

Judicial Branch of California

Because of Questionable Fiscal and Operational Decisions, the Judicial Council and the Administrative Office of the Courts Have Not Maximized the Funds Available for the Courts

Report 2014-107



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January 7, 2015

2014-107

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning judicial branch operations, including the Judicial Council of California's (Judicial Council) and the Administrative Office of the Courts' (AOC) administration of judicial branch funds. Public confidence in the judicial system stems, in part, from confidence that the system's administrators manage its operations efficiently and appropriately. This report concludes that questionable fiscal and operational decisions by the Judicial Council and the AOC have limited funds available to the courts.

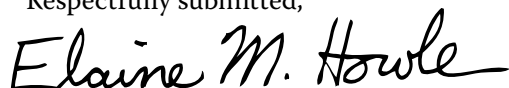
State law affords the Judicial Council a significant amount of autonomy related to developing budgets and approving expenditures on behalf of the trial courts. With this autonomy, the Judicial Council has an obligation to act in the best interest of the public, especially during times of fiscal hardship. To maximize funding available to the courts, we expected that the Judicial Council and the AOC would have carefully scrutinized their operations and expenditures to ensure they were necessary, justified, and prudent. However, we found that this was not always the case. Specifically, the Judicial Council failed to adequately oversee the AOC—its staff agency that assists it in managing the judicial branch budget and provides administrative support to judicial branch entities. In the absence of such oversight, the AOC engaged in about \$30 million in questionable compensation and business practices over a four-year period and failed to adequately disclose its expenditures to stakeholders and the public.

Furthermore, although state law authorizes the Judicial Council and the AOC to spend state funding appropriated for the trial courts on behalf of those courts, we have concerns regarding the appropriateness of some of the expenditures. Over the past four years, the AOC spent \$386 million on behalf of the trial courts including \$186 million in payments to consultants, contractors, and temporary employees using the trial courts local assistance appropriations; however, the AOC could have paid a portion of these costs using its own appropriation. If it had done so, some of those local assistance funds would have been available to support the courts.

Moreover, because the AOC's primary function is to provide services to the courts, we expected that it would have identified the needs of the courts in a comprehensive manner; however, it has not. To obtain information and other feedback about the AOC's services, we surveyed the courts and found that on average the courts reported they use only 55 percent of the services that the AOC provides. If the AOC does not focus on offering only those services that the courts need, it cannot provide assurance that it uses available resources to best serve the courts and ultimately the public.

Given the lapses in the Judicial Council's oversight and the AOC's decision making, we believe significant change is necessary to ensure that the State's courts receive the critical funding they require to provide access to justice for all Californians. As such, we made numerous recommendations that we believe will improve operations, increase transparency, and ensure accountability within the judicial branch. Although the AOC in its response to this report indicates that it will consider our recommendations through the deliberative processes established by the Judicial Council and its advisory bodies, it did so without proposing a specific plan. Consequently, we are concerned that meaningful change may not occur; however, we expect that the AOC's future correspondence will contain detailed plans, including time frames for implementation, of what the Judicial Council and the AOC intend to do or have done to address our recommendations.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

California's judicial branch is the largest of its kind in the nation. Consisting of the State's courts and other judicial entities, its appropriations in fiscal years 2010–11 through 2012–13 totaled more than \$11.8 billion. The Judicial Council of California (Judicial Council) has policy and rule-making authority over the judicial branch and holds the ultimate responsibility to ensure it spends public funds in prudent ways. Because state law affords the Judicial Council a significant amount of autonomy in developing budgets and approving expenditures, it has an obligation to act in the best interest of the public, especially during times of fiscal hardship like the one that the State has experienced over the past several years. This fiscal crisis forced the Legislature to reduce judicial branch funding by \$1.2 billion, resulting in the closure of hundreds of courtrooms and the layoff of thousands of judicial branch employees. In order to maximize the amount of funding available to the courts, we expected the Judicial Council to have carefully scrutinized its operations and expenditures to ensure that they were necessary, justified, and prudent. However, we found that this was not always the case.

Specifically, the Judicial Council failed to adequately oversee the Administrative Office of the Courts (AOC), its staff agency, which assists it in managing the judicial branch budget and provides administrative support to the judicial branch entities.¹ The level of the Judicial Council's involvement in the AOC's budget process and expenditure decisions appears to have been more ministerial than substantive. In the absence of adequate oversight, the AOC engaged in questionable compensation and business practices, and failed to adequately disclose its expenditures to stakeholders and the public.

For example, we identified about \$30 million in questionable compensation and business practices over a four-year period, plus additional savings if the AOC were to consolidate its operations in one location. In particular, the AOC provides its staff with generous salaries and benefits: The average salary for AOC employees is about \$82,000, while salaries in the executive branch average \$62,000 and those in four large trial courts average \$71,000. Furthermore, at a salary of over \$179,000, the AOC pays eight of its nine office directors more than the governor and other high-ranking state officials receive, yet those officials have much broader responsibilities. The AOC also provides some employees

Audit Highlights . . .

Our review of the funds administered by the judicial branch and the Administrative Office of the Courts (AOC), highlighted the following:

- » *The Judicial Council did not adequately oversee the AOC in managing the judicial branch budget, which allowed the AOC to engage in questionable compensation and business practices. The AOC:*
 - *Provides its staff with generous salaries and benefits—the AOC pays eight of its nine office directors more than the governor and many other high-ranking executive branch officials receive.*
 - *Employs over 70 contractors and temporary employees and could save about \$7.2 million per year by using state employees in comparable positions.*
 - *Maintains a fleet of 66 vehicles without requiring its offices to justify the need.*
 - *Made about \$386 million in payments over the last four years on behalf of trial courts using funds appropriated to them but could have paid a portion of those payments from its own funds.*
- » *The AOC has sole autonomy in deciding how to spend certain judicial branch funds due to the lack of Judicial Council's involvement in the budgeting process.*
- » *The AOC has few policies, procedures, or controls in place to ensure funds are appropriately used and spent and, unlike the executive branch, is not required to undergo an annual independent financial audit.*
- » *Although it provides services to the courts, the AOC has never comprehensively surveyed the courts to identify the needs of the courts and ensure that services it provides are useful.*

¹ In July 2014 the Judicial Council voted to retire the name of *Administrative Office of the Courts* for its staff agency. However, because state law continues to use this name, we use it in our report.

certain benefits that exceed those in the executive branch, including paying some employees' shares of their retirement contributions at a total cost of more than \$858,000 over a four-year period.

The AOC has also made questionable business decisions to the potential financial detriment of the rest of the judicial branch. For example, the AOC employs at least 70 contractors and temporary employees. Our review of these contractors determined that if the AOC used state employees in comparable positions, it could save about \$7.2 million per year. The AOC has also maintained a fleet of 66 vehicles without requiring its offices to justify their necessity; in fact, the AOC does not maintain a centralized inventory of its vehicles. In light of the significant funding cuts to the judicial branch, it is difficult to understand why these practices have continued. Had the AOC discontinued some or all of the questionable business practices, additional funds might have been available for redirection to the trial courts.

Moreover, had the Judicial Council reviewed the AOC's financial information in detail, it might have identified that the AOC spent certain judicial branch funds in a questionable manner. Specifically, over the past four fiscal years, the AOC made about \$386 million in payments on behalf of trial courts using the trial courts' local assistance appropriations. We believe the AOC could have paid a portion of those payments from its own state operations appropriations instead. As a consequence, an indeterminate amount of additional funds might have been available to support the courts. Even though state law authorizes the Judicial Council and AOC to spend funds on behalf of the trial courts, the AOC has considerable flexibility in how it spends some of those funds. As a result, we believe the Legislature should take steps to ensure the accountability and transparency of the payments the AOC makes on behalf of the trial courts, such as amending various provisions of state law.

