

SUPERIOR COURT OF CALIFORNIA, COUNTY OF COLUSA

Audit Report

VALIDITY OF RECORDED REVENUES, EXPENDITURES, AND FUND BALANCES

July 1, 2019, through June 30, 2020



BETTY T. YEE
California State Controller

March 2022



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California State Controller

March 11, 2022

Erika Valencia, Court Executive Officer
Superior Court of California, County of Colusa
532 Oak Street
Colusa, CA 95932

Dear Ms. Valencia:

The State Controller's Office audited the Superior Court of California, County of Colusa (Court) to determine whether the revenues, expenditures, and fund balances under the administration, jurisdiction, and control of the Court complied with governing statutes, rules, regulations, and policies; were recorded accurately in accounting records; and were maintained in accordance with fund accounting principles. The audit period was July 1, 2019, through June 30, 2020.

Our audit found that the Court substantially complied with governing statutes, rules, regulations, and policies for revenue, expenditures, and fund balances. However, our audit identified one incorrectly paid interpreter claim and certain revenues that were not reported correctly for the fiscal year in which they were earned. Additionally, we noted internal control weaknesses pertaining to the preparation and/or maintenance of supporting documents and to timesheet approvals. These issues are described in the Findings and Recommendations section of our report.

This report is for the Court's 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/lis

cc: Cynthia Otero, Court Fiscal Officer
Superior Court of California, County of Colusa
Martin Hoshino, Administrative Director
Judicial Council of California
Millicent Tidwell, Chief Deputy Director
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John Wordlaw, Chief Administrative Officer
Judicial Council of California
Zlatko Theodorovic, Chief Financial Officer and Director of Finance
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Audit Report

Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of Colusa (Court) to determine whether the revenues, expenditures, and fund balances under the administration, jurisdiction, and control of the Court complied with governing statutes, rules, regulations, and policies; were recorded accurately in accounting records; and were maintained in accordance with fund accounting principles. The audit period was July 1, 2019, through June 30, 2020.

Our audit found that the Court substantially complied with governing statutes, rules, regulations, and policies for revenue, expenditures, and fund balances. However, our audit identified one incorrectly paid interpreter claim and certain revenues that were not reported correctly for the fiscal year in which they were earned. Additionally, we noted internal control weaknesses pertaining to the preparation and/or maintenance of supporting documents and to timesheet approvals. These issues are described in the Findings and Recommendations section of our report.

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, much 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 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. The 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*, adopted by the JCC under Public Contract Code section 19206.

With respect to trial court operations, California Rules of Court 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.

All trial court employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity, and professionalism. In addition, they must operate within the specific levels of authority established by trial courts for their positions.

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

The Trial Court Trust Fund is the primary source of funding for trial court operations. The JCC allocates monies in the Trial Court Trust Fund to trial courts. The Trial Court Trust Fund'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) 2019-20, the Court reported revenues of \$2,313,796. The Court receives the majority of its revenue from state financing sources. The Trial Court Trust Fund provided 80.8% of the Court's revenue. For the audit period, the Court incurred expenditures of \$2,150,717. Personal services (salaries and benefits) comprised 60.1% of total expenditures. The Court employed 23 staff members to serve Colusa County's population of approximately 22,030 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, Special Revenue Non-Grant Fund, and Special Revenue Grant Fund each had revenue and expenditure accounts in excess of 4% of total revenues and expenditures and were considered material and significant.

We performed the audit at the request of the JCC. Audit authority is provided by Interagency Agreement Number 58163, dated January 6, 2020, 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 validity of recorded revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control.

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, 2019, through June 30, 2020.

To accomplish our objective, we performed the following procedures.

General Procedures

- We reviewed the *Judicial Council Governance Policies* (November 2017), the FY 2019-20 Budget Act, the *Manual of State Funds*, applicable sections of Government Code, the California Rules of Court, the JCC's FIN Manual (10th edition, June 2019), and other relevant internal policies and procedures to identify compliance requirements applicable to trial court revenues, expenditures, and fund balances.

Internal Controls

- 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 with 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 a judgmental, non-statistical sampling approach, we selected two of the Court's 14 monthly Trial Court Trust Fund revenue distributions and 37 expenditure items to evaluate key internal controls over transactions recorded in the Court's significant operating funds and related fund accounts. Errors found were not projected to the intended (total) population.

Revenue Testing

- 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.

