



Audit of the Superior Court of California, County of Yuba

OCTOBER 2023



Judicial Council of California

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Superior Court of California, County of Yuba

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EXECUTIVE SUMMARY

Introduction

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

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

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

Summary of Audit Results

Our audit found that the Superior Court of California, County of Yuba (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, including references to any audit findings discussed in the body of the report, and a summary of the Court's agreement or disagreement with the noted findings. Other matters such as isolated or minor non-compliance—which in our professional judgement do not rise to the level of a reportable finding—were communicated separately to the Court's management in written form.

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

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	1	2022-4-01	Agrees
5	Internet Payments	Yes	✓		
6	Change Fund	Yes	✓		
7	End-Of-Day Balancing and Closeout	Yes	✓		
8	Bank Deposits	Yes	1	2022-8-01	Agrees
9	Other Internal Controls	Yes	2	2022-9-01; 02	Agrees
Procurement and Contracts					
10	Procurement Initiation	Yes	1	2022-10-01	Agrees
11	Authorization & Authority Levels	Yes	✓		
12	Competitive Procurements	Yes	✓		
13	Non-Competitive Procurements	Yes	✓		
14	Leveraged Purchase Agreements	Yes	✓		
15	Contract Terms	Yes	✓		
16	Other Internal Controls	Yes	✓		
Payment Processing					
17	3-Point Match Process	Yes	✓		
18	Payment Approval & Authority Levels	Yes	1	2022-18-01	Partially Agrees
19	Special Rules - In-Court Service Providers	Yes	1	2022-19-01	Agrees
20	Special Rules - Court Interpreters	Yes	✓		
21	Other Items of Expense	Yes	✓		
22	Jury Expenses	Yes	✓		
23	Allowable Costs	Yes	✓		
24	Other Internal Controls	Yes	✓		
Fine & Fee Distributions					
25	Distribution Calculations	Yes	✓		
Fund Balance					
26	Year-End Encumbrances	Yes	✓		
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 year-end encumbrances and in meeting enhanced collections requirements. For example, our review of the Court's fund balance found that the Court properly supported the encumbrances it reported on its final FY 2020-21 calculation form with valid contracts for goods or services not received by June 30, 2021. In addition, our review found that the Court properly supports its timekeeping and other expenses that it charges to enhanced collections activities.

However, our audit did identify seven reportable audit findings where we believe the Court should consider taking corrective action to improve its operations and more fully comply with the Judicial Council's policies. These four findings are identified in Table 1 under the column "Reportable Audit Findings" and include reference numbers to assist the reader in locating and viewing 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 cash handling. For example, the Court does not restrictively endorse checks, including money orders and other negotiable instruments, immediately upon receipt in the mail or drop-box. The FIN Manual requires courts to restrictively endorse checks immediately upon receipt. However, the Court does not restrictively endorse checks, money orders, or other negotiable instruments until they are processed. 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 ensure its daily deposit is secured. Specifically, after the deposit of the prior day's collections is prepared in the morning, the deposit bag is placed on top of the safe in the safe room, instead of in the safe, where it generally remains for several hours before it is picked up for deposit at bank. All the while, the safe room is accessible to almost two dozen Court and county employees. As a result, the Court is at increased risk for theft or loss of the deposit from the safe room, potentially without clear accountability of who may have taken it. The Court indicated it agreed with our findings and recommendations in this area and that it would implement corrective action by December 2022.

Summary Perspective of Court Officials

Audit Services initiated its audit of the Court on July 20, 2022, and completed its fieldwork in January 2023. Audit Services shared the draft audit findings with the Court starting on October 13, 2022, and received the Court's final official responses on January 4, 2023. Overall, the Court generally agreed with the findings and its specific responses are included in the body of the report after each finding.

