01**

#### *MANUAL RECEIPTS - CONTROL*

#### **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.
  - ii. Unissued books should be safeguarded in a locked, secure cabinet or safe until issued.

- 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.
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.
11. Return of completely used manual receipt books to central location:
- a. Completely used manual receipt books must be returned to the fiscal office and logged in by recording the date returned and the facility supervisor or designee returning the books.
  - b. The fiscal office must verify the completeness of the numerical sequence of the used receipts and initial and date the log.

### **CONDITION**

The Court does not maintain an accounting, such as a log, of all unissued, issued, and returned manual receipt books, and does not monitor their use. Currently, the Court issues a manual receipt book to each cashier, and they keep these books in their locked drawers until the receipts are fully used. Once the receipts in their books are completely used, cashiers return the books to the fiscal unit and receive a new, unused receipt book. However, not maintaining an accounting of the unissued, issued, and returned manual receipt books places the Court at risk of not knowing who has a manual receipt book or how many receipt books a cashier may have at any one time. In addition, not monitoring the issued and returned books to ensure the manual receipts are fully accounted for and ascertaining a reasonable explanation for any missing receipts increases the risk that cashiers may use manual receipts inappropriately without detection.

In addition, the Court does not consistently issue manual receipts in sequential order, and it does not verify the completeness of returned manual receipt books. Specifically, we found that in one of the manual receipt books currently in use, three manual receipts were skipped. These unused receipts were not subsequently voided to prevent their potential misuse. We also found that in one manual receipt book that was returned by a clerk to the fiscal unit, there were 21 unused receipts that were not voided. These unused receipts were not in sequential order. However, the FIN Manual requires manual receipts be issued in sequential order. The FIN manual establishes this requirement so that courts can mitigate the potential for misuse and fraud by maintaining control and accountability over its manual receipting process. The FIN Manual also requires the fiscal office to verify the completeness of the numerical sequence of the used receipts.

Furthermore, we noted the Court's control over the storage of its unissued manual receipt books is not as strong as it could be. Specifically, the Court currently has 13 unissued manual receipt books that it stores in an unlocked cabinet in the supply room located inside the fiscal manager's office. The FIN Manual suggests that unissued books should be safeguarded in a locked, secure cabinet or safe until issued. Not safeguarding the unissued receipt books as the FIN Manual suggests places the Court at an increased risk that someone may use the manual receipts inappropriately and possibly without clear accountability of who had used the manual receipts.

### **RECOMMENDATION**

To ensure that all manual receipt books are properly safeguarded, the Court should ensure that all manual receipt books remain locked in its safe or a secured, locked drawer until needed for issuing manual receipts. In addition, to ensure the Court is monitoring and tracking the use of its manual receipts, the Court should create and maintain a log listing the books under its control, which books were issued, to whom, and which receipts were used, as well as other required information. Finally, the Court should verify the completeness of the numerical sequence of the used receipts and should void any skipped or unused receipts in its fully used receipt books to mitigate any potential risk of misuse or fraud.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 12/31/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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**FINDING REFERENCE: 2023-4-01**

*MAIL PAYMENT PROCESSING - ENDORSEMENT AND SAFEKEEPING*

**CRITERIA**

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

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

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 immediately restrictively endorse checks and money orders received through the mail or the Court's drop box. Instead, one clerk opens the mail and drop box payments and gives them to another clerk for processing. The checks and money orders are endorsed once they have been processed in the CMS, which may be on a subsequent day. This occurs at least in part because the Court's local desktop procedures do not require Court staff to restrictively endorse checks and other negotiable instruments immediately upon receipt. However, 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.

In addition, the Court does not always adequately safeguard its unprocessed mail and drop box payments. Specifically, we found that although the Court keeps any unprocessed mail payments in its safe overnight, these unprocessed payments—which are not restrictively endorsed—are placed in an unsecured bin during the day, where they remain until a clerk retrieves them for processing in the CMS. By not properly safeguarding unprocessed mail payments, the Court is at increased risk that its mail payments may become lost or stolen.