The lack of Judicial Council involvement in the budgeting process resulted, in some cases, in the AOC having sole autonomy in deciding how to spend certain judicial branch funds. This practice is of particular concern as it relates to the AOC's compensation practices and business decisions. According to the AOC's chief of staff, of the questionable practices we identified, the Judicial Council or Chief Justice only directly approved two—staff salaries and retirement contributions. Of equal concern is the fact that the AOC has few policies, procedures, or controls in place to ensure that its employees expend funds appropriately, or for how they should charge expenditures to appropriations. Furthermore, unlike the executive branch, the judicial branch is not subject to financial audit requirements; thus, the Judicial Council has never required the AOC to undergo an independent financial audit. As a

result, the Judicial Council lacks the assurance that an independent financial audit would provide that the AOC has spent judicial branch funds responsibly and legally.

The Judicial Council has not always ensured that the AOC has been transparent or accurate in reporting its efforts to improve its operations. Specifically, the Chief Justice charged the Strategic Evaluation Committee (evaluation committee) with conducting an in-depth review of the AOC with the goals of promoting transparency, accountability, and efficiency. The resulting May 2012 report contained 124 recommendations and harshly criticized the AOC for its expanding budget and staff, lack of coordination with trial courts, and failure to present comprehensible information to the public. However, the information available on the AOC's Web site does not allow the public to easily understand the AOC's progress in addressing these recommendations because the Judicial Council reworded and renumbered the 124 recommendations into 145 Judicial Council directives. To illustrate, as of June 2014 the AOC reported completing 109 of the 145 directives; however, had it reported on the status of the recommendations, it could have reported that 82 out of the 124 recommendations were complete—information that the AOC does not make available because it only reports on the status of the directives. Moreover, when we assessed the status of the implementation efforts, we found that only 51 recommendations have been completed.

Because the AOC's primary function is to provide services to the courts, we expected it to have taken steps to identify the needs of the courts in a comprehensive manner. For example, it could periodically survey them to determine how often they have used the services that it offers. However, we found that the AOC has never surveyed the courts in this manner. Therefore, we surveyed the trial courts, courts of appeal, and the Supreme Court to determine whether they have used each of the services that the AOC asserted that it provides. The results illustrate the importance of periodically determining the courts' needs. In response to our survey, courts indicated that they have used some services more than others, but that each trial court has used an average of 55 percent of the services that the AOC provides. The results also demonstrate that the needs of the courts change over time—especially during a fiscal crisis—which further supports the importance of regular surveys.

If the AOC does not focus its efforts on improving services and being proactive in offering only those services that the courts need, it cannot provide assurance that it uses resources in a way that best serves the courts. To ensure that its budget and staff are appropriate, the AOC should also examine its business processes by engaging in workforce planning. Workforce planning is a seven-step planning model, which the California Department of Human

Resources (CalHR) developed to assist state agencies in aligning their staffing levels with their strategic mission and critical needs. This model begins with determining the needs of the organization's customers—a step that the AOC has thus far failed to take.

Given the lapses in the Judicial Council's oversight and the AOC's decision making that we identify in this report, we believe significant change is necessary to ensure that the State's courts receive the critical funding they require to provide access to justice to all Californians. One change could come in the form of a fee-for-service delivery structure for the AOC, which would redirect some of the funding that it currently receives to the courts and empower them to use that funding to pay for only those AOC services that they need. We are concerned that without significant changes, the Judicial Council and AOC will continue to publicly embrace addressing the weaknesses that we and others have identified but fail to take the steps necessary to actually repair those weaknesses in a meaningful and transparent way.

Recommendations

The Judicial Council should adopt procedures that require a regular and thorough review of the AOC's compensation practices. This review should include comparisons to comparable executive branch salaries.

To decrease its expenses, the AOC should conduct a cost-benefit analysis for using a temporary worker, contractor, or consultant instead of a state employee and for maintaining its pool of vehicles.

Once the AOC has identified savings related to its compensation and business practices, the Legislature should consider ways to transfer this savings to the trial courts.

To determine the cost to the State of providing support to the trial courts, the Legislature should amend various provisions of state law to clearly define the difference between local assistance expenditures and state operations expenditures.

The Judicial Council should create a separate advisory body, or amend a current committee's responsibilities and composition, to review the AOC's state operations and local assistance expenditures in detail to ensure that they are justified and prudent. This advisory body should be staffed with public and judicial branch finance experts.

To ensure that it spends funds appropriately, the AOC should develop and implement controls to govern how its staff can spend judicial branch funds and develop written fiscal policies and procedures as the rules of court require.

To bring more transparency to the AOC's spending activities and to ensure that the AOC spends funds prudently, the Legislature should require an annual independent financial audit of the AOC. This audit should include examining the appropriateness of the AOC's spending of any local assistance funds.

To increase transparency, the Judicial Council should conduct a more thorough review of the AOC's implementation of the directives that resulted from the evaluation committee's recommendations by more closely scrutinizing the AOC's actions.

The AOC should conduct a comprehensive survey of the courts on a regular basis—at least every five years—to ensure the services it provides align with their responses and reevaluate any services identified as being of limited value or need.

To justify its budget and staffing levels, the AOC should conduct the steps in CalHR's workforce planning model in the appropriate order, including establishing a mission and creating a strategic plan, determining the services it should provide to achieve the plan's goals, making future staffing changes based on CalHR's model, and developing and using performance measures to evaluate the effectiveness of this effort.

To ensure that it provides services to the trial courts as efficiently as possible, the Judicial Council should explore implementing a fee-for-service model for selected services.

Agency Comments

The AOC agreed with our recommendations, but some of its responses lacked a clear plan or timeline for implementation. Instead, in these instances, the AOC indicated that it would present the recommendations to the Judicial Council for consideration.

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Introduction

Background

California's judicial branch is the largest state judicial branch in the nation. It consists of the courts; the Judicial Council of California (Judicial Council) and its staff entity, the Administrative Office of the Courts (AOC)²; the branch agencies; and the State Bar of California. The courts consist of three separate levels: the 58 superior courts, which are the State's trial courts; the six courts of appeal; and the Supreme Court. Each county has its own trial court that operates through various locations. In total, the trial courts have more than 500 courthouses statewide in which they hear civil and criminal cases as well as family, probate, juvenile, and other case types.

Maintaining this extensive court system requires a significant budget and staff. Specifically, the judicial branch reports that the California court system had more than 2,000 judicial officers and approximately 19,000 employees who were responsible for processing the nearly 7.7 million case filings the court system received in fiscal year 2012–13. As shown in Table 1, which begins on the following page, through the budget act or other appropriations measures, the Legislature appropriated to the judicial branch \$11.8 billion from fiscal years 2010–11 through 2012–13. Of this amount, the Legislature appropriated over \$1 billion to the Judicial Council and AOC—\$388 million for general operations and \$652 million for the judicial branch facility program. The Legislature generally appropriates money from 13 different funds to the entities within the judicial branch. In some cases, the Legislature divides the 13 funds between the judicial branch entities. For example, in fiscal year 2012–13 the Legislature appropriated \$35 million from the Trial Court Trust Fund to the Judicial Council and \$1.5 billion to the trial courts. In other cases, the Legislature designates certain appropriations as state operations or local assistance for the judicial branch as a whole rather than directly to a judicial branch entity.

² In July 2014 the Judicial Council voted to retire the name of *Administrative Office of the Courts* for its staff agency. However, because state law continues to use this name, we use it in our report.