- We tested revenue transactions and account balances in the General Fund, Non-Grant Special Revenue Fund, and Grant Special Fund to determine whether revenue accounting was consistent with Government Code, properly supported by documentation, and recorded correctly in the accounting system.
- Our testing included tests of accounting internal controls and of recorded transaction details. We selected all material financial statement accounts that exceeded 4% of total revenues, and determined that the Trial Court Trust Fund, Improvement and Modernization Fund, Court Interpreter, and MOU Reimbursements accounts were material. We tested these accounts through combined sampling, analytical procedures, inquiries, and review of source documents.
- We tested \$2,089,341 of \$2,313,796, or 90.3% of total revenues.

We found errors in the balances of two accounts that resulted from incorrectly recorded year-end revenue accruals, and from other unadjusted differences between revenues earned and accrued in the prior year and remittances received in the current year. The total amount (net) of error is \$4,661, which reflects only a minor cumulative effect of approximately 0.2 % on the Court's overall reported total revenue.

Details of our findings are provided in the Findings and Recommendations section of this report. Schedule 1—Summary of Revenues and Revenue Test Results presents, by account, the total revenues, amounts tested, and error amounts noted.

Expenditure Testing

- We tested expenditure transactions and account balances in the General Fund, Non-Grant Special Revenue Fund, and Grant Special Revenue 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. We stratified accounts into two groups comprised of personal services (payroll) and operating expenditures (non-payroll).
- To test payroll, we selected four bi-monthly pay periods occurring in the months of September 2019 and April 2020, and reconciled the salaries and benefit expenditures shown on the payroll registers to the general ledger. We further selected five of 23 employees from the payroll registers and verified that:
 - Employee timesheets included supervisory approval;
 - Regular earnings and other supplemental pay were supported by salary schedules and personnel action forms;
 - Employer retirement contributions and payroll taxes were entered into the general ledger accurately; and
 - Health insurance premiums shown on the payroll register agreed with the employees' benefit election forms.

- To test material non-payroll accounts, we:
 - Selected all expenditure transactions that exceeded \$7,333;
 - Sample-tested an additional 23 transactions from the remaining population;
 - Used a sample of 37 expenditure transactions to test internal controls and the accuracy of recorded transactions; and
 - Traced expenditures recorded in the general ledger to supporting documents.
- We tested \$315,138 of \$2,125,877, or 14.8% of total expenditures.

The test results revealed internal control weaknesses over timesheet approvals for the Court Executive Officer, and inadequate documentation to substantiate purchases and employee health benefit elections. We also identified an underpayment on a court interpreter claim.

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

Fund Balance Testing

- We judgmentally selected the General Fund, Non-Grant Special Revenue Fund, and Grant Special Revenue Fund because these funds had significant balances in revenue and expenditure accounts.

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 Schedule 2).
- We verified the accuracy of individual fund balances in the Court's financial supporting documentation.
- We recalculated sampled funds to ensure that fund balances as of June 30, 2020, were accurate and in compliance with applicable criteria.

For the funds tested, we noted that the General Fund balance was overstated by \$2,484 as of June 30, 2020, because of accounting entry and payment errors. Details of our findings are provided in the Findings and Recommendations section of this report. Schedule 3—Summary of Fund Balances and Fund Balance Test Results presents, by fund, the total balances, changes in fund balances, and error amounts noted.

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 revenues, expenditures, and fund balances reported by the Court substantially complied with governing statutes, rules, regulations, and Judicial Branch policies; were recorded accurately in accounting records; and were maintained in accordance with appropriate fund accounting principles. However, our audit identified one incorrectly paid interpreter claim and certain revenues that were not reported correctly for the fiscal year in which they were earned. Additionally, we noted internal control weaknesses pertaining to the preparation and/or maintenance of supporting documents and to timesheet approvals. These issues are described in the Findings and Recommendations section of our report.

**Follow-up on
Prior Audit
Findings**

This is the first audit performed by SCO at the Court pursuant to GC section 77206(h)(2); therefore, there are no prior audit findings to address in this report.

