



Audit of the Superior Court of California, County of San Joaquin

OCTOBER 2023



Judicial Council of California

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For authorization to distribute this report to any other parties please contact:

Mr. Matt Espenshade
Principal Manager, Audit Services
Judicial Council of California
Phone: (916) 263-1321
E-mail: Matt.Espenshade@jud.ca.gov

Superior Court of California, County of San Joaquin

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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 San Joaquin (Court) demonstrated compliance with many of the Judicial Council's requirements evaluated during the audit and should be commended for its receptiveness to suggestions for further improvement. Table 1 below presents a summary of the audit's results.

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

Areas and Sub-Areas Subject to Review		Tested	Reportable Audit Findings		
			# of Findings	Finding Reference(s)	Court's View
Cash Handling					
1	Daily Opening Process	Yes	✓		
2	Voided Transactions	Yes	✓		
3	Manual Receipts	Yes	✓		
4	Mail Payments	Yes	2	2022-4-01; 02	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	1	2022-6-01	Agrees
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	✓		
9	Other Internal Controls	Yes	✓		
Procurement and Contracts					
10	Procurement Initiation	Yes	✓		
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	✓		
19	Special Rules - In-Court Service Providers	Yes	✓		
20	Special Rules - Court Interpreters	N/A	-		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distributions					
25	Distribution Calculations	Yes	✓		
Fund Balance					
26	Year-End Encumbrances	Yes	✓		
27	Use of "Held on Behalf" Funds	N/A	-		
JBSIS Case Filing Data					
28	Validity of JBSIS Data	Yes	✓		
Enhanced Collections					
29	Enhanced Collections	Yes	✓		

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

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

The Court demonstrated consistent adherence with many of the different compliance requirements evaluated during the audit, as shown in Table 1. In particular, the Court demonstrated good compliance in the areas of reporting new case filing counts and data to JBSIS, and in meeting enhanced collections requirements. For example, our review found that the Court's records materially supported the new case filing counts and data it submitted to JBSIS. In addition, our review found that the Court properly allocated personnel and indirect costs charged to enhanced collections activities.

However, our audit did identify three 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 three 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 payments received in the mail. Specifically, the Court does not consistently restrictively endorse checks or other negotiable instruments received in the mail immediately upon receipt. Not immediately endorsing mail payments heightens the risk of theft or loss of these payments. In addition, the Court's payment collection locations do not maintain the suggested Payment Receipts Log to create a record of the non-cash payments received in the mail or in the drop box. Without a log of mail payments received, the payment locations do not have a record to reference or research should a mail or drop box payment become lost or stolen. The Court indicated it agreed with our findings and recommendations in this area and is taking corrective actions to strengthen its controls over payments received in the mail.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on September 20, 2022, and completed its fieldwork in June 2023. Audit Services shared the draft findings with the Court starting on November 30, 2022, and received the Court's final official responses on December 21, 2022. 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 San Joaquin (Court) operates three court facilities in the cities of Stockton, Manteca, and French Camp. 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 San Joaquin Superior Court and Average of all Superior Courts

Statistic	San Joaquin Superior Court	Average of All Superior Courts				
		Cluster 1 Courts	Cluster 2 Courts	Cluster 3 Courts	Cluster 4 Courts	All 58 Courts
Financial Highlights (Fiscal Year 2022-23)						
Total Revenue	\$ 60,359,449	\$ 3,516,596	\$ 14,926,999	\$ 56,356,321	\$ 283,441,690	\$ 58,298,424
Total Expenditures	\$ 53,765,362	\$ 3,218,159	\$ 14,532,808	\$ 55,423,780	\$ 255,806,509	\$ 54,050,955
Staff Salaries & Benefits As a % of Total Expenditures	\$ 44,311,884 82.4%	\$ 2,037,590 63.3%	\$ 10,635,517 73.2%	\$ 42,045,871 75.9%	\$ 206,241,699 80.6%	\$ 42,432,330 78.5%
Judicial Officers and Staff (2023 Court Statistics Report)						
Judges	30	2	8	30	142	30
Commissioners/Referees	5	-	1	4	21	4
Non-Judicial Staff (approx.)	342	16	84	289	1,312	282
Total	377	18	93	323	1,475	316
New Case Filings (Fiscal Year 2021-22)						
Appeal Filings	48	9	74	130	154	81
Civil Filings						
Civil	10,307	263	1,895	8,108	54,067	10,062
Family Law	7,121	240	1,477	5,137	25,312	5,265
Juvenile Delinquency	916	27	130	539	1,303	357
Juvenile Dependency	811	30	171	547	3,486	676
Mental Health	1,671	15	225	1,359	8,343	1,545
Probate	1,106	58	325	986	4,623	997
Small Claims	1,145	31	216	891	6,244	1,151
Criminal Filings						
Felonies	4,188	200	1,169	3,686	13,675	3,208
Misdemeanors / Infractions	53,452	3,282	16,654	55,404	239,708	52,647
Total	80,765	4,155	22,336	76,787	356,915	75,989