FISCAL YEAR	STATE TRIAL COURT			PUBLIC BUILDINGS CONSTRUCTION FUNDS			STATE COURT FACILITIES CONSTRUCTION FUND			APPELLATE COURT TRUST FUND			COURT FACILITIES TRUST FUND			MENTAL HEALTH SERVICES FUND			IMMEDIATE & CRITICAL NEEDS ACCOUNT			STATE COMMUNITY CORRECTIONS PERFORMANCE INCENTIVES FUND			JUDICIAL BRANCH WORKERS' COMPENSATION FUND			TOTALS†	
	STATE GENERAL FUND	MOTOR VEHICLE FUND	COURT IMPROVEMENT & MODERNIZATION FUND*	COURT INTERPRETERS' FUND	COURT BUILDINGS CONSTRUCTION FUNDS	TRIAL COURT TRUST FUND	STATE COURT FACILITIES CONSTRUCTION FUND	APPELLATE COURT TRUST FUND	COURT FACILITIES TRUST FUND	MENTAL HEALTH SERVICES FUND	IMMEDIATE & CRITICAL NEEDS ACCOUNT	STATE COMMUNITY CORRECTIONS PERFORMANCE INCENTIVES FUND	JUDICIAL BRANCH WORKERS' COMPENSATION FUND	STATE GENERAL FUND	MOTOR VEHICLE FUND	COURT IMPROVEMENT & MODERNIZATION FUND*	COURT INTERPRETERS' FUND	COURT BUILDINGS CONSTRUCTION FUNDS	TRIAL COURT TRUST FUND	STATE COURT FACILITIES CONSTRUCTION FUND	APPELLATE COURT TRUST FUND	COURT FACILITIES TRUST FUND	MENTAL HEALTH SERVICES FUND	IMMEDIATE & CRITICAL NEEDS ACCOUNT	STATE COMMUNITY CORRECTIONS PERFORMANCE INCENTIVES FUND	JUDICIAL BRANCH WORKERS' COMPENSATION FUND			
Habeas Corpus Resource Center																													
2010-11	\$14,704	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,909	
2011-12	13,629	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,704	
2012-13	13,576	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,629	
2012-13	13,576	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,576	
Capital Projects																													
2010-11	-	-	-	-	\$868,020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$51,393	-	-	-	919,413	
2011-12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148,351	-	-	-	148,351	
2012-13	-	-	-	-	572,933	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,306	-	-	-	689,239	
General Judicial Branch State Operations																													
2010-11	13,081	\$188	\$9,587	\$160	-	-	-	\$4,333	(\$8,053)	\$1,003	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,768	
2011-12	13,115	191	9,601	163	-	\$22	5,266	5,266	(8,053)	1,054	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,298	
2012-13	13,157	195	13,645	164	-	3,050	4,275	4,275	(8,053)	1,061	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,975	
Totals†	\$4,326,215	\$574	\$45,435	\$487	\$1,440,953	\$4,808,621	\$221,751	\$13,875	\$362,390	\$3,117	\$624,280	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$11,830,627	
Fund Totals by Fiscal Year																													
2010-11	\$2,069,894	\$188	\$9,587	\$160	\$868,020	\$1,587,333	\$78,198	\$4,333	\$117,914	\$1,003	\$76,393	-	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$4,795,337	
2011-12	1,421,799	191	(10,398)	163	-	1,649,793	69,800	5,266	122,238	1,054	164,188	-	-	\$615	-	\$615	-	-	-	-	-	-	-	-	-	-	-	-	3,424,709
2012-13	834,522	195	46,245	164	572,933	1,571,494	73,753	4,275	122,238	1,061	383,699	-	-	\$615	-	\$615	-	-	-	-	-	-	-	-	-	-	-	-	3,610,580
Totals†	\$4,326,215	\$574	\$45,435	\$487	\$1,440,953	\$4,808,621	\$221,751	\$13,875	\$362,390	\$3,117	\$624,280	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$615	(\$17,686)	\$11,830,627	

Source: California State Auditor's analysis of the Appropriations Control Ledger that the California State Controller's Office maintains.
 Note: This table does not include funds for which the Judicial Branch did not receive appropriations: the Family Law Trust Fund, the Federal Trust Fund, the Administration of Justice Fund, and the Court Facilities Architecture Revolving Fund.
 * Includes the Judicial Administration Efficiency and Modernization Fund.
 † Amounts may not agree due to rounding.

The Judicial Council

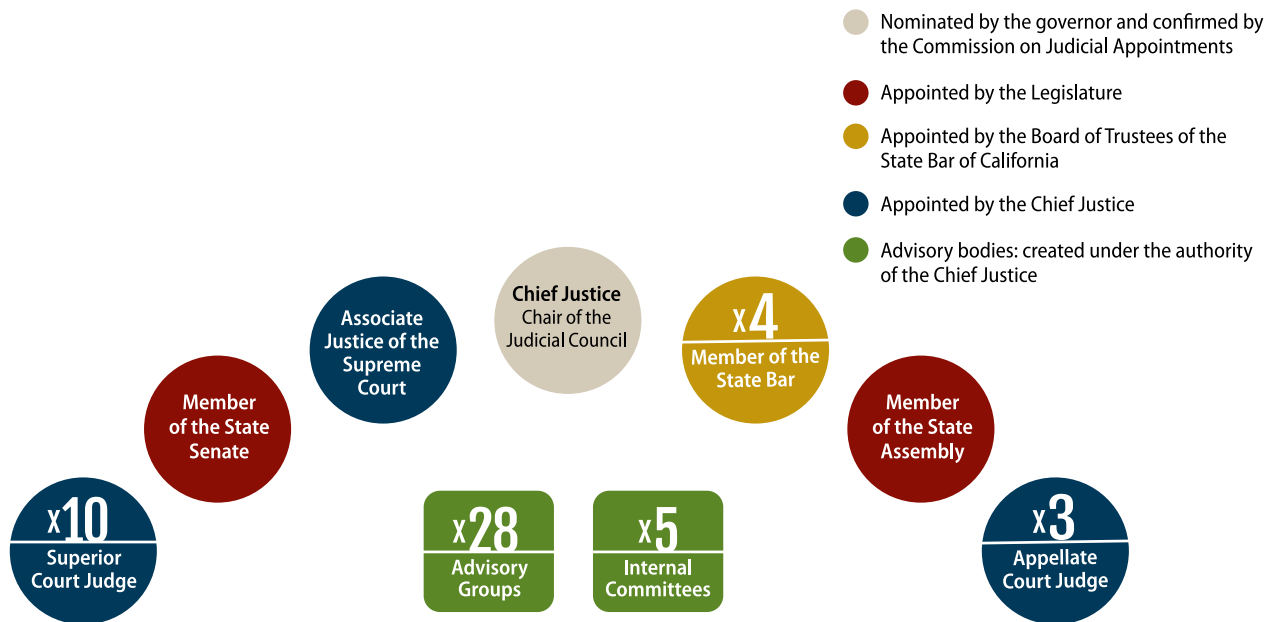
The Judicial Council has the duty and authority to adopt rules for court administration, practice, and procedure for the judicial branch. California voters established the Judicial Council through the enactment of a constitutional amendment in 1926. State law and the rules of court charge the Judicial Council with improving the administration of justice by performing certain duties, including the following:

- Establishing fiscal priorities to enable the judicial branch to achieve its goals.
- Developing the judicial branch's budget based on those priorities and the needs of the courts.
- Adopting rules for court administration, practice, and procedure.
- Sponsoring and taking positions on legislation consistent with the judicial branch's established goals and priorities.
- Allocating any funds that the Legislature appropriates to the judicial branch.

