

**SUPERIOR COURT OF CALIFORNIA,
COUNTY OF ALAMEDA**

Audit Report

**VALIDITY OF RECORDED REVENUES,
EXPENDITURES, AND FUND BALANCES**

July 1, 2020, through June 30, 2021



MALIA M. COHEN
California State Controller

July 2023



MALIA M. COHEN
California State Controller

July 7, 2023

Chad Finke, Court Executive Officer
Superior Court of California, County of Alameda
1225 Fallon Street
Oakland, CA 94612

Dear Mr. Finke:

The State Controller's Office audited the Superior Court of California, County of Alameda (Court) to determine whether the Court complied with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances for any funds under the Court's administration and control that we determined were material and significant. The audit period was July 1, 2020, through June 30, 2021.

Our audit found that the Court substantially complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances. However, we identified accounting errors and internal control deficiencies that warrant the attention of management.

Specifically, we found expenditures that were not reported correctly in the Court's financial records for the fiscal year in which they were paid. We also found deficiencies in contracting for interpreter services and for intergovernmental services.

This report is for your information and use. The Court's responses to the findings are incorporated into this final report. The Court agreed with our observations and provided a Corrective Action Plan to address the fiscal control weaknesses and recommendations. We appreciate the Court's willingness to implement corrective actions.

If you have any questions, please contact Joel James, Chief, Financial Audits Bureau, by telephone at (916) 323-1573.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

cc: Melanie Lewis, Court Finance Director
Superior Court of California, County of Alameda
Millicent Tidwell, Acting Administrative Director
Judicial Council of California
John Wordlaw, Chief Administrative Officer
Judicial Council of California
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Audit Report

Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of Alameda (Court) to determine whether the Court complied with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances under the Court's administration and control that we determined were material and significant. The audit period was July 1, 2020, through June 30, 2021.

Our audit found that the Court substantially complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances. However, we identified accounting errors and internal control deficiencies that warrant the attention of management.

Specifically, we found expenditures that were not reported correctly in the Court's financial records for the fiscal year in which they were paid. We also found deficiencies in contracting for interpreter services and for intergovernmental services.

Background

Superior Courts (trial courts) are located in each of California's 58 counties and follow the California Rules of Court, established through Article IV of the California Constitution. The Constitution charges the Judicial Council of California (JCC) with authority to adopt rules for court administration, practices, and procedures. The *Judicial Council Governance Policies* are included in the California Rules of Court. Trial courts are also required to comply with various other state laws, rules, and regulations, many of which are codified in Government Code (GC) sections 68070 through 77013, Title 8, "The Organization and Government of Courts."

Pursuant to California Rules of Court (CRC) rule 10.804, the JCC adopted the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), which provides guidance and directives for trial court fiscal management. As required by CRC rule 10.804(a), the FIN Manual contains regulations establishing budget procedures, recordkeeping practices, accounting standards, and other financial guidelines. The manual describes an internal control framework that enables courts to monitor their use of public funds, provide consistent and comparable financial statements, and demonstrate accountability. Procurement and contracting policies and procedures are addressed separately in the *Judicial Branch Contracting Manual* (*Contracting Manual*), adopted by the JCC under Public Contract Code section 19206.

With respect to trial court operations, CRC rule 10.810 provides cost definitions (inclusive of salaries and benefits, certain court-appointed counsel provisions, services and supplies, collective bargaining, and indirect costs), exclusions to court operations, budget appropriations for counties, and functional budget categories. GC section 77001 provides trial courts with the authority and responsibility for managing their own operations.

The JCC requires that trial courts prepare and submit Quarterly Financial Statements, Yearly Baseline Budgets, and Salary and Position Worksheets. Financial statement components form the core subject matter of our audit.

The Trial Court Trust Fund (TCTF) is the primary source of funding for trial court operations. The JCC allocates monies in the TCTF to trial courts. The TCTF's two main revenue sources are the annual transfer of appropriations from the State's General Fund and maintenance-of-effort payments by counties, derived from their collections of fines, fees, and forfeitures.

In fiscal year (FY) 2020-21, the Court reported revenues of \$105,534,413. The Court receives the majority of its revenue from state financing sources. The TCTF provided 72.8% of the Court's revenue. During the audit period, the Court incurred expenditures of \$105,618,494. Payroll-related expenditures (salaries and benefits) comprised 79.3% of total expenditures. The Court employed 711 staff members to serve Alameda County's (County) population of approximately 1,663,114 residents.