BACKGROUND ON THE COURT’S OPERATIONS

The Superior Court of California, County of Yuba (Court) operates one court facility in the city Marysville. 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 Yuba Court and Average of all Superior Courts

Statistic	Yuba 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	\$ 8,148,033	\$ 3,516,596	\$ 14,926,999	\$ 56,356,321	\$ 283,441,690	\$ 58,298,424
Total Expenditures	\$ 8,263,213	\$ 3,218,159	\$ 14,532,808	\$ 55,423,780	\$ 255,806,509	\$ 54,050,955
Staff Salaries & Benefits As a % of Total Expenditures	\$ 6,020,923 72.9%	\$ 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	5	2	8	30	142	30
Commissioners/Referees	-	-	1	4	21	4
Non-Judicial Staff (approx.)	56	16	84	289	1,312	282
Total	61	18	93	323	1,475	316
New Case Filings (Fiscal Year 2021-22)						
Appeal Filings	61	9	74	130	154	81
Civil Filings						
Civil	1,173	263	1,895	8,108	54,067	10,062
Family Law	1,015	240	1,477	5,137	25,312	5,265
Juvenile Delinquency	54	27	130	539	1,303	357
Juvenile Dependency	161	30	171	547	3,486	676
Mental Health	104	15	225	1,359	8,343	1,545
Probate	157	58	325	986	4,623	997
Small Claims	95	31	216	891	6,244	1,151
Criminal Filings						
Felonies	993	200	1,169	3,686	13,675	3,208
Misdemeanors / Infractions	6,108	3,282	16,654	55,404	239,708	52,647
Total	9,921	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. Yuba Superior Court is a cluster 2 court.

AUDIT SCOPE AND METHODOLOGY

Audit Services initiated an audit of the Superior Court of California, County of Yuba (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 activities. Specifically, our review included the following:	We reviewed the Court’s assignment of purchasing and payment roles to assess whether it appropriately segregated staff roles for approving purchases, procuring the goods or services, receiving the goods, and paying for the goods or

	<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>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.
4	<p>Determine whether the Court properly calculates fine and fee distributions for certain selected case types.</p>	<p>We reviewed the Court’s process for updating and controlling access to its distribution tables.</p> <p>We also reviewed the Court’s calculations and distributions of fines, penalties, fees, and assessments for certain high volume or complex</p>

		case types.
5	<p>Determine whether the Court properly classifies its year-end encumbrances for the most recent completed fiscal year.</p> <p>Determine whether the Court spent any funds the Judicial Council approved the Court to hold from prior year excess fund balance funds only for the purposes approved by the Judicial Council.</p>	<p>We obtained the Court’s Year-End Encumbrance Calculation Worksheet for the most recently completed fiscal year at the time of our testing (FY 2020-21) and traced and verified year-end encumbrances to supporting records and the Phoenix accounting system.</p> <p>The Court has not requested to hold any funds on its behalf in either the current or the previous fiscal year. As a result, no further review was deemed necessary.</p>
6	<p>Determine whether the Court accurately reports case filings data to the Judicial Council through the Judicial Branch Statistics Information System (JBSIS).</p>	<p>We obtained an understanding of the Court’s process for reporting case filings data to the Judicial Council through JBSIS. For the most recent fiscal year for which the Judicial Council froze and used JBSIS data for funding allocations (FY 2020-21), we performed the following:</p> <ul style="list-style-type: none"> • Obtained the relevant case filings data the Court reported to JBSIS and reconciled the reported new case filings counts to its underlying records of cases that support each reported case filing count, by case type, to validate that the Court accurately reported its case filings count data. • We 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	<p>Determine whether Enhanced Collection’s revenue is funding only collections activities.</p>	<p>We obtained the Court’s Collection Report Template for fiscal year 2021-22 and performed the following:</p> <ul style="list-style-type: none"> • We determined whether the Court’s collection program met the minimum requirements for a comprehensive

		<p>collection program as defined in state law. We also selected 10 cases and reviewed the relevant case file records to verify that the court’s collection activities qualify as a comprehensive collections program.</p> <ul style="list-style-type: none"> • 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 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:

Michelle O'Connor, Senior Auditor (auditor in charge), CPA, CFE, CGFM
Joe Meyer, Senior Auditor, CPA, CIA
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Tia Thao, Auditor
Linda Gow, 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 several 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 end-of-day balancing and closeout process.