**Views of
Responsible
Officials**

We issued a draft audit report on December 14, 2021. The Court’s representative responded by letter dated December 23, 2021, agreeing 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 Court; JCC, and 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

March 11, 2022

**Schedule 1—
Summary of Revenues and Revenue Test Results
July 1, 2019, through June 30, 2020**

Revenue Accounts¹	Revenues Reported		Revenues Tested		Errors²
	Totals	Percentage	Amounts	Percentage	Amount
State Financing Sources					
Trial Court Trust Fund ^{3,4}	\$ 1,869,960	80.8%	\$ 1,869,960	80.8%	\$ -
Improvement and Modernization Fund	2,643	0.1%	2,643	0.1%	2,643
Judges' Compensation	-	0.0%	-	0.0%	-
Court Interpreter ³	100,212	4.3%	100,212	4.3%	-
Civil Coordination Reimbursement	-	0.0%	-	0.0%	-
MOU Reimbursements ^{3,4}	116,526	5.0%	116,526	5.0%	3,579
Other Miscellaneous ³	24,773	1.1%	-	0.0%	-
Subtotal	2,114,114		2,089,341		6,222
Grants					
AB 1058 Commissioner/Facilitator ^{2,3,4}	60,213	2.6%	-	0.0%	-
Other Judicial Council Grants	2,432	0.1%	-	0.0%	-
Non-Judicial Council Grants	-	0.0%	-	0.0%	-
Subtotal	62,645		-		-
Other Financing Sources					
Interest Income	25,516	1.1%	-	0.0%	-
Investment Income	-	0.0%	-	0.0%	-
Donations	-	0.0%	-	0.0%	-
Local Fees	19,230	0.8%	-	0.0%	-
Non-Fee Revenues	-	0.0%	-	0.0%	-
Enhanced Collections ^{3,4}	92,199	4.0%	-	0.0%	-
Escheatment	-	0.0%	-	0.0%	-
Prior Year Revenue	-	0.0%	-	0.0%	(3,579)
County Program – Restricted	-	0.0%	-	0.0%	-
Reimbursement Other	-	0.0%	-	0.0%	-
Sale of Fixed Assets	-	0.0%	-	0.0%	-
Other Miscellaneous	92	0.0%	-	0.0%	-
Subtotal	137,037		-		(3,579)
Total Revenues	\$ 2,313,796	100.0%	\$ 2,089,341	90.3%	\$ 2,643

¹ Differences due to rounding

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

³ Tested account internal controls

⁴ Material account

**Schedule 2—
Summary of Expenditures and Expenditure Test Results
July 1, 2019, through June 30, 2020**

<u>Expenditure Accounts¹</u>	<u>Expenditures Reported</u>		<u>Expenditures Tested</u>		<u>Errors²</u>
	Totals	Percentage	Amount	Percentage	Amount
<u>Payroll</u>					
Salaries – Permanent ^{3,4}	\$ 805,594	37.9%	\$ 39,594	1.9%	\$ -
Temporary Help ³	-	0.0%	-	0.0%	-
Overtime	-	0.0%	-	0.0%	-
Staff Benefits ^{3,4}	487,844	22.9%	31,613	1.5%	-
Subtotal	1,293,439		71,208		-
<u>Operating Expenses and Equipment</u>					
General Expense ^{3,4}	80,245	3.8%	-	0.0%	-
Printing	-	0.0%	-	0.0%	-
Telecommunications	22,980	1.1%	-	0.0%	-
Postage	15,078	0.7%	-	0.0%	-
Insurance	703	0.0%	-	0.0%	-
In-State Travel	1,245	0.1%	-	0.0%	-
Out of State Travel	-	0.0%	-	0.0%	-
Training	3,483	0.2%	-	0.0%	-
Security Services	10,258	0.5%	-	0.0%	-
Facility Operations	38,178	1.8%	-	0.0%	-
Utilities	-	0.0%	-	0.0%	-
Contracted Services ^{3,4}	452,608	21.3%	121,739	5.7%	(159)
Consulting and Professional Services	3,106	0.1%	-	0.0%	-
Information Technology	194,105	9.1%	122,192	5.7%	-
Major Equipment	32,676	1.5%	-	0.0%	-
Other Items of Expense	349	0.0%	-	0.0%	-
Subtotal	855,014		243,930		(159)
<u>Special Items of Expense</u>					
Grand Jury	-	0.0%	-	0.0%	-
Jury Costs	2,264	0.1%	-	0.0%	-
Judgements, Settlements, Claims	-	0.0%	-	0.0%	-
Debt Service	-	0.0%	-	0.0%	-
Other	-	0.0%	-	0.0%	-
Capital Costs	-	0.0%	-	0.0%	-
Internal Cost Recovery	-	0.0%	-	0.0%	-
Prior Year Expense	(24,840)	-1.2%	-	0.0%	-
Subtotal	(22,576)		-		-
Total Expenditures	<u>\$ 2,125,877</u>	100.0%	<u>\$ 315,138</u>	14.8%	<u>\$ (159)</u>