Funds under the Court's control include a General Fund, a Special Revenue Non-Grant Fund, a Special Revenue Grant Fund, and a Fiduciary Fund. The General Fund, the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund had revenue and expenditure accounts in excess of 4% of total revenues and expenditures, and were considered material and significant for testing.

We performed the audit at the request of the JCC. Audit authority is provided by Interagency Agreement Number 78846, dated June 14, 2022, between the SCO and the JCC, and by GC section 77206(h).

Objective, Scope, and Methodology

The objective of our audit was to determine whether the Court complied with governing statutes, rules, and regulations relating to the revenues, expenditures, and fund balances for any funds under the Court's administration and control that we determined were material and significant.

Specifically, we conducted this audit to determine whether:

- Revenues were consistent with Government Code, properly supported by documentation, and recorded accurately in the accounting records;
- Expenditures were incurred pursuant to Government Code, consistent with the funds' purposes, properly authorized, adequately supported, and recorded accurately in the accounting records; and
- Fund balances were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles.

The audit period was July 1, 2020, through June 30, 2021.

To accomplish our objective, we performed the following procedures.

General Procedures

We reviewed the *Judicial Council Governance Policies* (November 2017), the FY 2020-21 Budget Act, the Manual of State Funds, Government Code, the California Rules of Court, the JCC's FIN Manual (11th edition, June 2020), and internal policies and procedures to identify compliance requirements applicable to trial court revenues, expenditures, and fund balances.

Internal Control Procedures

- We reviewed the Court's current policies and procedures, organization, and website, and interviewed Court personnel to gain an understanding of the internal control environment for governance, operations, and fiscal management.
- We interviewed Court personnel and prepared internal control questionnaires to identify internal accounting controls.
- We assessed whether key internal controls, such as reviews and approvals, reconciliations, and segregation of duties were properly designed, implemented, and operating effectively by performing walk-throughs of revenue and expenditure transactions.
- We reviewed the Court's documentation and financial records supporting the validity of recorded revenues, expenditures, and fund balances.
- We assessed the reliability of financial data by (1) interviewing agency officials knowledgeable about the Court's financial and human resources systems; (2) reviewing Court policies; (3) agreeing accounting data files to published financial reports; (4) tracing data records to source documents to verify completeness and accuracy of recorded data; and (5) reviewing logical security and access controls for key court information systems. We determined that the data was sufficiently reliable for the purposes of achieving our objective.
- We selected revenue and expenditure ledger transactions to test the operating effectiveness of internal controls. Using non-statistical sampling, we selected 11 revenue items and 31 expenditure items to evaluate key internal controls of transactions recorded in significant operating funds and the related fund accounts. For expenditure testing, our sample consisted of 24 non-payroll transactions and the payroll records of seven employees. We expanded testing on accounts with transactions containing errors to determine the impact of identified errors. Errors were not projected to the intended (total) population.

Revenue Testing Procedures

We designed our revenue testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our procedures included tests of recorded transaction details and of accounting internal controls.

- We tested revenue transactions and account balances in the General

Fund, the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund to determine whether revenue accounting was consistent with Government Code, properly supported by documentation, and recorded correctly in the accounting system.

- We selected all material financial statement accounts that exceeded 4% of total revenues, and determined that the TCTF and the MOU [memorandum of understanding] Reimbursement account were material for testing. We tested accounts through sampling and analytical procedures.
- We tested \$89,636,266 of \$105,534,413 or 84.9% of total revenues.

We found no errors in the recording of transactions. Schedule 1—Summary of Revenues and Revenue Test Results presents, by account, revenues and related amounts tested.

Expenditure Testing Procedures

We designed our expenditure testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our procedures included tests of recorded transaction details and of accounting internal controls.