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 cash handling:

Finding Reference	Subject Area
2022-4-01	Mail Payments – Endorsement
2022-8-01	Bank Deposits – Safe Security
2022-9-01	Other Internal Controls – Safe Combination
2022-9-02	Other Internal Controls – Access to Safe

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 or drop-box. Instead, the mail and drop-box

payments are not restrictively endorsed until they have been processed. This occurs because the Court does not have documented procedures for processing mail and drop-box payments. Additionally, the Court stated it does not know why it does not have these procedures documented. Nonetheless, 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, there is an increased 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 and drop-box, the Court should take steps such as creating local cash handling procedures that require staff to restrictively endorse all checks, money orders, and other negotiable instruments immediately upon receipt in the mail and drop-box.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The Court now requires staff who handle money to view a CJER video that was released September of this year called "Cash Control and Payment Handling". Additionally, staff processing the mail and drop-box have been instructed to endorse all checks and other negotiable instruments immediately upon receipt with the "for deposit only" stamp. Moreover, our manager is preparing a written procedure for staff on this practice.

Response provided on 10/17/2022 by: Heather Pugh, Court Executive Officer

Date of Corrective Action: The CJER video was provided to staff the month it was released (September 2022). All supervisors were sent an email on September 30, 2022, instructing them to include the CJER video with all new window employee onboarding. Staff processing the mail and drop-box were instructed to endorse all checks and other negotiable instruments in August after the auditors brought this issue to our attention (approximately August 5). The manager will have the formal, written procedure completed by the end of November.

Responsible Person(s): Heather Barajas, Manager

FINDING REFERENCE: 2022-8-01

BANK DEPOSITS – SAFE SECURITY

CRITERIA

FIN MANUAL, FIN 1.02, 6.2 Responsibilities:

2. The presiding judge and court executive officer will establish internal controls over financial reporting to assure that:
 - b. Steps are in place to prevent and detect theft.

FIN MANUAL, FIN 1.03, 6.3.3 CONTROL ACTIVITIES:

1. In implementing appropriate controls, courts must incorporate internal control concepts in establishing policies and procedures that help ensure that management directives are carried

out. Control activities can be categorized as the establishment, preparation, completion, or performance of the following:

- d. Safeguarding—Limiting access to and controlling the use of assets and records are ways to safeguard those assets and records.

7. Safeguarding

The court must limit access to its assets to authorized personnel who require these assets to perform their assigned duties. Access includes both direct physical access and indirect access such as preparing and processing documents authorizing transactions that impact court resources.

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.

CONDITION

The Court does not always keep its daily deposit secure. Specifically, after the previous day's collections are prepared for deposit in the morning, the deposit bag is placed in a bin on top of the safe in the safe room, instead of in the safe, where it generally remains for several hours before the deposit is picked up and taken to the County Treasurer's Office. The safe room is accessible to almost two dozen Court and county employees, and Court staff were unclear why the deposit is placed in a bin on top of the safe instead of in the safe. As a result, the Court is at increased risk for theft or loss of the deposit from the safe room, potentially without clear accountability of who may have taken it.

RECOMMENDATION

To ensure it properly safeguards its receipts and reduce the risk of lost or stolen collections, the Court should require the prepared deposit to remain locked in the Court's safe until the County Treasurer's Office courier arrives to pick it up.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The court's existing safe is over 100 years old and is difficult to open, hence the reason the safe is left open during business hours. Additionally, because of the age of the safe, it cannot handle the repeated lock/unlock cycle without risk of failure. To solve this issue so that we can be in compliance with the FIN Manual, we are in the process of purchasing a new digital safe so the deposit and other valuables can remain locked in the safe at all times.

Response provided on 10/17/2022 by: Heather Pugh, Court Executive Officer

Date of Corrective Action: We are looking at safes currently. A Request for Quote is underway, and we expect to award the contract by November 1, with installation by December 1.