Source: Financial and case filings data maintained by the Judicial Council. The date ranges differ for the above information due to the different sources of data. The financial data is from the Judicial Council's Phoenix financial system, the judicial officer and staff counts information is from the most recent Court Statistics Report, and the case filing counts are from the Judicial Branch Statistical Information System data as of August 2, 2023, and may not agree with other reports as this data is subject to continuous updates.

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

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of San Joaquin (Court) in order to determine whether it complied with certain key provisions of statute and the policies and procedures adopted by the Judicial Council of California. Our audit was limited to evaluating compliance with those requirements that, in our professional judgment, were necessary to answer the audit’s objectives. The period covered by this audit was generally limited to fiscal year (FY) 2021-22, but certain compliance areas noted below required that we review earlier periods or current practices. Table 3 lists the specific audit objectives and the methods we used to address them.

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

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

	<p>activities. Specifically, our review included the following:</p> <ul style="list-style-type: none"> ▪ Determine whether the Court’s procurement transactions complied with the applicable requirements in the Judicial Branch Contracting Manual or the Trial Court Financial Policies and Procedures Manual. ▪ Determine whether the Court’s payment transactions—including but not limited to vendor payments and claim payments—were reasonable and in compliance with the Trial Court Financial Policies and Procedures Manual and applicable Judicial Council policies and rules. 	<p>receiving the goods, and paying for the goods or services.</p> <p>We also judgmentally selected a sample of 25 procurement transactions and assessed whether each transaction:</p> <ul style="list-style-type: none"> • Was properly authorized and approved by authorized court management. • Adhered to competitive bidding requirements, when applicable. • Had contracts, when applicable, that contained certain terms required to protect the Court’s interests. <p>We selected a sample of 40 FY 2021-22 payments pertaining to various purchase orders, contracts, or in-court services, and determined whether:</p> <ul style="list-style-type: none"> • The Court followed the 3-point match process as described in the FIN Manual to ensure goods and services are received and accepted, and in accordance with contract terms prior to payment. • Appropriate court staff authorized payment based on the Court’s payment controls and authorization matrix. • The payment reasonably represented an allowable “court operations” cost per Rule of Court, Rule 10.810. • The payments to in-court service providers adhered to applicable Judicial Council policies.
<p>4</p>	<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 two Court-related errors related to the case types we</p>

		review. Therefore, we limited our review to verifying that the Court took appropriate corrective actions to resolve the errors 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 2020-21) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the fiscal year we reviewed or in the prior fiscal year. As a result, no further review was deemed necessary.</p>
6	Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).	<p>We obtained an understanding of the Court's process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2020-21), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data. • We selected 10 cases from six case types, for a total of 60 reported cases, and reviewed the relevant case file records to verify that the Court correctly applied the JBSIS definitions for reporting each case filing.
7	Determine whether Enhanced Collections revenue is funding only collections activities.	We obtained the Court's Collection Report Template for fiscal year 2021-22 and determined whether the Court's collection program met the minimum requirements for a comprehensive

	collection program as defined in state law. We identified and analyzed the revenues, expenditures, and transfers ins/outs for Fund 120007 (Enhanced Collections) to verify that Enhanced Collections revenue was used only to fund collections activities. For example, for personnel service costs charged to collections activities, we reviewed employee timesheets to verify the costs and time charged to the enhanced collection program. We interviewed selected employees to determine how they track and report the time they charged to collections activities. We also reviewed other operating costs and expenditures charged to determine whether the costs were supported, allowable, and allocable to collections activities.
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Assessment of Data Reliability

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

Report Distribution

The Judicial Council’s *Advisory Committee on Audits and Financial Accountability for the Judicial Branch* reviewed this report on October 27, 2023, and approved it for public release.