- We tested expenditure transactions and account balances in the General Fund, the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund to determine whether expenditures were incurred pursuant to Government Code, consistent with the funds' purposes, properly authorized, adequately supported, and accurately recorded in the accounting records.
- We tested all material expenditure accounts that exceeded 4% of total expenditures. Material accounts included payroll-related accounts (Salary – Permanent; Staff Benefits) and non-payroll accounts (Contracted Services; Consulting and Professional Services).
- For payroll-related accounts, we selected two bi-weekly pay periods in July 2020 and January 2021 to review. We reconciled the salary and benefit expenditures shown on the payroll registers to the general ledger and examined supporting records of benefit charges. We then selected seven of 711 employees from the payroll registers and verified that:
 - Employee timesheets included supervisory approval;
 - Regular earnings and supplemental pay were supported by salary schedules and personnel action forms;
 - Employer retirement contributions and payroll taxes were entered in the general ledger accurately; and
 - Health insurance premiums shown on the payroll register agreed to the employees' benefit election forms.
- To test material non-payroll accounts, we selected samples to test key internal control activities and the accuracy of recorded transactions, and traced expenditures recorded in the general ledger to supporting documentation. We tested the following expenditures:
 - Contracted Services – We tested 11 out of 3,234 transactions.

- Consulting and Professional Services – We tested 13 out of 518 transactions.
- Individual transactions – We tested transactions that we considered significant (material), exceeding \$180,000.
- We tested \$7,142,278 of \$105,618,494, or 6.8% of total expenditures.

We found expenditures that were not reported correctly in the Court's financial records for the fiscal year in which they were paid. We also found deficiencies in contracting for interpreter services and for intergovernmental services.

The details of our findings are provided in the Findings and Recommendations section. Schedule 2—Summary of Expenditures and Expenditure Test Results presents, by account, expenditures, related amounts tested, and error amounts noted.

Fund Balance Testing Procedures

We designed our fund balance testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our procedures included review of fund classifications and accounting internal controls.

- We judgmentally selected the General Fund, the Non-Grant Special Revenue Fund, and the Grant Special Revenue Fund, as these funds had revenue and expenditure accounts with significant balances.
- We tested revenue and expenditure transactions in these funds to determine whether transactions were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles (see Schedules 1 and 2).
- We verified the accuracy of individual fund balances and constraints in the Court's financial supporting documentation.
- We recalculated sampled funds to ensure that fund balances as of June 30, 2021, were accurate and in compliance with applicable criteria.

We found that fund balances for the tested funds were properly reported. Schedule 3—Summary of Fund Balances and Fund Balance Test Results presents, by fund, total balances and changes in fund balances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We limited our review of the Court's internal controls to gaining an understanding of the internal controls that are significant to the audit objective. We did not audit the Court's financial statements.

Conclusion

Our audit found that the Court substantially complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances. However, we identified accounting errors and internal control deficiencies that warrant the attention of management.

Specifically, we found expenditures that were not reported correctly in the Court’s financial records for the fiscal year in which they were paid. We also found deficiencies in contracting for interpreter services and for intergovernmental services. These issues are described in the Findings and Recommendations section.

**Follow-up on
Prior Audit
Findings**

We have not previously conducted an audit of the Superior Court of California, County of Alameda’s revenues, expenditures, and fund balances.

**Views of
Responsible
Officials**

We issued a draft audit report on January 25, 2023. The Superior Court of California, County of Alameda’s representative responded by letter dated February 1, 2023. The Court agreed with the audit results. This final audit report includes the Court’s response as an attachment.

Restricted Use

This report is solely intended for the information and use of the Superior Court of California, County of Alameda; the JCC, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