Responsible Person(s): Michael Pugh, Chief Information Officer and acting Procurement and Contracting Officer

FINDING REFERENCE: 2022-9-01

OTHER INTERNAL CONTROLS – SAFE COMBINATIONS

CRITERIA

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

3. When using safes and vaults, the following procedures must be followed:
 - a. The combination will be distributed to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
 - e. The trial court should change the combination when any of the following occur:
 - i. The combination becomes known to an excessive number of trial court employees;
 - ii. A trial court employee with knowledge of the combination separates from employment in the trial court;
 - iii. A trial court employee with knowledge of the combination no longer requires the combination in the performance of his or her duties; or
 - iv. The time interval (defined by the trial court) during which the combination shall remain valid has expired.

CONDITION

Contrary to the FIN Manual requirements, the Court does not change its safe combination when it becomes known to an excessive number of trial court employees. Specifically, 11 employees know the combination of the Court's only safe. However, the FIN manual states that when using safes, the Court must distribute the combination to as few persons as possible, consistent with operating requirements and the value of the cash or documents safeguarded. Although having multiple staff with knowledge of each safe's combination is not unreasonable, 11 staff appears excessive given the size of the Court's operations. With so many staff having the combination to the safe, the Court is at an increased risk to the potential theft of cash by those individuals with knowledge of the safe combination and unauthorized access to the safe. According to the Court, it agrees that 11 employees with knowledge of the safe combination could be excessive and does not know why that many employees have knowledge of the combination.

RECOMMENDATION

To ensure it properly safeguards the contents of its safes, the Court should distribute its safe combination to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded. If the Court believes that is appropriate for a large number of employees to have access to its safe, the Court should consider preparing an analysis demonstrating that its operational needs require all these employees to have access to the safe. This analysis should then be reviewed and approved by the Presiding Judge or the Court Executive Officer.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. Yuba's current safe is over 100 years old and can be difficult to open. Additionally, it requires a professional locksmith to change the combination, which incurs a cost and takes time for a locksmith with the knowledge and ability to work on such an old safe to come change the

combination. Therefore, we are looking at purchasing a new safe with a digital lock so the safe will be easier to open, thereby making it feasible for us to reduce the number of people with the combination. Also, having a safe with a digital combination will enable us to change the combination ourselves when an employee no longer needs access, at a designated interval, or when an excessive number of employees have the combination.

Response provided on 10/17/2022 by: Heather Pugh, Court Executive Officer

Date of Corrective Action: We are looking at safes currently. A Request for Quote is underway and expect to award the contract by November 1st, with installation by December 1.

Responsible Person(s): Michael Pugh, Chief Information Officer and acting Procurement and Contracting Officer

FINDING REFERENCE: 2022-9-02

OTHER INTERNAL CONTROLS – ACCESS TO SAFE

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.

CONDITION

The Court does not always keep the contents of its safe secure, such as its beginning-of-day cash bags for cashiers and its \$490 change fund. Specifically, the Court's 2nd floor and 3rd floor payment collection locations share a safe on the 2nd floor. A Court employee opens the safe in the morning to retrieve the collections from the prior day to perform the deposit, but leaves the safe unlocked and ajar in a locked closet. Shortly after the safe is initially opened, another Court employee then unlocks the closet to retrieve the cash bags for the cashiers from the already opened safe. The change fund is left in the opened safe for the duration of the day. Although the closet with the safe is locked, according to the Court, 16 Court employees and six county employees have access to the safe room for various purposes. The Court stated that the safe is old and difficult to open so once the safe is open for the day, it remains open until the end of day. However, the FIN Manual requires courts to establish internal controls, such as keeping safes locked and monitored, to prevent and detect theft. As a result, the Court is at increased risk for theft or loss of cash or other valuables from its safe, potentially without clear accountability of who may have taken the items.

RECOMMENDATION

To ensure it properly safeguards the contents of its safe, the Court should require the safe to remain closed and locked throughout the day, and only opened by authorized staff who require access to retrieve or deposit important or valuable assets.

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. The court's existing safe is over 100 years old and is difficult to open. Additionally, because of the age of the safe, it cannot handle the repeated lock/unlock cycle without risk of failure. To solve this issue so that we can be in compliance with the FIN Manual, we are in the process of purchasing a new digital safe so change fund and other valuables can remain locked in the safe at all times. The purchase of the new safe with a digital lock will enable us to better safeguard the change fund and other valuables stored in the safe.