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

Audit Staff

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

Sandra Gan, Senior Auditor (auditor in charge), CPA

Lorraine De Leon, Auditor

Linda Gow, Auditor

Joseph Pak, Auditor

Usamah Salem, Auditor, CFE

Tia Thao, Auditor

SCHEDULE OF AUDIT FINDINGS AND PLANNED CORRECTIVE ACTION

CASH HANDLING

The Court Should Strengthen Its Controls Over Certain Payment Collection Processes

Background

Trial courts must collect and process customer payments in a manner that protects the integrity of the court and its employees, and promotes public confidence. Thus, trial courts should institute a system of internal control procedures that assure the safe and secure collection, and accurate accounting of all payments. A court's handling of collections is inherently a high-risk activity given the potential incentives for court employees to act inappropriately when mandatory internal controls per the Trial Court Financial Policies and Procedures Manual (FIN Manual) are compromised or not in operation.

Results

Overall, the Court demonstrated compliance in many of the areas we evaluated during the audit. Specifically, the Court demonstrated sound management practices in the areas of its daily opening process, void transactions, 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
2022-4-01	Mail Payments – Endorsement
2022-4-02	Mail Payments – Receipts Log
2022-6-01	Change Fund – Accountability

FINDING REFERENCE: 2022-4-01

MAIL PAYMENTS – ENDORSEMENT

CRITERIA

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

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

CONDITION

The Court does not restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail. Specifically, one clerk opens the mail, then forwards the checks to another clerk for processing. The checks are not restrictively endorsed immediately upon receipt, but instead after they have been processed. This occurs because the Court does not have written mail payment processing procedures that require immediate 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 through the mail, the Court should take steps, such as creating local cash handling procedures and periodic staff training, to ensure that all staff consistently restrictively endorse all checks, money orders, and other negotiable instruments immediately upon receipt in the mail.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the Auditor's recommendation. The Court will endorse all checks, money orders, and other negotiable instruments immediately upon receipt in the mail and drop box.

Response provided on 12/13/22 by: De Ette Goni, Fiscal Manager

Date of Corrective Action: 12/12/22

Responsible Person(s): Stephanie Bohrer, Assistant CEO

FINDING REFERENCE: 2022-4-02***MAIL PAYMENTS – RECEIPTS LOG*****CRITERIA**

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

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

- v. Date received in the mail or drop box; and
 - vi. Name of the person opening the mail or drop box payments and the person recording the payment on the payments receipt log.
4. To provide for strong oversight and monitoring of payments not processed on the day they were received in the mail or drop boxes, courts must adhere to the following steps:
- a. Trial court staff responsible for processing payments must review on a daily basis all payments that are held over from a previous day's work to determine if any of the held payments can be processed. This requirement can be met by reviewing the held payments receipt log sheets and associated payments to determine if the payment can be processed.
 - b. The supervisor/manager responsible for the trial court staff who process payments must identify and log any payment that has been held for more than 5, 15, and 30 calendar days without being processed. The log must specify the reason why the payment cannot be processed. The log must identify any cash payment being held in suspense for more than 5, 15, and 30 calendar days.
 - c. The supervisor/manager responsible for the trial court staff who process payments must provide a report, at least on a monthly basis, to the court executive officer and the court fiscal officer, and/or to his or her written designee, that lists by age (length of time held) any payment that has been held for more than 15 and 30 calendar days without being processed. The report must provide the following details, if known, for each payment being held:
 - i. Case or docket number;
 - ii. Name of the person making the payment;
 - iii. Payment amount;
 - iv. Check number (if applicable);
 - v. Date received in the mail; and
 - vi. Reason why the payment cannot be processed.

CONDITION

The Court's payment collection locations do not maintain the suggested Payment Receipts Log to create a record of the non-cash payments received in the mail or in the drop box. According to staff at some of these payment locations, they do not have time to log all the mail payments. Also, the Court does not have local desktop procedures for handling, accounting for, and processing mail and drop box payments. Although the Criminal payment location logs payments that remain unprocessed at the end of the day, without a Payments Receipt Log of mail payments received, neither the Criminal nor the other payment locations have a record to reference or research should a mail or drop box payment become lost or stolen. Finally, without a mail payment receipts log, the Court is unable to ensure that mail and drop box payments are processed as soon as received or within a timely manner.