## **RECOMMENDATION**

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

In addition, to ensure it properly safeguards its payments received through the mail and its drop box, the Court should secure its unprocessed payments in a locked drawer or safe until they are ready for processing.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 12/2/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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## **FINDING REFERENCE: 2023-7-01**

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

## **CRITERIA**

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

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

- c. The supervisor or his or her designee then verifies that the submitted collections balance with the associated payments and collections reported on the cashier's case management system daily collections closeout report;
- d. If the collections balance with the amounts in the case management system, the cashier and supervisor or his or her designee must both sign and date the case management system daily collections closeout report.

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

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

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

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

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

**CONDITION**

The Court does not require cashiers to follow what is commonly known as a "blind closeout" process when performing their end-of-day closeout. A "blind closeout" is where cashiers count and record their collections on a recap form without any knowledge of the amounts the CMS indicates they collected, before submitting the form and collections to a supervisor for verification against the recap form and the CMS collections reports. Instead, we observed a

cashier counting and comparing her daily collection total against the CMS till report, which indicated how much she had collected, before submitting her daily collection to a designated lead for verification. Cashiers follow this practice because the Court's local desktop procedures, which instruct clerks to match the CMS till report to the funds collected, do not align with the FIN Manual requirements to perform a blind closeout. As a result, the Court's current practice allows a cashier to know in advance when an overage occurs and potentially risks the cashier taking any overage without risk of detection of the missing overage amount when the designated supervisor verifies the end-of-day collections to the CMS reports because all amounts would still balance.

### **RECOMMENDATION**

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

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 12/31/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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### **FINDING REFERENCE: 2023-8-01**

#### *BANK DEPOSITS – DEPOSIT VERIFICATION*

### **CRITERIA**

FIN MANUAL, FIN 13.01, 6.4 DEPOSITS

3. Deposits consisting of coin and paper currency in excess of \$100 will be prepared as follows:
  - b. The coin and paper currency portion of any bank deposit must be counted by one person and verified and initialed by a second person (preferably a supervisor or lead) prior to

tendering the deposit to an armored car service, a court employee for deposit to a bank night deposit drop safe, or a bank teller within the lobby of the bank.

- c. Paper currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two court employees who will sign a court copy of the deposit slip indicating they have verified the coin and paper currency amount contained in the deposit bag.

### **CONDITION**

The Court does not require one person to prepare and a second person to verify and initial its bank deposits. Instead, the clerk who prepares the deposit gives it to the fiscal manager, who records the deposit in the Court's records but does not perform a secondary verification.

According to the fiscal manager, because the deposit has already been counted twice by the clerk—once during the end-of-day closeout process and again when preparing the deposit—she does not need to re-count the deposit. In addition, staff members do not sign a court copy of the deposit slip to indicate they verified the coin and paper currency amount contained in the local bank deposit bag. However, the FIN Manual requires courts to have a second person, preferably a supervisor or lead, verify deposits, and for both employees to sign a court copy of the deposit slip indicating they have verified the coin and paper currency amount contained in the deposit bag. Without a secondary verification of the Court's deposit, any potential deposit shortage would be without clear accountability of when the shortage may have occurred or who may have been responsible for the discrepancy—the Court or the bank.

### **RECOMMENDATION**

To safeguard its receipts and reduce the risk of lost or stolen collections, the Court should ensure that a second person verifies and initials its daily bank deposits after they are prepared by another court employee. The Court should also ensure deposit slips are consistently signed by both employees.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 11/21/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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### **FINDING REFERENCE: 2023-9-01**

*OTHER INTERNAL CONTROLS – SEGREGATION OF DUTIES*

## **CRITERIA**

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

### **6. Appropriate Segregation of Duties**

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

## **CONDITION**

The Court does not adequately segregate court staff duties. Specifically, the person who verifies the cashier's closeout also prepares the deposit. This occurs at least in part because the Court's written procedures do not require two staff members to be involved in the deposit preparation process. Nonetheless, the FIN Manual requires courts to segregate duties so that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of their duties. As a result of the lack of segregation of duties, potential fund shortages and thefts may occur and go undetected.