The Judicial Council consists of 21 unpaid voting members and is chaired by the Chief Justice. The Chief Justice, the Board of Trustees of the State Bar of California, and the Legislature are responsible for appointing the members, as shown in Figure 1. The administrative director of the courts serves as the Judicial Council secretary and performs administrative and policy-making functions as the law and the Judicial Council direct. The Judicial Council conducts most of its business during its six to eight meetings a year. The meetings are open to the public unless the Chief Justice closes them for reasons outlined in the rules of court. For example, the Chief Justice will close the meetings to allow the Judicial Council to discuss personnel matters or issues protected by attorney-client privilege.

The Judicial Council also convenes advisory bodies to inform it about issues confronting the judiciary as well as to provide possible solutions and responses to those issues. For example, the 34-member trial court budget advisory committee, composed of superior court judges, court executives, and advisory staff from the Judicial Council, provides the Judicial Council with input on the trial court budget process and proposed recommendations for trial court funding. As of June 2014, the Judicial Council had five internal committees and 28 advisory bodies, also shown in Figure 1.

Figure 1
Composition of the Voting Membership of the Judicial Council of California



Sources: The California Constitution, the California Rules of Court, and the chief of staff of the Administrative Office of the Courts.

Although the Legislature appropriates the judicial branch’s annual funding, the Judicial Council has significant statutory authority to determine the allocation of that funding, including for activities it performs in support of the trial courts. The Judicial Council relies on its staff entity, the AOC, to provide it with recommendations and assistance regarding how it should spend funds. The rules of court require the Judicial Council to develop the budgets for all judicial branch entities, but it has delegated considerable authority in this regard to the AOC.

The AOC’s History and Operations

The AOC provides administrative support to the Judicial Council. The Judicial Council created the AOC in 1961 when the Legislature granted resources to establish the office. This action followed a 1960 constitutional amendment creating the position of the administrative director of the courts. At the time of its founding, the AOC consisted of 18 staff who assisted the Judicial Council in such matters as developing rules of court, creating forms for use in court proceedings, and developing other standards of court practice.

Several major legislative enactments fundamentally shifted responsibility and authority over many local court operational matters from the counties to the Judicial Council and the AOC, thereby expanding their roles. For example, the Lockyer-Isenberg State Trial Court Funding Act of 1997 transferred the primary responsibility for funding trial courts from the counties to the State. Soon thereafter, the California voters approved Proposition 220, authorizing the voluntary consolidation of each county's superior and municipal courts into a single superior court system within each county. In addition, in 2002 state law transferred the responsibility for construction and maintenance of court facilities from the counties to the judicial branch.

The AOC now provides direct services to the Supreme Court, the courts of appeal, and the trial courts, and it provides some level of support to the other judicial branch entities. The AOC reports that it provides close to 300 services to the trial courts, over 170 of which also support the courts of appeal. These services cover a wide variety of areas of court operations, including accounting and procurement, providing training to judicial officers and court staff, negotiating labor agreements, furnishing administrative support to local court self-help centers, and recruiting court interpreters.

The structure and leadership of the AOC underwent many changes in recent years. Between 2011 and 2014, the AOC had five different administrative directors as well as turnover in its executive officer positions. Its organizational changes include the elimination of its regional director structure and the chief deputy director position in 2012. The number of AOC staff increased steadily from fiscal years 2007–08 through 2010–11, with a decrease in recent years, as shown in Table 2. The composition of AOC staff has changed as well. For example, the AOC relied heavily on contractors and temporary employees until fiscal year 2012–13. Temporary employees include both employees from temporary employment agencies and “909” temporary employees: those employees filling a position not authorized by the budget act, including retired annuitants and grant-funded employees. The AOC currently organizes its offices, services, and centers (offices) within three divisions. We list these offices in Table 3 on page 14.

Fiscal Crises and Criticism of the AOC

The judicial branch, as well as the State, have faced severe fiscal crises over the past several years. Since fiscal year 2010–11, the Legislature has reduced overall funding for the judicial branch by about \$1.2 billion, or 25 percent. The Legislature reduced trial court appropriations by \$952 million between fiscal years 2010–11 and 2012–13—the largest overall decrease in appropriations for any entity

within the judicial branch. Most of the reductions—\$496 million—were due to shifts from trial court appropriations to county appropriations for realignment. According to the AOC, these budget cuts led to court closures that have deprived more than 2 million Californians of access to justice in their local communities. In addition, the AOC lists the following statistics on its Web site:

- Fifty-three courthouses and a total of 204 courtrooms have closed.
- Thirty courts have had to reduce hours at public service counters.
- Fifteen courts have had to institute limited court service days.
- Nearly 4,000 court staff have lost their jobs, many courts are leaving vacant positions unfilled, and some courts continue to furlough employees.

Table 2
Number and Composition of Staff Within the Administrative Office of the Courts

FISCAL YEAR	FILLED POSITIONS	AUTHORIZED POSITIONS	CONTRACTORS	AGENCY TEMPORARY EMPLOYEES	909 TEMPORARY EMPLOYEES*	TOTAL
2007–08	771.8	914.9	5	86	64	926.8
2008–09	830.1	924.3	55	46	60	991.1
2009–10	875.4	1,000.1	56	90	45	1,066.4
2010–11	853.86	1,010.2	75	141	36	1,105.86
2011–12	732.38	1,012.4	124	136	26	1,018.38
2012–13	731.88	844.3	63	31.5	6	832.38
2013–14	745.39	835.1	55	15	3	818.39

Sources: California State Auditor’s (state auditor) analysis of data obtained from the Administrative Office of the Courts’ (AOC) Human Resources and Education Management System, the California Department of Finance’s *Salaries and Wages Supplement*, the Strategic Evaluation Committee’s report, and the AOC’s lists of contractors and temporary workers. An assessment of the reliability of these data is not required because it is not used to support a finding, recommendation, or conclusion.

Note: State auditor’s analysis of staffing levels represent the number of staff active on June 30 for fiscal years 2010–11 through 2012–13 and on March 31 for fiscal year 2013–14.

* 909 temporary employees include those employees filling positions not authorized by the budget act, such as retired annuitants and grant-funded employees.

The Legislature increased the Judicial Council’s funding by \$2.8 million, or 1 percent, from fiscal years 2010–11 through 2012–13 because the budget act shifted the appropriation for certain statewide programs to the Judicial Council. Thus, it is reasonable that the Legislature would have increased some of the Judicial Council’s appropriations to pay for these programs. After accounting for the shift, the Judicial Council’s appropriations decreased by about 7 percent from fiscal years 2010–11 through 2012–13.