¹ Differences due to rounding

² Revenues over/(under) stated; see Finding 5

³ Tested account internal controls

⁴ Material account

**Schedule 3—
Summary of Fund Balances and Fund Balance Test Results
July 1, 2019, through June 30, 2020**

Balance ¹	General Fund	Non-Grant Special Revenue Fund	Grant Special Revenue Fund	Fiduciary Fund	Total
Beginning Balance	\$ 533,473	\$ 211,031	\$ -	\$ 53,152	\$ 797,657
Revenues	2,139,931	110,054	62,645	1,166	2,313,796
Expenditures	(1,971,033)	(92,199)	(62,645)	-	(2,125,877)
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Ending Balance	<u>\$ 702,372</u>	<u>\$ 228,887</u>	<u>\$ -</u>	<u>\$ 54,318</u>	<u>\$ 985,576</u>
Errors Noted ²					
Revenues over/(under) stated; see Finding 1	\$ 2,643	\$ -	\$ -	\$ -	\$ 2,643
Expenditures over/(under) stated; see Finding 5	(159)	-	-	-	(159)
Total	<u>\$ 2,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,484</u>

¹ Differences due to rounding

² Classification errors in Finding 1 did not affect fund balances

Findings and Recommendations

FINDING 1— Revenue accounting errors

During our review of revenue account transactions, we identified three accounting errors. Although the errors are disclosed in this report, they have only a minor effect on overall financial reporting.

In two instances, prior-year reimbursements for the Trial Court Trust Fund (TCTF) were misclassified as current-year operating reimbursements:

- General Ledger Account Number 832011 (TCTF – Jury) – The Court received and recorded a prior-year (FY 2018-19) reimbursement for \$495 in its current-year operating reimbursement account. The claim for reimbursement was not accrued at the end of the prior year.
- General Ledger Account Number 832012 (TCTF – Court Appointed Counsel) – The Court received and recorded a prior-year (FY 2018-19) reimbursement for \$3,084 in its current-year reimbursement account. The claim for reimbursement was not accrued at the end of the prior year.

In each of these instances, the correct procedure is to record these reimbursements in General Ledger Account Number 899910 (Prior-Year Revenue Adjustment). For financial accounting and reporting, reimbursements are included with revenue. This account is used to reclassify prior-year revenues that were received in the current year, but not accrued in the prior year.

In the third instance, a duplicate accrual was posted to an incorrect account. The Court appropriately recorded an accrual of \$2,643 at year-end in the correct account (General Ledger Account Number 832010, TCTF – MOU Reimbursements). However, a duplicate entry for the accrual was also entered in General Ledger Account Number 837011 (TCTF – State Trial Court Improvement and Modernization Fund). As a result, the State Financing Sources total reported in the Court's FY 2019-20 financial statements was overstated by \$2,643.

The Trial Court Chart of Accounts includes General Ledger Account Number 899910 (Prior-Year Revenue Adjustment) to record adjustments for accrual-related accounting differences that occur between fiscal years. The Prior-Year Adjustment account adjusts current year operating results and improves the accuracy of financial and budgetary reporting. Failure to adjust accounts may lead to financial misstatement.

The JCC's Administrative Division staff introduced new guidance for using this account in its FY 2019-20 *Year-End Close Training Manual—General Ledger*. Court staff stated that the Court was not aware of this guidance to use the Prior-Year Revenue Adjustment account, and also noted that such guidance had not been provided in prior years.

Page 64 of the *Year-End Close Training Manual—General Ledger* states, in part:

Automated Accrual Reversal Process

As previously discussed, most expenditure and revenue accruals are automatically reversed in the new year by placing Z2 and 07/01/2020 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 07/01/2020.

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 [adjustment] accounts are to be used in the subsequent fiscal year.

California Rules of Court rule 10.804(a) states:

As part of its responsibility for regulating the budget and fiscal management of the trial courts, the Judicial Council adopts the *Trial Court Financial Policies and Procedures Manual*. The manual contains regulations establishing budget procedures, recordkeeping, accounting standards, and other financial guidelines for superior courts. The manual sets out a system of fundamental internal controls that will enable the trial courts to monitor their use of public funds, provide consistent and comparable financial statements, and demonstrate accountability.