## **RECOMMENDATION**

To reduce the risk of potential fund shortages and thefts, the Court should require someone other than the person who verifies the cashier's closeout to prepare the deposit.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 12/31/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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## PROCUREMENT AND CONTRACTS

### The Court Should Ensure Its Procurement Practices Align with JBCM Requirements

#### 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 various requirements for procuring goods and services. Specifically, the Court demonstrated compliance and sound management practices in the areas of competitive procurements and leveraged procurement agreements.

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

Finding Reference	Subject Area
2023-10-01	Procurement Initiation
2023-15-01	Contract Terms
2023-16-01	Other Internal Controls – Local Contracting Manual
2023-16-02	Other Internal Controls – Segregation of Duties

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## **FINDING REFERENCE: 2023-10-01**

### *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?
- Are there any program schedule requirements, special delivery instructions, time constraints, etc.?

#### **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 five 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 example, in 2019 the Court amended an intra-branch agreement to increase the approved expenditures for its new CMS by \$46,646, for a total amount of \$357,539, but the Court did not have a purchase requisition form that had been reviewed and approved for either the original agreement or for the amendment with the increased amount. Additionally, for other contracts or agreements reviewed, such as \$105,724 for IT hosting services and \$45,000 for postage, the Court stated it did not have a purchase requisition.

In addition, we found that even when the Court did have an approved purchase request on file, the dollar amount was not always included. Specifically, for seven procurements reviewed, the approved purchase price was not documented. These procurements ranged between \$3,000 and \$15,400 for goods and services such as office equipment, copiers, furniture, and court forms. According to the Court, purchase requests for lower-cost items—usually less than \$10,000—often do not include a dollar amount since the person requesting the procurement does not know the actual price. These requests are submitted to the CEO for approval, then forwarded to the fiscal manager, who researches prices and discusses the cost with the CEO before proceeding with the procurement.



Nonetheless, the use of a purchase requisition form that describes the requested items, documents the approval to purchase—including the estimated purchase amount—and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests and the associated costs 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 more formal steps to ensure it consistently obtains and documents, including the estimated purchase amount, the approved purchase requests in its procurement files prior to its staff starting the purchasing activity.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 11/21/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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### **FINDING REFERENCE: 2023-15-01**

#### *CONTRACT TERMS*

### **CRITERIA**

JUDICIAL BRANCH CONTRACTING MANUAL, CHAPTER 8, 8.3 (A) CONTENT OF CONTRACTS:

JBEs must include legally required terms in their contracts and should include other terms that the JBE determines are necessary to protect the JBE and mitigate the risks associated with the contract.

Sample language for terms and certifications required to be included in JBE contracts is available from the Judicial Council, together with templates for complete contracts.

Use of these sample provisions and templates is optional. Each JBE may modify the provisions or templates or use its own forms. JBEs may also use a Vendor-provided form contract provided the final contract includes appropriate terms and meets applicable legal requirements.

- Contract elements

Each contract must identify the contracting parties. Contracts typically consist of three major elements:

- Statement of Work (SOW), including the schedule of performance;
- Pricing and payment; and
- Other terms and conditions.

Each of these elements must be clearly defined so that the JBE's needs are met, and the contractor and the JBE understand their performance obligations.

- Each major element is described below, including typical subject matters that are frequently grouped together in contract sections regarding the specific element. However, contract provisions are not required to be in any specific location in the contract. For example, a topic listed below as part of a typical

1. Statement of Work (SOW)

The SOW describes the goods to be purchased and/or the services to be performed. The JBE must include a detailed description of the goods to be delivered or the services to be performed, together with any deliverables required and conditions of performance, if applicable. The contract must specify (as applicable): (i) when goods are to be delivered, (ii) when services are to be performed (start date and end date), (iii) when deliverables must be provided to the JBE, and (iv) when other contract milestones must be completed.

2. Pricing and Payment

The price the JBE will pay for goods and services under a contract must be clearly stated. The contract should clearly specify the basis for compensation and the terms of payment, such as: lump sum (one-time payment), firm fixed price, unit price, labor rate, or other specific basis.

3. Terms and Conditions

The contract must include specified rights and obligations of either party that are not included in the SOW or the pricing and payment section, including additional provisions that apply to performance under the contract, as applicable.