Response provided on 10/17/2022 by: Heather Pugh, Court Executive Officer

Date of Corrective Action: We are looking at safes currently. A Request for Quote is underway and expect to award the contract by November 1st, with installation by December 1.

Responsible Person(s): Michael Pugh, Chief Information Officer and acting Procurement and Contracting Officer

PROCUREMENT AND CONTRACTS

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

Background

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

Results

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

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

Finding Reference	Subject
2022-10-01	Procurement Initiation

FINDING REFERENCE: 2022-10-01

PROCUREMENT INITIATION

CRITERIA

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

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

1. Internal review and approvals: Consider the following:

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

CONDITION

The Court does not consistently document or require purchase requisitions to demonstrate that an authorized approver reviewed and approved the purchase request before commencing the solicitation and procurement process. Specifically for five procurement transactions reviewed, the Court either did not document or require a purchase request and management approval of the request prior to commencing the procurement, or did not have a purchase request at all. For example, one procurement transaction for its CMS in the amount of \$42,900 had a purchase request that was completed and signed on June 22, 2021; however, the contract was signed on June 4, 2021, approximately 12 business days prior to the purchase request completion. For another procurement transaction for security services in the amount of \$141,000, it was signed and executed in June of 2021; however, the purchase request was not completed and signed by both the Court Executive Officer and Presiding Judge until September of 2021. The use of a purchase requisition form that describes the requested items, documents the approval to purchase, and that is stored in the procurement file would help the Court better demonstrate that authorized court management considered and approved purchase requests before commencement of the procurement process. When the Court does not consistently document its purchase requests and authorizations, it risks the appearance that it is making purchases that may not be appropriate or not allowed and not in its best interests.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree. All of the procurements that were reviewed as part of this audit were indeed authorized, but not formally. Due to the size of our court, those assigned with procurement duties work closely with administration. However, our court needs to do a better job documenting the procurement process. As such, we have created a local form to be used to document the approval of the procurement process.

Response provided on 1/3/2023 by: Michael Pugh, Chief Information Officer

Date of Corrective Action: 1/21/2023

Responsible Person(s): Michael Pugh, Chief Information Officer

PAYMENT PROCESSING

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

Background

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

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 three-point match processing, jury expenses, and allowable costs.

Nevertheless, we identified two audit findings in the payment processing area that we believe requires the Court's corrective action. These findings pertained to the following specific areas of payment processing:

Finding Reference	Subject
2022-18-01	Payment Approval and Authority Levels
2022-19-01	Special Rules – In-Court Service Providers

FINDING REFERENCE: 2022-18-01

PAYMENT APPROVAL AND AUTHORITY LEVELS

CRITERIA

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

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

CONDITION

For 12 of the 40 expenditures reviewed, the Court did not always properly approve the invoices. Specifically, for seven of the expenditures reviewed, the Court used prior purchase authorizations, such as purchase requisitions, in-state travel requests, and blanket PO

authorizations, as approval for related invoices or claims. For example, for one expenditure reviewed, the Court did not approve payment of the invoice according to its informal established limits. Specifically, the Chief Information Officer (CIO) approved an invoice for payment in the amount of \$37,452 for software licensing agreements when his assigned approval threshold was only \$25,000 based on the Court's informal payment approval matrix. For another four expenditures reviewed, the invoice was approved by court staff that were not authorized to approve invoices because they were not listed on the Court's informal payment approval matrix. According to the Court, the purchase requisitions and purchase authorizations also serve as approvals of the invoices. The Court also stated that the court staff not listed on the informal payment approval matrix are the best persons to certify the services were performed and that the invoices match the contracts, yet they are not listed on the matrix. However, the FIN Manual requires courts to have authorized staff review and approve invoices and claims for payment because not all court staff may have the expertise and knowledge needed to properly assess the appropriateness of the payment transaction, accuracy of the records submitted, and reasonableness of the expenditure. When the Court does not follow its own invoice payment approval limits, and allows court staff to approve invoice payments that are above the court staff's authority limit, there is an increased risk of disbursing funds that it may later find to be unauthorized, excessive, or inappropriate. Additionally, when the Court does not document invoice payment approvals, the Court is at an increased risk for unauthorized and inappropriate payments.