Additionally, the Civil and Family Law payment collection locations do not identify and log mail payments not processed within five calendar days, and there is no official process for reporting to the CEO and CFO at least monthly any mail payments that have not been processed within 15 and 30 days, or the reasons why. This happens because the Court does not have written

procedures for processing mail payments. Our observation found that the Civil location has many unprocessed mail payments. On the date of our review, we identified 42 payments that had remained unprocessed for more than 15 days, and an additional 56 payments that were unprocessed for more than 30 days. According to the supervisor, this location does not track how long payments have remained unprocessed, but she informally gives the manager a high-level run-down of the backlogged unprocessed mail payments during a weekly meeting. Because the Court does not maintain the suggest Payments Receipt Log, the Court is unable to easily determine payments that have not been processed in five, 15, or 30 days. Not processing mail payments promptly for deposit in the bank and not reporting these unprocessed mail payments to the CEO and CFO as the FIN Manual requires places these payments at increased risk of loss or theft. Additionally, we observed that the Family Law payment location had two unprocessed mail payments on the date of our review – one had remained unprocessed for six calendar days, and one had remained unprocessed for four calendar days. According to the supervisor, payments never remain unprocessed for 15 days or longer, which would need to be reported to the CEO and CFO monthly. Finally, the Criminal and Traffic Division supervisors informed us that these locations do not have mail payments that remain unprocessed for extended periods of time.

RECOMMENDATION

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail or drop boxes, the Court should consider implementing specific local cash handling policies and procedures, as well as periodic training and monitoring, to ensure that staff at its payment locations consistently complete a Payment Receipts Log with all key information necessary to establish a clear record of all the payments, cash and non-cash, received through the mail or drop boxes. The Court can subsequently use these logs to reconcile and confirm entry of these mail and drop box payments into its CMS during the end-of-day closeout process.

To ensure the safe, secure collection, and accurate accounting of all payments received through the mail, the Court should ensure that all supervisors/managers responsible for staff who process mail payments take steps to identify and log any mail payment that has been held for more than 5, 15, and 30 days without being processed. For those mail payments held unprocessed for more than 15 and 30 days, the Court should also monitor to ensure the supervisors or managers consistently provide written reports to the CEO and CFO.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the Auditor's recommendation that a mail payment log will help identify unprocessed checks and will ensure the safe, secure collection, and accurate accounting of all payments received through the mail. The Court is currently working on a plan to implement the Auditor's recommendations.

Response provided on 12/14/22 by: De Ette Goni, Fiscal Manager

Date of Corrective Action: 1/3/23

Responsible Person(s): Stephanie Bohrer, Assistant CEO

FINDING REFERENCE: 2022-6-01
CHANGE FUND – ACCOUNTABILITY

CRITERIA

FIN MANUAL, FIN 10.02, 6.3.1 CASH CHANGE FUND:

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

CONDITION

Although the Court currently maintains a \$450 change fund in each of its Traffic, Family Law, and Manteca payment locations, and a \$400 change fund in each of its Criminal and Civil Divisions, it does not require someone to count and verify the change fund at the end of each day while in the presence of a manager or supervisor. Instead, at the Traffic and Family Law Divisions, the change funds are counted only on days when the change fund is used to make change. Additionally, while the count and verification of the change fund is documented, the count is performed by a staff member alone at their desk, and not in the presence of a manager, supervisor, or designee. At the Manteca location a clerk counts the change fund at the beginning of each day instead of at the end of the day, and she performs this count alone, not in the presence of a manager or supervisor. At the Traffic Division and Criminal Division payment locations, the change funds are counted by a two-person team, but this count is performed quarterly, not daily. According to these locations' supervisors, they mistakenly thought they only needed to count the change fund quarterly. As a result, the Court's current practice of not counting and verifying its change funds on a daily basis in the presence of two people, as required by the FIN Manual, potentially allows a change fund shortage to occur without clear accountability of when the shortage may have occurred or who may have caused the shortage.