## **CONDITION**

For seven of the 25 procurement transactions reviewed, the Court did not execute written contracts or agreements stipulating the agreed-upon services and pricing. Specifically, for six of the payment transactions—including for its CMS, the printing of court forms, and for the services of court reporters and court interpreters—the Court was unable to provide written agreements or contracts. According to the Court, it has been using the vendor that prints court forms for many years. Additionally, the Court indicated that court interpreter rates are often negotiated verbally. The Court also stated that there is a memo with the approved hourly rate for court reporters, but the Court was unable to provide us with this memo. For one other

procurement transaction, relating to self-help services, the Court provided a contract that had expired in 2019 that did not include payment terms. Nonetheless, without written POs, agreements, or authorizations that specify the expected scope of work, term, and pay, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

### **RECOMMENDATION**

To protect its best interests, the Court should institute a practice of executing written contracts and agreements prior to receiving goods and/or services. Further, it should ensure these contracts and agreements include clear and complete terms that are in its best interest. Specifically, prior to executing contracts or agreements, it should establish and include in its contracts and agreements clear descriptions of the goods or services expected from the vendor and the associated pricing so that both the vendor and Court know what is expected and what it will pay. This will help to ensure it continues to receive best-value goods and services.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 1/31/2025

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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### **FINDING REFERENCE: 2023-16-01**

*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 and the State Contracting Manual.

**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. Public Contract Code 19206 requires courts to adopt an LCM for procurement and contracting activities. According to the Court, it is in the process of drafting an LCM but does not yet have a complete manual. Therefore, the Court has not officially documented various internal control procedures related to delegations of authority, the use of non-competitive and competitive processes, or other required tasks. As a result, the Court is at increased risk of not 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 agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 1/31/2025

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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**FINDING REFERENCE: 2023-16-02**

*OTHER INTERNAL CONTROLS – SEGREGATION OF DUTIES*

**CRITERIA**

## FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

## 6. Appropriate Segregation of Duties

- c. An organization plan should be established that provides for an appropriate segregation of duties; this will help safeguard trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction.
- d. Work must be assigned to court employees in such fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. The following duties must not be assigned to only one individual:
  - iii. Performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order), performing accounts payable, authorizing vendor payment, or processing accounts payable, and maintaining the vendor master file (establishing new vendors and updating vendor information).
- d. If segregation of duties cannot be achieved due to staffing limitations, court management must apply alternative control methods to mitigate the risks. Work processes should be carefully reviewed to determine the critical points where segregation of duties must be implemented, considering the staff resources that are available.

**CONDITION**

The Court does not adequately segregate court staff duties. Specifically, court staff informed us that there are times where the Presiding Judge or CEO may approve both a procurement and the resulting invoice. In addition, we found that the same person sometimes approves his or her own purchase request. For instance, we found two procurement transactions—about \$7,500 each for computers and office furniture—where the CEO both requested the procurement and approved the purchase requisition. However, the FIN Manual provides guidance that an appropriate segregation of duties should be established, and that work must be assigned to court employees in such fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. The FIN Manual also requires court management to apply alternative control methods to mitigate the risks if segregation of duties cannot be achieved due to staffing limitations and recommends that work processes be carefully reviewed to determine the critical points where segregation of duties must be implemented, considering the staff resources that are available. Allowing one person to perform incompatible duties—such as approving their own purchase request and then approving the associated invoice—puts the Court at an increased risk of not properly procuring goods and services, not obtaining the best value procurements, and creating the appearance of not fairly awarding their procurement contracts or paying invoices.

### **RECOMMENDATION**

The Court should establish an organization plan that provides for an appropriate segregation of duties. If segregation of duties cannot be achieved due to staffing limitations, Court management should apply alternative control methods so that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 11/21/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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## PAYMENT PROCESSING

### The Court Should Strengthen Its Verification of Invoices and Claims Prior to Payment

#### Background

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

#### Results

The Court demonstrated compliance in various payment processing areas we evaluated during our audit. The Court demonstrated sound management practices in the areas of review and approval prior to payment, allowable costs, and jury expenses.