Table 3
Offices, Services, and Centers Within the Administrative Office of the Courts

OFFICES, SERVICES, AND CENTERS WITHIN THE ADMINISTRATIVE OFFICE OF THE COURTS (AOC)	OFFICE PURPOSE
Executive Office	Has oversight responsibility for programs in furtherance of Judicial Council of California (Judicial Council) policies and priorities.
Office of Governmental Affairs	Represents and advocates for the Judicial Council on legislative, policy, and budget matters.
Internal Audit Services	Audits all entities within the judicial branch.
Judicial Council Support Services	Supports the Judicial Council's Executive and Planning Committee in ensuring that Judicial Council business meetings focus on well-planned and well-prepared policy issues.
Legal Services Office	Manages litigation and provides legal advice to the courts and to Judicial Council staff.
Office of Communications	Informs judges, court management, justice partners, media, and the public about the work and recent actions of the Judicial Council, and about issues that affect the court system.
Special Projects Office	Provides analytical and project management services on special projects, including business process re-engineering.
Trial Court Liaison Office	Establishes and maintains effective working relationships with the trial courts in order to accomplish the strategic and operational goals of the Judicial Council.
Center for Families, Children and the Courts	Supports court programs designed to improve practice in family and juvenile law, as well as other areas, including collaborative justice, domestic violence, language access, treatment of mentally ill court users, services to self-represented litigants, and tribal projects.
Center for Judiciary Education and Research	Provides on-staff and volunteer subject matter experts and faculty to supply both training and education for judges and judicial branch personnel.
Court Operations Special Services Office	Provides direct services, resources, and program support in the following areas: Administration and Planning; Assigned Judges Program; Court Language Access Support Program; divisional budgeting/appellate court services; court research; promising and effective programs; and physical security, personal security, and emergency planning.
Criminal Justice Court Services Office	Oversees and coordinates the Judicial Council's efforts related to community corrections, the 2011 Criminal Justice Realignment Act, and other criminal justice activities.
Judicial Branch Capital Program Office	Provides strategic planning for capital outlay and funding, and manages new courthouse design, construction, and major renovation projects for California's trial and appellate courts.
Office of Appellate Court Services	Coordinates service to the California Supreme Court and Courts of Appeal.
Fiscal Services Office	Provides fiscal, contract, and procurement services to the judicial branch, and provides direct assistance to the trial courts, including budget management, development, and support; financial policies; centralized treasury system; and debt collection.
Human Resources Services Office	Provides human resources management services to judicial branch employees and judicial officers, and assists the courts with labor and employee relations, mediation, training, recruitment, classification and compensation, benefits development, integrated disability management, policies, human resource information systems, and other related matters.
Information Technology Services Office	Assists the courts in achieving the Judicial Council's technology objectives and develops and supports automated systems for the judicial branch.
Office of Administrative Services	Provides logistical support services to the AOC.
Office of Real Estate and Facilities Management	Manages the state judicial branch property portfolio, oversees ongoing operational needs for courthouses and other judicial branch facilities, and manages site selection and acquisition for capital projects.
Trial Court Administrative Services Office	Provides the trial courts with an integrated system of financial and human capital management services.

Source: Web site of the AOC.

Severe budget constraints and shifting priorities prompted the Chief Justice to request a thorough review of the AOC by the Strategic Evaluation Committee (evaluation committee) in 2011. The goal of this review was to promote transparency, accountability, and efficiency. A number of factors prompted the review. For example, the evaluation committee's report noted a widespread perception that the AOC was oversized, which was enhanced by the perception that it avoided the reductions and downsizing sustained elsewhere in the judicial branch. In addition, in February 2011 The California State Auditor (state auditor) issued a report that criticized the AOC for the escalating costs and improper management of its Court Case Management System (CCMS).³ Even as trial courts were forced to close, the AOC continued to provide funding for the CCMS, eventually amounting to over \$400 million. Ultimately, the Judicial Council discontinued the project without deploying it in March 2012.

The evaluation committee included judges from courts throughout the State and individuals from outside the judicial branch. The evaluation committee's report, issued in May 2012, resulted in 124 recommendations and a critique of the AOC's operations. In particular, the evaluation committee found that the organization had strayed beyond performing its essential functions and concluded that the AOC had to be downsized in order to correspond once more with its core functions. The evaluation committee also noted that the AOC failed to collaborate with the trial courts and that its top-down management style limited input from those within the organization. According to the evaluation committee, many problems resulting from this deficient management system had gone largely unnoticed as long as funding to the judicial branch had been sufficient and stable.

The AOC's chief of staff, serving then as the interim administrative director, informed the Chief Justice that the AOC had completed, or was in the process of completing, 57 of the evaluation committee's recommendations when the evaluation committee presented its report. In July 2014 the AOC reported having implemented more than 50 percent of the resulting judicial council directives. We discuss our analysis of the AOC's implementation of the evaluation committee's recommendations in Chapter 2.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) directed the state auditor to conduct an audit of the funds administered by the judicial branch and the AOC. The audit analysis the audit committee approved contained six separate objectives. We list the objectives and the methods we used to address them in Table 4 beginning on the following page.

³ *Administrative Office of the Courts: The Statewide Case Management Project Faces Significant Challenges Due to Poor Project Management* (report number 2010-102, February 2011).

Table 4
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVES	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	<ul style="list-style-type: none"> • Reviewed relevant laws and other background materials related to the Judicial Council of California (Judicial Council) and the Administrative Office of the Courts (AOC). • Reviewed judicial branch appropriations for fiscal years 2010–11 through 2012–13. • Reviewed the work locations of AOC managers and staff. • Reviewed the California Rules of Court. • Reviewed the California Constitution.
2 Determine whether the Judicial Council and the AOC have complied with the key reforms contained in Senate Bill 1021 (SB 1021) (Chapter 41, Statutes of 2012).	<p>Identified five key reforms. Specifically, SB 1021:</p> <ul style="list-style-type: none"> • Prohibits the Judicial Council from expending funds from the Trial Court Trust Fund on the Court Case Management System without consent from the Legislature. • Limits the amount of unexpended funds that trial courts can carry over to an amount not to exceed 1 percent of the court's operating budget from the prior fiscal year. • Requires the Judicial Council to set aside 2 percent of a portion of the Trial Court Trust Fund for allocation to trial courts for unforeseen emergencies. • Requires the transfer of all assets, liabilities, revenues, and expenditures from the Trial Court Improvement Fund and the Judicial Administration Efficiency and Modernization Fund to the Trial Court Improvement and Modernization Fund. • Prohibits the Judicial Council from redirecting funds from the Trial Court Trust Fund for any purpose other than for allocation to trial courts or as otherwise specifically appropriated by statute. <p>Reviewed the actions the Judicial Council and AOC took to implement these reforms. Based on our review, we found the Judicial Council and AOC substantially complied with these reforms; however, we have concerns with the AOC's expenditure of certain funds on behalf of trial courts, which we discuss in Chapter 2.</p>
3 Determine whether the AOC's methodology for determining its budget for administration and staffing is consistent with the best practices of one or more comparable organizations.	<ul style="list-style-type: none"> • Identified the best practices of two other states' court administration offices, professional organizations, the United States Government Accountability Office, the California Department of Human Resources, and other sources. • Interviewed AOC staff and reviewed documentation to determine the AOC's methodology for establishing its overall budget and staffing level. • Compared the practices of the AOC with those best practices identified. • Evaluated the AOC's use of temporary staff by comparing temporary employee salaries with AOC employee salaries, reviewing duty statements, and evaluating the length of time that temporary staff have worked at the AOC. • Evaluated the scope of an ongoing AOC classification and compensation study.
4 Determine the size and composition of the AOC's staff. Analyze whether the AOC's staffing is appropriate for its mission. Determine whether reductions in trial court funding over the last three years have made any of the AOC's functions unnecessary. If so, assess whether the judicial branch can redirect funds for these AOC functions to trial court operations.	<ul style="list-style-type: none"> • Determined the number and type of staff that the AOC employed from fiscal years 2007–08 through 2013–14, salaries that AOC employees received from fiscal year 2010–11 through March 31, 2014, and key benefits that AOC employees received from fiscal years 2010–11 through 2013–14. • Compared the salaries and benefits of AOC employees to the salaries and benefits of other state employees. • Reviewed the work locations of AOC managers and staff. • Calculated the total lease costs of all AOC office locations. Used the AOC's Sacramento lease cost to determine the savings if the AOC were to consolidate its work locations in Sacramento. • Surveyed the Supreme Court, all six courts of appeal, and all 58 trial courts. All but two trial courts—Alpine and Marin—fully completed our survey. In the survey, we asked the courts questions relating to the services the AOC provides, including: <ul style="list-style-type: none"> - Has your court used this service? - Does your court value this service? - Have cuts to your budget made these services more or less important to your operations? • Interviewed AOC staff relating to the services the AOC provides to courts.