RECOMMENDATION

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

COURT'S VIEW AND CORRECTIVE ACTION PLAN

Agree, partially. Our current stamp is ambiguous. The same stamp is used to certify that all goods and services were received and approve the payment. The CIO and other staff mentioned in the report signed the stamp to certify that all goods and services were received and were not attempting to authorize the payment. However, the ambiguous wording of the stamp does not make this clear. The court agrees that the use of prior purchase authorizations for approving invoices is improper.

The court is making the following changes to correct this issue:

1. The court is implementing separate invoice and packing slip stamps to distinguish between the certification that goods and services were received and the approval of invoices.
2. The court will stamp each invoice with an approval stamp specifically for approving the payment of the invoice.
3. The court will stamp invoices with a separate "good/services received" stamp for certification when needed. It will be clear that the stamp is NOT for approving the payment of the invoice.

4. The court will update its Local Contracting Manual to include a separate section for payment approval authority.

Response provided 12/30/2022 by: Taryn Kraus, Court Financial Officer

Date of Corrective Action: 1/3/2023

Responsible Person(s): Taryn Kraus, Court Financial Officer; Brandy Dewitt, Fiscal Analyst III; Michael Pugh, Chief Information Officer

FINDING REFERENCE: 2022-19-01

SPECIAL RULES – IN-COURT SERVICE PROVIDERS

CRITERIA

FIN MANUAL, FIN 8.02, 6.3 COMPLETE CLAIM DOCUMENTATION:

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

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

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

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

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

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

CONDITION

For five of the eight in-court services claims reviewed, the Court processed and paid the claims even though the claimants did not include all the information required for the Court to fully verify the accuracy and validity of the claims. Specifically, the Court's accounts payable staff processed payments for two court investigator claims, two court reporter claims, and a claim for interpreter services that were missing either the claimants' addresses or the case names and numbers, or both, on the claim forms. According to the Court, the addresses are not listed on the claim forms because the contracts for the sampled expenditures are local small businesses who do not have a physical location for their business and, therefore, use a PO box. However, without the claimants address on the claim, the Court is unable to verify that mileage claimed is accurate. Additionally, in regard to the missing case names and numbers, the Court stated that the reporters could be in different court rooms and cover many cases in one day. When the Court hires reporters, they are hired to be present at the Court when needed in a courtroom, not for specific cases. Nonetheless, including the case numbers and names, as well as the claimants' addresses, on in-court service provider claims is required by the FIN Manual. When courts do not require claimants to include all required information, courts risk paying invalid or inappropriate claims, and the claimants later asserting that the claims were not theirs or were unintended.

RECOMMENDATION

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

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

Alternatively, if the Court cannot implement the FIN Manual's requirements, it should prepare and submit to the Judicial Council a request for approval of an alternative procedure that ensures the Court has all the required in-court service provider information to reconcile and verify the accuracy of claims prior to payment approval and processing.

COURT’S VIEW AND CORRECTIVE ACTION PLAN

Agree. The court has updated the claim form to include physical address and mailing address (if different from physical address) to be included. A report has been created in the Court’s CMS system to be able to include a listing of all case numbers and names with Court Reporter claim forms.

Response provided 12/30/2022 by: Taryn Kraus, Court Financial Officer

Date of Corrective Action: 1/3/2023

Responsible Person(s): Taryn Kraus, Court Financial Officer; Brandy Dewitt, Fiscal Analyst III; Nichele Edwards, Administrative Analyst; Ana Garcia-Perez, Judicial Secretary

FINE AND FEE DISTRIBUTIONS

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

Background

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

Results

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

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 three percent 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 has not requested the Judicial Council to hold any such funds on its behalf.

JBSIS CASE FILING DATA

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

Background

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

Results

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