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

Finding Reference	Subject
2023-17-01	Payment Processing – Three-Point Match

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#### **FINDING REFERENCE: 2023-17-01**

#### *PAYMENT PROCESSING – THREE-POINT MATCH*

#### **CRITERIA**

FIN MANUAL, FIN 8.01, 6.3.2 DOCUMENT MATCHING:

1. At the scheduled time and depending on the court's invoice payment cycle, an accounts payable employee will match the vendor invoices to all appropriate supporting documentation. The court will adopt the "three-point match" procedure to process vendor invoices.
2. A three-point match procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods or services. For example:

- a. All details of the invoice, including a description of the goods and services ordered, quantities involved, unit prices billed, and other applicable charges, must be matched to the details and terms and conditions of the court's purchase agreements or contracts.
  - b. All invoice details, including a description of the goods or services ordered and quantities invoiced must be matched to the details of packing slips, shipping orders, receiving reports, or other forms of acknowledgement of delivery of products or completion of work by an authorized court employee.
3. Vendor invoices shall not be processed for payment without completing the three-point match procedure. If one element is missing (e.g., if there is no evidence of receipt of goods or services), the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

### **CONDITION**

For 10 of the 40 payment transactions reviewed, the Court could not demonstrate completing the entire three-point-match verification process when paying invoices and claims. Specifically, accounts payable staff could not demonstrate how they matched and agreed the invoices or claims to the terms in an applicable contract or equivalent court authorization for these transactions. For example, accounts payable staff paid a vendor \$265,000 for CMS services in fiscal year 2022-23. However, there is no contract or other written agreement between the vendor and the Court that specifies the pricing terms. In the same fiscal year, the Court paid another vendor approximately \$40,000 to provide self-help services but did not have a current contract in place. Instead, an expired contract explains the scope of work, but does not provide payment terms. Additionally, we found the Court did not have contracts or agreements in place that are necessary to perform the required three-point match when paying invoices and claims for the printing of court forms, for court reporters or court interpreters, or for other miscellaneous services. Without written agreements or authorizations that specify the expected work, term, and pay, court accounts payable staff cannot fully perform the required three-point match. Additionally, when Court staff do not perform the required three-point match, the Court risks paying for unauthorized goods or services or being overcharged without any basis for disputing such work or charges.

### **RECOMMENDATION**

To ensure that it can demonstrate it pays the proper amounts for the goods and services it receives, the Court should take steps to strengthen its process for approving vendor payments. Specifically, the Court should ensure that it has a written contract or agreement with clear pricing terms on file for each of its procurements, and provide these contracts or agreements to its accounts payable staff so that they are able to fully perform the required three-point match and verify the accuracy of vendor invoices prior to payment approval and processing.



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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 11/21/2024

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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## **FINE AND FEE DISTRIBUTION**

### **The Court Corrected the Issue Reported by the State Controller's Office in its Recently Completed Revenue Audit of the Court**

#### **Background**

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

#### **Results**

During the planning phase for the audit, the Court informed us that the State Controller's Office (SCO) recently completed a revenue audit of the Court's fine and fee distributions and found one Court-related error. Therefore, we limited our review to verifying that the Court took appropriate corrective action to resolve the error noted by the SCO. Our review found that the Court took appropriate corrective action to resolve the issue reported by the SCO.

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## FUND BALANCE

### The Court Appropriately Reported Its Year-End Encumbrances

#### Background

State law allows trial courts to retain unexpended fund balance reserves in an amount that does not exceed a defined percentage of a court's prior fiscal year operating budget. Operating budget is defined as the court's total expenditures from all funds (excluding fiduciary funds) that are expended for operating the court. Certain types of funds received by the court and restricted for certain purposes—as specifically designated in statute, and including year-end encumbrances—are exempt from this requirement. The intent of the legislation was to prevent trial courts from accumulating significant fund balances instead of spending the funds on court operations. Audit Services reviews year-end encumbrances to ensure courts do not inflate their calculated fund balance caps by overstating total year-end encumbrance amounts for the current fiscal year, avoiding any required reductions in their budget allocation.