July 7, 2023

**Schedule 1—
Summary of Revenues and Revenue Test Results
July 1, 2020, through June 30, 2021**

Revenue Accounts	Revenues Reported ¹		Revenues Tested ¹		Error
	Total	Percentage	Amount	Percentage	Amount
<u>State Financing Sources</u>					
Trial Court Trust Fund ²	\$ 76,830,009	72.8%	\$ 76,830,009	100.0%	\$ -
Improvement and Modernization Fund	679,640	0.6%	-	0.0%	-
Judge's Compensation	674,552	0.6%	-	0.0%	-
Court Interpreter ²	5,024,020	4.8%	5,024,020	100.0%	-
Civil Coordinator Reimbursement	-	0.0%	-	0.0%	-
MOU Reimbursements ²	1,487,270	1.4%	1,047,609	70.4%	-
Other Miscellaneous	3,102,046	2.9%	-	0.0%	-
Subtotal	<u>87,797,536</u>		<u>82,901,638</u>		<u>-</u>
<u>Grants</u>					
AB 1058 Commissioner/Facilitator	1,668,306	1.6%	-	0.0%	-
Other Judicial Council Grants	578,161	0.5%	-	0.0%	-
Non-Judicial Council Grants	1,881,497	1.8%	1,282,559	0.0%	-
Subtotal	<u>4,127,965</u>		<u>1,282,559</u>		<u>-</u>
<u>Other Financing Sources</u>					
Interest Income	121,886	0.1%	-	0.0%	-
Investment Income	-	0.0%	-	0.0%	-
Donations	-	0.0%	-	0.0%	-
Local Fees	3,233,799	3.1%	-	0.0%	-
Non-Fee Revenues	98,825	0.1%	-	0.0%	-
Enhanced Collections	2,195,350	2.1%	-	0.0%	-
Escheatment	1,134,379	1.1%	-	0.0%	-
Prior Year Revenue	1,053,989	1.0%	-	0.0%	-
County Program – Restricted ²	5,452,069	5.2%	5,452,069	100.0%	-
Reimbursement Other	301,874	0.3%	-	0.0%	-
Sale of Fixed Assets	-	0.0%	-	0.0%	-
Other Miscellaneous	16,741	0.0%	-	0.0%	-
Subtotal	<u>13,608,912</u>		<u>5,452,069</u>		<u>-</u>
Total Revenues	<u>\$ 105,534,413</u>	100.0%	<u>\$ 89,636,266</u>	84.9%	<u>\$ -</u>

¹ Differences due to rounding

² Material account

**Schedule 2—
Summary of Expenditures and Expenditure Test Results
July 1, 2020, through June 30, 2021**

Expenditure Accounts	Expenditures Reported ¹		Expenditures Tested ¹		Error Amount ²
	Total	Percentage	Amount	Percentage	
<u>Payroll</u>					
Salaries – Permanent ³	\$ 54,604,407	51.7%	\$ 43,925	0.1%	\$ -
Temporary Help	102,884	0.1%	-	0.0%	-
Overtime	7,353	0.0%	143	2.0%	-
Staff Benefits ³	29,035,824	27.5%	16,373	0.1%	-
Subtotal	83,750,469		60,441		-
<u>Operating Expenses and Equipment</u>					
General Expense	1,537,888	1.5%	-	0.0%	-
Printing	196,370	0.2%	-	0.0%	-
Telecommunications	282,884	0.3%	-	0.0%	-
Postage	322,505	0.3%	-	0.0%	-
Insurance	63,977	0.1%	-	0.0%	-
In-State Travel	37,831	0.0%	-	0.0%	-
Out of State Travel	-	0.0%	-	0.0%	-
Training	93,126	0.1%	-	0.0%	-
Security Services	39,584	0.0%	-	0.0%	-
Facility Operations ³	3,397,965	3.2%	5,041	0.1%	5,041
Utilities	-	0.0%	-	0.0%	-
Contracted Services ³	5,526,572	5.2%	434,699	7.9%	-
Consulting and Professional Services ³	7,138,088	6.8%	6,647,138	93.1%	473,709
Information Technology	2,334,869	2.2%	-	0.0%	-
Major Equipment	485,105	0.5%	-	0.0%	-
Other Items of Expense	46,514	0.0%	-	0.0%	-
Subtotal	21,503,278		7,086,878		478,750
<u>Special Items of Expense</u>					
Grand Jury	-	0.0%	-	0.0%	-
Jury Costs	306,810	0.3%	-	0.0%	-
Judgements, Settlements, Claims	23,000	0.0%	-	0.0%	-
Debt Service	-	0.0%	-	0.0%	-
Other	18,414	0.0%	-	0.0%	-
Capital Costs	-	0.0%	-	0.0%	-
Internal Cost Recovery	-	0.0%	-	0.0%	-
Prior Year Expense	16,524	0.0%	(5,041)	-30.5%	(478,750)
Subtotal	364,748		(5,041)		(478,750)
Total Expenditures	\$ 105,618,494	100.0%	\$ 7,142,278	6.8%	\$ -

¹ Differences due to rounding

² Expenditures over/(under)stated; see Finding 1

³ Material account

Schedule 3—
Summary of Fund Balances and Fund Balance Test Results
July 1, 2020, through June 30, 2021