AUDIT OBJECTIVES	METHOD
<p>5 Determine whether the judicial branch has any reserves, contingency funds, or any other set-asides that it could make available immediately for court operations.</p>	<ul style="list-style-type: none"> • Reviewed judicial branch appropriations for fiscal year 2010–11 through 2012–13. • Determined the AOC’s local assistance and state operations expenditures for fiscal year 2010–11 through March 31, 2014. • Interviewed staff within the Fiscal Services Office. • Reviewed the fund balances to determine if the AOC could make funds available to trial courts for their operations. Based on our review, we did not identify any. • Reviewed any inefficiency in the AOC’s operations.
<p>6 Evaluate any other issues that are significant to the audit.</p>	<ul style="list-style-type: none"> • Reviewed the audit that the California Department of Finance (Finance) performed on the AOC in 2011, as well as the scope of a current Finance audit. • Evaluated the AOC’s implementation and reporting of the Strategic Evaluation Committee’s (evaluation committee) recommendations. To do so, we first counted the number of evaluation committee recommendations. We counted any recommendation that contained multiple parts as one recommendation. Second, we compared the text of the recommendation to text of the resulting directive and determined any differences that we reasonably believed were significant. Third, we used our professional judgment to determine whether the AOC implemented a recommendation based on information that the AOC made publicly available on its Web site. • Surveyed the superior courts of the counties of Los Angeles, Plumas, Kern, San Mateo, Orange, Kings, Lassen, Sacramento, and Merced, as well as the First District Court of Appeal, to ask their opinion on a fee-for-service system.

Sources: California State Auditor’s analysis of Joint Legislative Audit Committee audit request number 2014-107, planning documents, and the analysis of information and documentation identified in the table column titled *Method*.

In performing this audit, we obtained electronic data files extracted from the information systems listed in Table 5 on the following page. The United States Government Accountability Office, whose standards we are statutorily required to follow, requires us to assess the sufficiency and appropriateness of the computer-processed information that we use to support our findings, conclusions, or recommendations. Table 5 describes the analyses we conducted using data from these information systems, our methodology for testing them, and the issues we identified pertaining to the data. Although we recognize that these issues may impact the precision of the numbers we present, in total sufficient evidence exists to support our audit findings, conclusions, and recommendations.

Table 5
Methods to Assess Data Reliability

INFORMATION SYSTEM	PURPOSE	METHODS AND RESULTS	CONCLUSION
<p>Administrative Office of the Courts (AOC)</p> <p>Oracle Financial System (Oracle)</p> <p>Expenditure data related to program and fund analysis as of June 12, 2014</p> <p>Expenditure data related to travel expenses as of April 25, 2014</p>	<ul style="list-style-type: none"> To determine total expenditures by program and fund for the period July 1, 2010, through March 31, 2014. To determine total travel expenses for certain individuals for the period July 1, 2010, through March 31, 2014. 	<ul style="list-style-type: none"> We performed data-set verification procedures and electronic testing of key data elements and did not identify any issues. In our December 2013 report titled <i>Judicial Branch Procurement: Semiannual Reports to the Legislature Are of Limited Usefulness, Information Systems Have Weak Controls and Certain Improvements in Procurement Practices Are Needed</i> (2013-302 & 2013-303), we reported that there is an unacceptably high risk that data from the applications the AOC and superior courts currently use to perform the day-to-day operations could lead to an incorrect or improper conclusion, regardless of the purpose for which the data are used. We concluded that until the AOC and superior courts implement adequate general controls over their information systems, the completeness, accuracy, validity, and confidentiality of their data will continue to be at risk. 	<p>Not sufficiently reliable for the purposes of this audit. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.</p>
<p>California State Controller's Office</p> <p>Uniform State Payroll System (payroll data)</p> <p>Payroll data for the period from July 1, 2010, through March 31, 2014</p>	<ul style="list-style-type: none"> To determine the total amount expended on regular pay and leave buyback for the period July 1, 2010, through March 31, 2014. To determine the amount that AOC contributed to its employees' retirement. For certain employees, this information was used to calculate the portion of the retirement contribution that the AOC paid as a benefit to these employees. 	<ul style="list-style-type: none"> We performed data-set verification procedures and electronic testing of key data elements and did not identify any errors. We relied on the completeness testing performed as part of the State's annual financial audit for payroll transactions between January 2008 and June 2013. Because we found the payroll data to be complete between January 2008 and June 2013, we have reasonable assurance that the payroll data for the period of July 2013 through March 2014 are also complete. We did not conduct accuracy testing on these data. 	<p>Undetermined reliability for the purposes of this audit. Although this determination may impact the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.</p>

Sources: Various documents and data from the AOC and the California State Controller's Office.

Chapter 1

GENEROUS COMPENSATION PRACTICES AND QUESTIONABLE BUSINESS DECISIONS HAVE LIMITED FUNDING AVAILABLE FOR THE COURTS

Chapter Summary

In recent years, California's fiscal crisis has profoundly impacted the judicial branch: More than 200 courtrooms have had to close or reduce their hours, and nearly 4,000 court employees have lost their jobs. Given the severity of the fiscal crisis, we expected that the Judicial Council of California (Judicial Council) would have directed the Administrative Office of the Courts (AOC) to carefully scrutinize its operations and expenditures to ensure that they were necessary, justified, and prudent so as to maximize the funds available to the courts. However, we found this was not always the case.

In particular, we identified about \$30 million in questionable compensation and business practices over a four-year period, plus the additional estimated annual savings of more than \$5 million that would result if the AOC were to consolidate its operations in one location. For example, the Judicial Council allowed the AOC to provide its staff with salaries and benefits that significantly exceed those that executive branch employees receive, without sufficient justification. Moreover, the AOC made questionable—and costly—business decisions, such as maintaining multiple office locations and hiring an excessive number of consultants, contractors, and temporary workers. In light of the significant funding cuts to the judicial branch, it is difficult to understand why these financial practices continued. Had the AOC discontinued some or all of the questionable practices, additional funds might have been available for redirection to the trial courts.

Despite Budget Shortfalls, the AOC Has Continued to Provide its Employees With Unreasonably High Salaries and Generous Benefits

Although the State's fiscal crisis has led to significant funding cuts to the judicial branch, the AOC has continued to offer its employees excessive salaries and overly generous benefits. We examined the salaries of the AOC's four executive officers and the 19 managers of its 20 offices, services, and centers (offices) and found that they exceed comparable executive branch salaries by a total of more than \$1 million annually, or \$3 million over three years. Moreover, the AOC provided its employees with substantial employee benefits that amounted to a total of about \$5.4 million over a four-year period. Although the judicial branch is not subject to the executive

branch requirements, the AOC's role is to serve the courts. Thus, it should make fiscally prudent decisions that allow it to maximize the amount of funding available for the trial courts. To achieve this end, it should be mindful of the compensation and benefit policies of the executive branch and either mirror them closely or be able to provide reasonable justification for any deviations.