RECOMMENDATION

To reduce the risk of prolonged unaccountable change fund shortages or overages, the Court should establish local cash handling policies and procedures that align with the FIN Manual requirement. Specifically, the Court should ensure that individuals responsible for making change from the change funds count, verify, and reconcile the change fund monies to the day’s beginning balance at the end of each business day. In addition to verifying the change fund at the end of each business day, the Court should ensure that the daily verification is performed while in the presence of a court manager, supervisor, or designee.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

The Court agrees with the Auditor’s recommendation. The Court will ensure that staff responsible for making change from the change funds count, verify, and reconcile the change fund monies to the day’s beginning balance at the end of each business day. In addition to verifying the change fund at the end of each business day, the Court will ensure that the daily verification is performed while in the presence of a court manager, supervisor, or designee.

Response provided on 12/13/22 by: De Ette Goni, Fiscal Manager
Date of Corrective Action: 12/5/22
Responsible Person(s): Stephanie Bohrer, Assistant CEO

PROCUREMENT AND CONTRACTS

The Court Complied with Applicable Requirements for Procuring Goods and Services

Background

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

Results

Our review found that the Court complied with applicable requirements for procuring goods and services. Specifically, the Court demonstrated compliance in various areas we evaluated during our audit, including demonstrating sound management practices in the areas of procurement initiation and leveraged purchase agreements.

PAYMENT PROCESSING

The Court Complied with Applicable Payment Processing Requirements

Background

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

Results

The Court demonstrated compliance in various payment processing areas we evaluated during our audit. Specifically, the Court demonstrated sound management practices in the areas of other items of expense and other internal controls.

FINE AND FEE DISTRIBUTIONS

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

Background

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

Results

During the initial audit planning process, the Court informed us that the State Controller's Office (SCO) recently completed a revenue audit of the Court in November 2021. Our review of the SCO audit report noted two findings related to the case types we review. Therefore, we limited our review to the SCO's audit report findings. Our review found that the Court took appropriate corrective actions to resolve the issues reported by the SCO.

FUND BALANCE

The Court Appropriately Supported Its Year-End Encumbrances

Background

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

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

Results

Our review found that the Court complied with the requirements for reporting year-end encumbrances. Specifically, the Court supported the encumbrances it reported on its final FY 2020-21 calculation form with valid contracts for goods or services not received by June 30, 2021. Finally, we did not review its use of any excess funds because the Court had not requested the Judicial Council to hold any such funds on its behalf during either the fiscal year we reviewed or in the prior fiscal year.

JBSIS CASE FILING DATA

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

Background

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

Results

Our review found that the Court's records supported the new case filing counts and data it reported to the Judicial Council's Office of Court Research through JBSIS for fiscal year 2020-21.

ENHANCED COLLECTIONS

The Court Appropriately Recovered Costs for its Enhanced Collections Program

Background

Penal Code section 1463.010(a) requires the Judicial Council to adopt guidelines for a comprehensive program concerning the collection of monies owed for fees, fines, forfeitures, penalties, and assessments imposed by court order. In addition, as part of its guidelines, the Judicial Council may establish standard agreements for entities to provide collection services. Section (b) requires courts and counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county. The program may be in whole or in part staffed and operated in the court itself, in the county, or contracted with a third party. Also, in carrying out its collection program, each superior court and county is required to develop a cooperative plan to implement the Judicial Council guidelines. Section (c) requires the Judicial Council to develop performance measures and benchmarks to review the effectiveness of the cooperative superior court and county collection programs operating pursuant to this section. Further, it requires each superior court and county to jointly report to the Judicial Council information requested in a reporting template on an annual basis.

The standards by which a court or county may recover the costs of operating a comprehensive collection program are provided in Penal Code section 1463.007. Collection costs (with the exception of capital expenditures) may be recovered from the collection of delinquent court-ordered fines, fees, forfeitures, penalties, and assessments imposed on infraction, misdemeanor, and felony cases before revenues are distributed to any other government entity. A comprehensive collection program is a separate and distinct revenue collection activity that meets certain requirements and engages in certain collection activity components as defined in state law. Eligible costs that can be recovered include staff costs, costs paid to another entity under an agreement for their collection activities, and indirect costs.

Results

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