Balance	General Fund¹	Non-Grant Special Revenue Fund¹	Grant Special Revenue Fund¹	Fiduciary Fund	Total¹
Beginning Balance	\$ 3,731,981	\$ 3,927,718	\$ -	\$ -	\$ 7,659,699
Revenues	93,217,895	8,339,151	3,977,367	-	105,534,413
Expenditures	(90,817,276)	(10,566,115)	(4,235,103)	-	(105,618,494)
Transfers In	-	29,180	257,736	-	286,916
Transfers Out	(286,916)	-	-	-	(286,916)
Ending Balance	<u>\$ 5,845,684</u>	<u>\$ 1,729,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,575,618</u>
Errors Noted					
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

¹ Differences due to rounding

Findings and Recommendations

FINDING 1— Unadjusted Expenditures

During our review of the Court’s expenditures, we found disbursements for prior-year (FY 2019-20) transactions that were recorded in current-year operating accounts and which were not accrued at year-end of the prior fiscal year. Accounting policies require that disbursements for prior-year-activities that were not accrued in the prior year be recorded in General Ledger (GL) Account Number 999910, Prior Year Expenditure Adjustment, instead of current-year operating accounts. The following expenditures for accounts and prior-year invoices were not accrued at FY 2019-20 year-end:

- GL Account Number 942901, County-Provided Services – The Court paid \$427,033 to the County’s Probation Department for the Pre-Trial Court Pilot program. This entry resulted in a \$427,033 overstatement of the current-year program account.
- GL Account Number 941101, Sheriff Reimbursement – AB [Assembly Bill] 2030/AB2695 – The Court paid \$2,565 to various sheriff’s departments in other counties for restraining orders issued in the prior year for civil harassment cases. This entry resulted in a \$2,565 overstatement of the current-year program account.
- GL Account Number 941199, Sheriff – The Court paid \$2,030 to various sheriff’s departments in other counties for restraining orders issued in the prior year for domestic violence cases. This entry resulted in a \$2,030 overstatement of the current-year program account.
- GL Account Number 942801, County – EDP [electronic data processing] Service – The Court paid \$42,080 to the County’s Information Technology Department for initial costs of IT services related to the Pre-Trial Court Pilot program. This entry resulted in a \$42,080 overstatement of the current-year program account.
- GL Account Number 935601, Alteration and Improvement – The Court recorded a \$5,041 program charge for FY 2019-20 “Ongoing Facility-Related Costs Incurred on Behalf of the Courts” deducted from the account in the October 2020 (Number 4) TCTF distribution. This entry resulted in a \$5,041 overstatement of the current-year program account.

The JCC’s uniform Trial Court Chart of Accounts establishes an adjustment account (GL Account Number 999910, Prior Year Expenditure Adjustment) in the Trial Court General Ledger to record any differences between an expenditure accrued at the end of the prior fiscal year and the actual disbursement in the current fiscal year. When an accrual is recorded, any difference between the amount accrued and the actual payment in the following fiscal year should be recorded to the adjustment account. Likewise, when an expenditure is not accrued in the prior fiscal year, the current fiscal year disbursement should be posted, also, to the adjustment account.

The Prior Year Adjustment accounts reclassify accounting information for financial and budgetary reporting, and isolate differences in prior-year accrued transactions to prevent them from being commingled with current

year transactions and reported in current-year operating accounts. Failure to adjust accounts may lead to material financial misstatements.

The JCC's Administrative Division staff provides guidance to courts for using the Prior Year Expenditure Adjustment account in its annual *Year-End Close Training Manual—General Ledger*.

Section 7.1, "Automated Accrual Reversal Process," of the FY 2020-21 *Year-End Close Training Manual—General Ledger* states, in part:

As previously discussed, most expenditure and revenue accruals are automatically reversed in the new fiscal year by placing Z2 and 07/01/2021 in the last two columns of the ZREVERSAL Journal Entry template. Once period 13 is closed, these adjusting entries will automatically be reversed with a posting date of 07/01/2021.

Note: If an accrual was not recorded at year-end or the difference between the accrual amount and the actual amount received/paid is deemed material, then prior-year accounts are to be used in the subsequent fiscal year.