The AOC Pays Its Employees Far Higher Salaries Than They Would Earn in Comparable Executive Branch Positions

The AOC spent about \$63 million on salaries in fiscal year 2012–13, which, on average, were higher than the average salaries of executive branch and trial court employees. Specifically, in fiscal year 2012–13, the AOC paid its employees an average salary of about \$82,000, while employees in the executive branch earned an average of \$62,000 in 2013 and employees of four of the State's large trial courts earned an average salary of \$71,000. Moreover, as Table 6 shows, the AOC paid eight of its office directors a salary of at least \$179,400, which is more than the executive branch paid the governor and directors of many large departments. In fact, 88 of the AOC's employees earn over \$130,000 per year, which exceeds the salary level of the executive branch's highest career executive assignment (CEA). CEAs at this level include directors of small departments and chief deputy directors of large departments within the executive branch.

Eighty-eight AOC employees earn over \$130,000 per year, which exceeds the salary level of directors of small departments and chief deputy directors of large departments within the executive branch.

Because the elected officials and state department directors listed in the table have much broader responsibilities than any of the AOC's highly compensated staff, we question whether the AOC's salary levels are justified. For example, AOC office directors manage a range of 12 to 111 employees. In contrast, the director of the California Department of General Services (General Services) receives a lesser salary of \$167,000 yet manages a state department with more than 3,600 employees. Moreover, the AOC's office directors' job duties align generally with those required of the CEA classification of the executive branch, demonstrating that the AOC's office directors would receive significantly less pay if they were performing the same job within the executive branch. Specifically, office directors' job duties include the following:

- Developing and implementing the office's goals.
- Developing and administering the office's budget.
- Establishing division policies for staff.
- Negotiating policy and service agreements with state courts and other government entities.
- Representing the judiciary to internal and external customers, including other branches of government.

Table 6
Salary Comparison of Highest Paid Administrative Office of the Courts' Employees to Other Selected State Employees

ENTITY	CLASSIFICATION	2013 SALARY
California Department of Corrections and Rehabilitation	Agency Secretary	\$234,000
California Department of Public Health	Director	233,233
<i>Administrative Office of the Courts (AOC)</i>	<i>Administrative Director of the Courts*</i>	227,196
<i>AOC</i>	<i>Chief of Staff</i>	216,000
<i>AOC</i>	<i>Chief Administrative Officer</i>	198,168
<i>AOC</i>	<i>Chief Operating Officer</i>	198,168
<i>AOC</i>	<i>General Counsel/Director of Legal Services Office</i>	181,464
<i>AOC</i>	<i>Director, Center for Families, Children, and the Courts</i>	179,400
<i>AOC</i>	<i>Director, Center for Judiciary Education and Research</i>	179,400
<i>AOC</i>	<i>Director, Office of Governmental Affairs</i>	179,400
<i>AOC</i>	<i>Director, Information Technology Services Office</i>	179,400
<i>AOC</i>	<i>Director, Human Resources Services Office</i>	179,400
<i>AOC</i>	<i>Director, Court Operations Special Services Office, and Office of Appellate Court Services</i>	179,400
<i>AOC</i>	<i>Director, Judicial Branch Capital Program Office</i>	179,400
State of California	Governor	173,987
California Department of Water Resources	Director	173,349
California Department of Transportation	Director	173,349
New York Office of Court Administration	Executive Officer	172,303
<i>AOC</i>	<i>Chief Financial Officer/Director, Fiscal Services Office</i>	168,708
California Department of General Services	Director	167,361
Top allowable executive branch Career Executive Assignment (CEA) salary for positions requiring licensure as a physician, attorney, or engineer		165,384
<i>AOC</i>	<i>Senior Manager, Internal Audits Services Office</i>	162,336
<i>AOC</i>	<i>Assistant Director, Office of Real Estate and Facilities Management</i>	161,316
California State Controller's Office	Chief Counsel	158,000
California Department of Consumer Affairs	Director	157,708
California Department of Resources Recycling and Recovery	Director	157,708
<i>AOC</i>	<i>Senior Manager, Trial Court Administrative Services Office (two positions)</i>	153,972
<i>AOC</i>	<i>Senior Manager, Criminal Justice Court Services Office</i>	153,684
California Department of Motor Vehicles	Director	153,114
<i>AOC</i>	<i>Senior Manager, Office of Communications</i>	150,600
Texas Office of Court Administration (OCA)	Administrative Director of the Texas OCA	141,000
<i>AOC</i>	<i>Manager, Special Projects Office</i>	135,996
Top allowable CEA Level C salary		130,032
Top allowable CEA Level B salary		122,844
<i>AOC</i>	<i>Manager, Trial Court Liaison Office</i>	108,624
Top allowable CEA Level A salary		106,488
<i>AOC</i>	<i>Supervising Court Services Analyst, Office of Administrative Services</i>	94,104
<i>AOC</i>	<i>Supervising Court Services Analyst, Judicial Council Support Services</i>	87,756

Sources: AOC staffing list, California Department of Human Resources' Exempt Pay Scales and publicly available salary information for New York and Texas.

Notes: Listings in italics are AOC employees. Listings shaded in green are AOC office directors who are paid more than the governor.

Comparable state employee positions are for the top salary range of selected positions, including elected officials and department directors. We acknowledge that there are other more highly compensated state employees including, but not limited to, medical professionals, investment experts, and university employees. However, such employees generally have highly specialized skills or, in the case of university employees, their salaries are set independently of the executive branch.

* Under state law, the Chief Justice sets the Administrative Director of the Courts' salary at a level that is no less than an appellate court judge.

The salaries we reviewed for the equivalent CEA positions in the executive branch averaged about 31 percent less than those of the AOC's office directors, with the highest level CEA earning a maximum of \$130,000 per year.

The AOC was unable to explain how it came to pay salaries to its employees that are higher than those in the executive branch, but the chief of staff noted that the Chief Justice last approved AOC staff salaries in October 2012. The former director of the human resources services office (former human resources director) explained that, in general, many newly hired AOC employees' salaries are set at the minimum of the range unless a higher salary is warranted by exceptional job qualifications or other legitimate business reasons. Although the former human resources director provided us various personnel-related memos and other documents dating back to 1970, none of these documents explained how the AOC determined that its salary structure would be different and at a higher average compensation level than that of the executive branch.

The AOC recently engaged a consultant to conduct a classification and compensation study that will include recommended job descriptions, internal management hierarchy, and salary ranges for each employee classification, which the AOC expects will be complete in April 2015. According to the AOC's chief of staff, the AOC envisions that the consultant's study will provide a streamlined classification system that will assist the Judicial Council as it makes future decisions regarding the AOC's structure and possible downsizing or growth. The chief of staff noted that the findings of the review may result in the AOC decreasing or increasing the salary ranges for its employees. Although this review will revise the AOC's compensation structure, we have some concerns with its timing that we discuss in Chapter 3.

If the AOC had a compensation structure that more closely mirrored the executive branch, increased funding could be available to trial courts.

Even though the AOC is not subject to the executive branch salary restrictions, the Chief Justice has the authority to approve a compensation structure that more closely mirrors the executive branch. We learned that the Texas Office of Court Administration uses Texas's executive branch's pay structure for its employees. For example, if the salaries of the AOC's three executive officers and the managers of its 20 offices matched the levels of comparable California executive branch positions, it would save a total of over \$1 million annually—or \$3 million over three years—funds that the AOC could make available to the trial courts if it worked with the California Department of Finance and the Legislature to make the necessary budgetary and statutory changes to have the savings transferred to the trial court's local assistance appropriations.

The AOC Offers Its Employees Certain Generous Benefits

In addition to salaries that exceed those of other executive branch entities, the AOC offers its employees a number of generous benefits, which we describe in Table 7. For example, the AOC pays the employee share of the member’s retirement contribution for certain executive and management staff hired before October 2012. Under this program, the AOC pays for both the employee’s and the State’s share of the retirement contributions. The AOC began paying for this benefit in February 2007 when the former Chief Justice authorized the judicial branch to pay the employees’ share of retirement contributions for executive employees of the AOC, Supreme Court, Courts of Appeal, and the Habeas Corpus Resource Center. From fiscal years 2010–11 through 2013–14, we estimate this executive employee benefit cost the AOC a total of about \$858,000.