In addition, should a court need to retain funds that exceed its fund balance cap, the Judicial Council adopted a process whereby courts that meet certain specified guidelines may request approval from the Judicial Council to hold excess funds “on behalf of the court.” The request specifies how the funds will be used and requires the court to explain why such spending could not occur through its annual operating budget. If the Judicial Council approves the court's request, the Judicial Council may impose additional terms and conditions that courts must accept, including separately tracking the expenditures associated with these funds held on behalf of the court. As a part of the Judicial Council-approved process for approving funds held on behalf of a court, Audit Service is charged with reviewing funds held on behalf of the courts as a part of its normal court audit cycle to confirm that the courts used the funds for their approved stated purpose.

#### Results

Our review found that the Court complied with the requirements for reporting year-end encumbrances. Specifically, the Court properly disencumbered unneeded encumbrances at the end of FY 2021-22 for goods or services that it had already received by June 30, 2022. Finally, we did not review its use of any excess funds because the Court has not requested the Judicial Council to hold any such funds on its behalf.

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## JBSIS CASE FILING DATA

### The Court Should Ensure It Reports 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 maintained documentation to support the JBSIS case filings data it submitted to the Office of Court Research. Nevertheless, our review identified one JBSIS related audit finding that we believe requires the Court’s continuous monitoring. This finding pertained to the following specific area of the JBSIS case filings data:

Finding Reference	Subject Area
2023-28-01	JBSIS Data Quality – Case Filing Counts and Data

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#### FINDING REFERENCE: 2023-28-01

#### *JBSIS DATA QUALITY – CASE FILING COUNTS AND DATA*

#### CRITERIA

CALIFORNIA RULES OF COURT, RULE 10.400, JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM:

Consistent with article VI, section 6 of the California Constitution and Government Code section 68505, the Judicial Branch Statistical Information System (JBSIS) is established by the Judicial Council to provide accurate, consistent, and timely information for the judicial branch...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.

## JUDICIAL BRANCH STATISTICAL INFORMATION SYSTEM MANUAL – VERSION 3.0, APPENDIX H—DATA QUALITY ASSURANCE;

### Error Quantification and Acceptable Error Rates

The error rate is determined by the difference of the reported value and the correct value, divided by the reported value. The magnitude of the error relative to the number of filings in a given period affected determines how courts should remedy the error. The JBSIS subcommittee determined that a 2% error rate met the criteria of being rigorous enough to ensure high data quality without posing an undue burden for courts.

The committee determined that an error rate of 2% or more in any one data element for a specific case type or cumulative across case types for one data element—limited at this time to filings, dispositions, trials, and time to disposition, when reported—should be established as the threshold above which courts must submit amended data correcting the report and that amended reports to resolve the error must be submitted within 60 days of error discovery.

### **CONDITION**

To better ensure courts can identify and research potential JBSIS reporting errors, effective July 2018, the JBSIS Manual includes data quality standards that encourage courts to have methods of both routine and non-routine reviews of their data. Examples of these review methods include courts performing random reviews of selected case files to ensure the data reported to JBSIS is consistent with the judicial branch's agreed-upon case type definitions. However, implementing such an approach requires courts to know which cases they have reported to JBSIS and when. Without this information, neither the courts nor external parties are well-positioned to evaluate the accuracy of the reported case filings data or determine which of the many monthly JBSIS reports require amendment if errors are found.

### Reconciliation Between JBSIS Case Filing Counts and Court-Based Records

JBSIS data contains aggregated counts of new case filings, which should be supported by case-specific records at the trial court level. Columns A through D from Table 1 compare the Court's aggregated JBSIS data for fiscal year 2021-22 against its own corroborating CMS data. In short, columns A through D illustrate whether the Court can support its JBSIS filings data for fiscal year 2021-22 based on the summary CMS data provided at the time of our fieldwork in late August 2023.