Policy Number FIN 5.02, section 3.0, “Policy Statement,” of the JCC’s FIN Manual (10th edition, June 2019) 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 of 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 implement accounting procedures to ensure that accounts are adjusted for prior-year transactions and accrual differences, according to the JCC’s accounting guidance. Differences that occur in the current year for amounts actually received from amounts accrued in the prior year should be entered in the adjustment accounts.

**FINDING 2—
Commissioner pay
rate not
substantiated**

For our test of non-payroll expenditures, we selected a sample of 37 disbursement transactions to review, which included a transaction for Child Support Commissioner Services. We found that the Court was unable to substantiate the calculated rate of pay for invoiced Child Support Commissioner Services, which are provided pursuant to a four-court Intra-Branch Agreement (IBA).

The IBA specifies a compensation for 85% of a judge’s salary, in addition to taxes, benefits, and a travel allowance. Invoices are supported with activity logs and timesheets showing days and hours, by pay period. Neither the invoice, the supporting documentation, nor the IBA stipulate an hourly pay rate. We could not determine whether the rate charged was

calculated correctly or whether the amount is excessive. We estimated a rate of \$274 per hour, for 37.5 hours, charged to the court. Court staff indicated that invoiced amounts are not verified, and that the Court assumes that billing calculations produced by the coordinating lead court are correct.

The current guidance for contracts between Judicial Branch Entities (JBEs) is to establish clear pricing terms and unit-based labor rates.

Section 8.3, sub-section A2, "Pricing and payment," of the *Judicial Branch Contracting Manual* (revised August 1, 2018) states, in part:

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

- If a JBE is contracting for labor, a schedule listing the hourly, daily, weekly, or monthly cost for each person or job classification must be incorporated into the contract.

Recommendation

We recommend that the Court:

- Specify unit pricing details and hourly rates of pay in its IBAs to ensure that costs and terms are fully documented and verifiable; and
- Consider attaching additional documentation of unit pricing and pay rates for IBAs currently being used that do not provide this information.

FINDING 3— Inappropriate timesheet approval

In our test of the Court's payroll accounting, we selected a sample of five out of 23 employee timesheets to verify approval and time keeping. We found that the Court Executive Officer's electronic timesheet was approved by the subordinate Court Financial Officer. However, the Court Executive Officer's timesheets should be approved by the Presiding Judge.

Policy Number FIN 1.03, section 6.3.3, sub-section 5, "Proper Authorization and Documentation," of the JCC's FIN Manual states:

- a. The court must establish a system of authorization to provide effective management control over its assets, liabilities, revenues, and expenditures. The specific levels and scope of authority of executives, managers, supervisors, and staff, with dollar limits where appropriate, must be established and documented. That documentation will be provided to applicable court, county, and accounting service provider personnel, and to the Judicial Council of California, for reference.
- b. When processing transactions, evidence of authorization must be maintained in the accounting files to document that:
 - i. Proper authorizations are obtained;
 - ii. Authorizations are issued by court employees acting within the scope of their authority; and
 - iii. Transactions conform to the terms of the authorizations.

Recommendation

We recommend that the Court enforce a hierarchy for timesheet approval to ensure that the Presiding Judge exercises supervisory oversight and authority for the Court Executive Officer’s attendance reporting.

**FINDING 4—
Personnel record
not available**

During our review of payroll expenditures and related internal controls, we verified the calculations, payments, and accounting for a sample of five out of 23 employee benefit transactions. For one employee in our sample, the Court was unable to substantiate a waiver of health benefits.

Each employee and Court Health Benefit Officer prepares and signs a Health Benefits Plan Enrollment for Active Employees (HBD-12) form. Eligible public employees use this form to enroll in, modify, or decline coverage by an employer’s health benefit plan.

Although the Court provided HBD-12 forms for other sampled employees, it did not have an HBD-12 form for this sampled employee in its personnel files. Therefore, we were unable to verify the waiver of health benefits.

GC section 71660 requires that trial courts maintain personnel files. Paragraph (b) of GC section 71660 states:

Each trial court shall keep a copy of each employee’s official personnel files at the place where the employee reports to work, or shall make the official personnel files available where the employee reports to work within a reasonable period of time after a request for the official personnel files by the employee.

Recommendation

We recommend that the Court:

- Obtain a copy of the signed HBD-12 form for the identified employee, and add it to the employee’s personnel file; and
- Use suitable procedures, such as checklists or periodic file audits, to ensure that all necessary and required documents (or copies thereof) are retained in each employee’s file. Doing so aids in protecting both the organization and the employee.