Policy Number FIN 5.02, section 3.0, "Policy Statement," of the JCC's FIN Manual (11th edition, June 2020) states:

It is the policy of the trial court to establish an accounting system with a chart of accounts and general ledger that enables the court to record financial transactions with accuracy and consistency. All the trial courts use a single chart of accounts. This single set of accounts ensures that the financial position of all courts is reported consistently and clearly. The actual accounts each court utilizes may vary depending on the complexity of operations.

Recommendation

We recommend that the Court:

- Accrue all obligations due and invoices unpaid at year-end, using invoice amounts (or estimates, if the Court was not invoiced);
- Record any unaccrued prior-year disbursements in the Prior Year Expenditure Adjustment account; and
- Record in the Prior Year Expenditure Adjustment account the differences between amounts actually paid in the current year and the amounts accrued in the prior year, as described in the JCC's accounting guidance.

FINDING 2— Internal control deficiency – Lack of complete and current agreement with County

During our review of the Court's payroll expenditure accounting and reporting, we requested supporting documentation for monthly salary and benefit payments to the Court's judges. The Court provided a copy of its MOU with the County, which establishes an exchange of multiple intergovernmental services, including judges' compensation. We found deficiencies in the MOU regarding judges' compensation. In reading the MOU, we noted other deficiencies that warrant attention.

The MOU was executed in 2010 pursuant to GC section 77212, which authorizes the exchange of contracted services between the Court and the

County. It contains a provision that allows the County to compensate trial court judges with a monthly stipend for health benefits and reimbursement of job-related expenses. The MOU specifies an amount up to \$2,300 each. Court records provided in support of our inquiry show that each judge currently receives approximately \$5,122 in salaries and benefits—a significantly higher amount. The Court acknowledged that payments have increased over time and that the MOU has not been updated.

In addition to being out of date, the MOU does not cite the appropriate statutory authority for the additional compensation. The supplemental judicial benefits are authorized by GC section 68220; however, the present MOU merely cites GC section 77212 as authority for creating intergovernmental service agreements.

During our review, we noted that the MOU details terms and conditions of four services: Pre-Trial Services, Collection Enhancement, Allocation of Pension Obligation Bonds Costs, and Judicial Benefits. However, in the past 12 years there have been changes in the services exchanged between the County and the Court that the MOU has not been updated to reflect:

- The Pre-Trial Services program currently operates under a separate agreement.
- The Pension Obligation Bond has been retired, and the related service was discontinued.
- The County pays the Court for Small Claims Advisory Services without an MOU or other formal agreement.

The MOU’s language stipulates that amendments are required for changes when they occur. However, no amendments have been produced. The Court’s staff indicated that previous efforts to update the MOU with the County were unsuccessful.

GC section 68220 states:

(a) Judges of a court whose judges received supplemental judicial benefits provided by the county or court, or both, as of July 1, 2008, shall continue to receive supplemental benefits from the county or court then paying the benefits on the same terms and conditions as were in effect on that date.

(b) A county may terminate its obligation to provide benefits under this section upon providing the Administrative Director of the Courts and the impacted judges with 180 days’ written notice. The termination shall not be effective as to any judge during his or her current term while that judge continues to serve as a judge in that court or, at the election of the county, when that judge leaves office. The county is also authorized to elect to provide benefits for all judges in the county.

GC section 77212(a) states, in part:

The State of California, the counties of California, and the trial courts of California recognize that a unique and interdependent relationship has evolved between the courts and the counties over a sustained period of time. While it is the intent of this act to transfer all fiscal responsibility for the support of the trial courts from the counties to the State of California, it is imperative that the activities of the state, the counties,

and the trial courts be maintained in a manner that ensures that services to the people of California not be disrupted. Therefore, to this end, during the 1997–98 fiscal year, commencing on July 1, 1997, counties shall continue to provide and courts shall continue to use, county services provided to the trial courts on July 1, 1997, including, but not limited to: auditor/controller services, coordination of telephone services, data-processing and information technology services, procurement, human resources services, affirmative action services, treasurer/tax collector services, county counsel services, facilities management, and legal representation. . . .

GC section 77212(d)(1) states:

If a trial court desires to receive or continue to receive a specific service from a county . . . the presiding judge of that court and the county or city and county shall enter into a contract for that service. The contract shall identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service. The court and the county or city and county shall cooperate in developing and implementing the contract.