Table 1 - Comparison of JBSIS Case Filings Data to Underlying Court Records for fiscal year 2021-22

JBSIS Report / Case Category	JBSIS versus Court Records				Workload Formula Case Weight (^)
	A	B	(A-B) C	(C/A) D	
	Filings in JBSIS(*)	Court Records(#)	Net Difference	Error Rate	
05a Unlawful Detainer	66	66	-	0.00%	
05a Civil – Limited	60	60	-	0.00%	
05a EDD	-		-	0.00%	
05b Civil – Unlimited	135	135	-	0.00%	
05b Civil – Complex	-		-	0.00%	
05b Asbestos	-		-	0.00%	
06a Family Law – Marital	55	55	-	0.00%	
06a Family Law – Child Support	49	26	23	46.94%	405
06a Family Law – Domestic Violence	72	61	11	15.28%	475
06a Family Law – Parentage	2	2	-	0.00%	
06a Family Law – Other	21	10	11	52.38%	571
07c Felony	80	93	(13)	-16.25%	813
08a Juvenile Delinquency	13	12	1	7.69%	646
09a Juvenile Dependency	21	20	1	4.76%	1,211
10a Mental Health	5	5	-	0.00%	
11a Misdemeanor – Traffic	100	276	(176)	-176.00%	103
11a Misdemeanor – Non-Traffic	218	225	(7)	-3.21%	478
11a Infractions	1,279	1,301	(22)	-1.72%	
12a Conservator / Guardianship	12	14	(2)	-16.67%	2,225
12a Estates / Trusts	54	53	1	1.85%	
13a Small Claims	15	15	-	0.00%	
<b>Overall Total</b>	<b>2,257</b>	<b>2,429</b>	<b>(172)</b>	<b>-7.62%</b>	

**Source:** Judicial Branch Statistical Information System (JBSIS) and the Court's CMS records.

**Notes:**

- \* Reported case filings for fiscal year 21-22, by JBSIS report and case category, as accessed by Audit Services in August 2023.
- # Court CMS data provided by the Court to substantiate the aggregate filings data reported to JBSIS.
- ^ Applicable case weight (shown as minutes per filing), which is eventually applied to filings to determine Workload Formula budget allocations.

The new case filings counts the Court reported to JBSIS in fiscal year 2021-22 did not always materially agree to the number of filings supported by case type reports. We reviewed the underlying court records supporting its reported case counts for fiscal year 2021-22 and found nine RAS Case Categories where the variance between new case filings counts reported to JBSIS

and the counts the Court was able to support was greater than 2%. These variances ranged from a 52.38% overcount to a 176% undercount in the following RAS Case Categories: 06a Family Law—Child Support, 06a Family Law—Domestic Violence, 06a Family Law—Other, 07c Felony, 08a Juvenile Delinquency, 09a Juvenile Dependency, 11a Misdemeanor—Traffic, 11a Misdemeanor—Non-Traffic, and 12a Conservator/Guardianship. Additionally, the Court’s overall total case filings count—as reported to JBSIS—was 2,257, or nearly 8% lower than the 2,429 cases the Court was able to identify from its own records, largely driven by the variance noted in 11a Misdemeanor—Traffic. The Court was unable to explain these variances.

#### Review of Case Files for JBSIS Data Quality

We selected a sample of 55 case files to review whether the Court’s CMS reports of specific case filings met the Judicial Council’s definition of a reportable filing. Our review found that, except for two minor issues that we communicated separately to the Court, the filings we reviewed were consistent with the JBSIS Manual’s case-type definitions.

#### **RECOMMENDATION**

To ensure it is doing all it reasonably can to ensure accurate and complete JBSIS reporting, the Court should do the following:

- Resubmit updated case filings data to JBSIS for fiscal year 2021-22 via an amended report.
- Provide additional training to clerks to ensure they accurately report JBSIS case file information.

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

The Court agrees with this finding. The Court will develop and implement a corrective action plan.

**Response provided on 11/8/2024 by:** Sue Selegean-Dostal, CEO

**Date of Corrective Action:** 3/31/2025

**Responsible Person(s):** Sue Selegean-Dostal (CEO); Cheslea LaCroix (Supervising Clerk); Michelle McBeen (Revenue Clerk II); and Timudur Sihole (Fiscal Manager)

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## ENHANCED COLLECTIONS

### The Court Did Not Provide Support for Its Collection 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

As of the time of our review, the Court had not provided JCC's Budget Services with its Collection Report Template (CRT) for FY 2022-23. Without reviewing this document, we were unable to determine whether the Court's collection program meets the minimum requirements for a comprehensive collection program as defined in PC 1463.007.

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