**FINDING 5—
Claimant payment
error**

During our review of disbursements for court interpreter services, we selected a sample of 37 transactions and noted a discrepancy between the claimed amount and the supporting Daily Activity Log for one employee. The Daily Activity Log provides case references and is marked for a full day of service. However, the claim and corresponding disbursement was for only a half-day (per diem) of \$226. On inquiry, the Court acknowledged having incorrectly paid only a half-day and that it should have paid a full day. The Short Form Agreement for Interpreting Services (Agreement) between the interpreter and the Court indicates “Excessive” half-day and full-day pay rates of \$226 and \$418, respectively.

In response to this matter, the Court processed a claim to pay the interpreter the difference due of \$192. A copy of the claim, dated June 30, 2021, was provided for our audit records.

We also noted a discrepancy in mileage paid on the claim. The Agreement was pre-typed with a mileage claim of 298 miles. With the address indicated in the claim, using Map Quest we calculated a 240-mile round-trip distance, which is 58 miles fewer than the claimed mileage. We were informed that once mileage is established in an Agreement, it continues to be used in subsequent claims.

Policy Number FIN 8.01, section 6.3.3, "Review for Accuracy of Invoice," Item 1 of the JCC's FIN Manual states:

Calculations and price extensions shown on the invoices shall be audited to ensure their accuracy.

Policy Number FIN 8.02, section 6.8, "Reconciliation of Claims," of the JCC's FIN Manual states:

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

Recommendation

We recommend that the Court:

- Prepare claims to include evidence that mileage has been verified for accuracy and to identify address changes; and
- Update the vendor master file when address changes occur.

**Attachment—
Superior Court's Response to Draft Audit Report**



Superior Court of California County of Colusa

JEFFREY A. THOMPSON
PRESIDING JUDGE

ELIZABETH UFKES OLIVERA
ASSISTANT PRESIDING JUDGE

532 Oak Street
Colusa, CA 95932

PHONE: 530-458-5149
FAX: 530-458-2230

ERIKA F. VALENCIA
COURT EXECUTIVE OFFICER
CLERK OF THE COURT
JURY COMMISSIONER

December 23, 2021

Joel James, Chief, Financial Audits Bureau
State Controller's Office, Division of Audits
Post Office Box 942850
Sacramento, CA 94250

Re: Audit of the Superior Court, County of Colusa

Dear Mr. James:

We are in receipt of the draft audit report from your office. We appreciate the thorough report and respond to the findings below.

Finding 1: Revenue Accounting Errors

The court agrees with the finding. The court will implement accounting procedures to ensure accounts are adjusted for prior-year transactions, and accrual differences, according to the JCC's accounting guidance.

Finding 2: Commissioner Pay Rate Not Substantiated

The court agrees with the finding. The Commissioner is a shared position with Tehama Superior Court being the lead court. The court will contact Tehama Court to request copies of pay stubs be included with billings to the Court so that hourly pay rate can be verified.

Finding 3: Inappropriate Timesheet Approval

The court agrees with and has rectified the finding. As of pay period 15, the Presiding Judge approves the Court Executive Officer's timesheet. The court has implemented the following

procedure: The Court Executive Officer prepares the timesheet, the Chief Financial Officer submits the timesheet to the Presiding Judge for approval and signature, and then the Chief Financial Officer approves the timesheet in SAP.

Finding 4: Personnel Record Not Available

The court agrees with the finding. The part-time employee for whom the record was needed, is no longer employed by the court. Therefore, the court is not able to obtain an HBD-12 form to rectify the finding. However, the court believes this was a one-time oversight as it is procedure to obtain proper documentation for all employees.

Finding 5: Claimant Payment Error

The court agrees with the finding. The Short Form Agreement for Interpreting Services is completed by the Interpreter for each service to the court. The court uses Map Quest to obtain the roundtrip mileage to the court at the interpreter's first service to the court. The interpreter signs the form certifying and agreeing to terms and conditions, including the accuracy of their address and mileage. When the interpreter updates an address with the interpreter coordinator, a new Map Quest is obtained and all records are updated.

We look forward to receiving the final report and implementing all necessary corrections. If any additional information is required, please do not hesitate to contact the undersigned.

Sincerely,



Erika F. Valencia
Court Executive Officer

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

<http://www.sco.ca.gov>