Recommendation

We recommend that the Court:

- Update its MOU agreement with the County for its existing services;
- Review the MOU annually to evaluate the need for changes;
- Reference GC section 68220 in the agreement for judicial supplemental benefits; and
- Create a written accounting procedure to describe the processing steps, roles, and responsibilities of both the Court and the County for judges’ compensation.

FINDING 3— Internal control deficiency – Lack of signed vendor contracts and local contracting policies

As part of testing the Contracted Services and the Consulting and Professional Services expenditure accounts, we reviewed three payment claims for court interpreters. We found that the Court did not maintain contracts with the vendors providing the services.

Court staff members indicated that a contract for this type of service was not required prior to July 2021. The JCC’s instructions for interpreter services became effective in July of 2021. Court representatives stated that the Court has since implemented interpreter agreements to comply with the directive.

Section III.A, “Written Agreement,” of the JCC’s “Payment Policies for Independent Contractor Interpreters” (effective July 1, 2021) states:

A written agreement, defining the cost, rates, scope of work, and terms and conditions, must be in place between the court and independent contractor interpreter . . . before service is provided.

The *Contracting Manual* (revised effective October 1, 2020) contains two provisions that are relevant to a Court’s contracting for such services:

- Page 5 (“Local Contracting Manual”) requires each judicial branch entity to adopt a Local Contracting Manual for procurement and contracting for goods and services by that judicial branch entity.
- Pages 5–6 (“Content and Exclusions”) clarify that the *Contracting Manual* does not address procurement and contracting for contracts that are “unique to the judicial branch,” not subject to Judicial Branch Contract Law, or not subject to the *Contracting Manual*. Contracts between a court and a court interpreter who provides services as an independent contractor are not addressed in the *Contracting Manual*.

Recommendation

We recommend that the Court:

- Continue to comply with the JCC’s “Payment Policies for Independent Contractor Interpreters”; and
- Include interpreter services in its Local Contracting Manual, because such contracts are unique to the judicial branch.

**Attachment—
Superior Court's Comments
Regarding the Audit Results**



SUPERIOR COURT OF CALIFORNIA, COUNTY OF ALAMEDA

Executive Office

René C. Davidson Courthouse • 1225 Fallon Street, Oakland, CA 94612
(510) 891-6012

CHARLES A. SMILEY, III
Presiding Judge

CHAD FINKE
Executive Officer

ELIZABETH ERICKSON
Assistant Executive Officer

February 1, 2023

Ms. Malia M. Cohen
California State Controller
3301 C Street, Suite 700
Sacramento, CA 95816

Dear Ms. Cohen,

Thank you for the opportunity to review and respond to the findings and recommendations included in the State Controller's Office draft audit report titled "Validity of Recorded Revenues, Expenditures, and Fund Balances" for the audit period of July 1, 2020, through June 30, 2021.

The Superior Court of California, County of Alameda (Court) is pleased with the conclusion that the Court substantially complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

The State Controller's draft report provides the Court with three findings and corresponding recommendations, which are addressed below.

I. Unadjusted Expenditures

The Court agrees with the three associated recommendations for this finding and has begun recording prior year expenses in the Prior Year Expenditure Adjustments account in the current fiscal year.

II. Internal control deficiency – Lack of complete and current agreement with County

The Court concurs with the auditor's finding that the 2010 MOU for intergovernmental services with the County needs to be updated. The Court will continue to review the MOU provisions and will work with the County to update the MOU accordingly. Lastly, the Court will develop a written procedure to

Ms. Malia M. Cohen
February 1, 2023
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describe the processing steps, roles, and responsibilities related to judges' compensation provided under the MOU.

III. Internal control deficiency – Lack of signed vendor contracts and local contracting policies

The Court will continue to comply with the Judicial Council of California's "Payment Policies for Independent Contractor Interpreters" and will include a provision regarding interpreter services in our Local Contracting Manual, as recommended.

The Court and its management team appreciate the work of the State Controller's staff and views the audit as an important tool for transparency and for promoting continual improvement in our financial accounting and reporting practices.

Yours Very Truly,



Chad Finke,
Court Executive Officer

cc:
Hon. Charles A. Smiley III, Presiding Judge
Elizabeth Erickson, Assistant Executive Officer
Melanie Lewis, Finance & Facilities Director

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