Table 7
Administrative Office of the Courts’ Benefits
Fiscal Years 2010–11 Through 2013–14

TOPIC	ADMINISTRATIVE OFFICE OF THE COURTS’ (AOC) POLICY OR PRACTICE	EXECUTIVE BRANCH POLICY OR PRACTICE	ISSUE	MONETARY EFFECT
Employer-paid member retirement contributions	Before October 2012 the AOC paid the entire share of certain executive and management employees’ California Employees’ Retirement System’s Tier 1 retirement contribution. Although it has discontinued this benefit for new employees, it still pays this benefit for 11 employees.	State law allows an agency to pay all or a portion of an employee’s normal retirement contributions if the employee was hired into his or her current position before January 2013.	The AOC offered this benefit to a number of its employees when the trial courts were struggling with severe budget cuts. The AOC continues to pay for 11 employees’ shares of their retirement contributions.	\$858,402 <i>(For fiscal years 2010–11 through 2013–14)</i>
State car usage	The AOC maintains a fleet of 66 vehicles for use by AOC employees. However, the AOC does not have any policies in place to govern the purchase or use of state vehicles.	In January 2011 the governor issued an executive order that requested that entities of the State not under the direct executive authority of the governor determine the purpose of, the necessity for, and the cost-effectiveness of their fleet vehicles and equipment in order to reduce additional waste and unnecessary costs.	The AOC does not document its justification for the purchase or acquisition of vehicles in its fleet. The AOC does not have policies for the use of its fleet or assigned vehicles. The AOC also does not maintain a central tracking mechanism over its 66 vehicles.	712,000 <i>(For fiscal years 2010–11 through 2013–14)</i>
Cell phones	In May 2014 the AOC implemented a policy requiring requests for the issuance of a cell phone be reviewed by the employee’s office, human resources, and division chief.	In January 2011 the governor released an executive order that called upon all state agencies and departments to reduce their number of cell phones and smart phones by 50 percent. The executive order requested other entities not under the governor’s direct authority to implement similar reductions.	Although the AOC currently has a cell phone policy, this policy did not go into effect until May 2014. The AOC has 200 cell phones that it issued to employees before the implementation of the cell phone policy.	The AOC does not track these expenses.

continued on next page...

TOPIC	ADMINISTRATIVE OFFICE OF THE COURTS' (AOC) POLICY OR PRACTICE	EXECUTIVE BRANCH POLICY OR PRACTICE	ISSUE	MONETARY EFFECT
Parking	The AOC reimburses its directors for their monthly parking up to \$230 per month.	The California Department of Human Resources' (CalHR) policies do not allow for reimbursement of parking adjacent to an employee's headquarters, temporary job site, or training site unless that parking relates to other business-related travel expenses on the same day.	Five AOC directors receive the benefit consistently and three on an as-needed basis. The AOC does not track these expenditures, but it provided an estimated cost for the current fiscal year.	\$12,000 <i>(Estimate for fiscal year 2013–14)</i>
Transit	The AOC provides discounted transit passes for major public transportation providers at most judicial branch locations. The AOC's current subsidy amount is \$120 per month per employee.	The CalHR Commute Program provides a 75 percent discount on public transit passes sold by state entities up to a maximum of \$65 per month per employee.	The AOC pays almost double the subsidy amount for transit passes compared to the executive branch.	1,160,365 <i>(For July 2010 through December 2013)</i>
Leave buyback program	The AOC's 2011 and 2013 Voluntary Leave Sell-Back programs gave employees the opportunity to cash out a maximum of 80 hours of their personal leave time and vacation or annual leave time on two occasions and up to 20 hours on a third.	Other than 2007 and 2014, CalHR did not authorize leave buybacks for executive branch excluded employees. When it authorized a leave buyback program in April 2014, eligible employees could elect to cash out up to a maximum of 20 hours of unused leave.	The AOC allowed leave buybacks of up to 80 hours at a time of fiscal strain. During this period, CalHR had not authorized leave buyback for executive branch excluded employees.	1,858,059 <i>(For fiscal years 2010–11 and 2012–13)</i>
Meals	The AOC's policies allow group business meals for judicial officers, employees, and committee members provided there is a business reason to keep the group together during the meal period. The AOC also uses vendors to cater meals served at its San Francisco and Sacramento locations. As of October 2014 the allowable per-person limits are \$8 to \$25 for breakfast, \$12 to \$40 for lunch, and \$18 to \$40 for dinner.	The executive branch does not reimburse business meals when departments call meetings with their own and/or other department employees to conduct state business. Effective September 2014, CalHR's per diem rates for excluded employees are \$7 for breakfast, \$11 for lunch, and \$23 for dinner.	The AOC caters training sessions and meetings at its work locations and has greater allowances for meal costs than the executive branch. (The fiscal year 2012–13 amount is based on planning documents for in-person programs.)	560,385 <i>(For fiscal years 2010–11 through 2012–13)</i> 266,469 <i>(For fiscal year 2012–13)</i>
Total				\$5,427,681

Sources: California State Auditor's analysis of data obtained from the California State Controller's Office's Uniform State payroll system, AOC's policies, and CalHR's policies, executive orders, and various documentation that AOC staff provided.

Although the current Chief Justice discontinued paying this benefit for executive and management employees hired after October 2012, the AOC continued to pay the entire share of retirement contributions for 17 executive and management staff it hired before that date, at an estimated total cost of \$140,000 for fiscal year 2013–14. Of these 17 employees, 11 were active employees of the AOC as of December 2, 2014, and their positions are listed in the text box on the following page. We estimate the AOC will pay approximately \$110,000 per fiscal year for these individuals' share of the retirement contributions as long as they remain in its employ or until it

changes this policy. An additional 13 employees of the Supreme Court, Courts of Appeal, and the Habeas Corpus Resource Center also continued to receive this benefit as of August 2014. State law permits this practice for employees occupying their current positions before January 1, 2013. However, the fact that the AOC continues to provide this benefit to its executives during a time when budget cuts are severely affecting the courts indicates that it is not taking all reasonable steps available to reduce its costs. Moreover, continuing to pay this benefit to executives further widens the gap between the compensation levels of the AOC and the executive branch.

Another generous benefit in terms of frequency and amount that the AOC offers is its leave buyback program at a total expense of over \$900,000 per year for the two fiscal years during which the AOC offered the program during our audit period: fiscal years 2010–11 and 2012–13. According to its former human resources director, the AOC offers a leave buyback program to all its employees, allowing the employees to receive payment at their regular salary rate in exchange for their accumulated leave hours. With the Chief Justice’s approval, the AOC has offered the leave buyback program three times in the last four fiscal years and allowed employees to cash out up to 80 hours of leave per year for two of those years and 20 hours for the most recent fiscal year. In contrast, because of the State’s fiscal crisis, the executive branch offered a leave buyback program only twice during the past seven years—in 2007 and 2014—for a maximum of 40 hours and 20 hours, respectively. According to the former human resources director, the leave buyback program was created a number of years ago to help reduce the potential fiscal impact that leave payouts may have when employees separate from the judicial branch. Although a leave buyback program can prove to be cost-beneficial, we question the decision to continue to provide this benefit to AOC staff at a time when it was reporting that many courthouses had to lay off their employees, reduce hours, and close courtrooms.

The Administrative Office of the Courts pays the employee share of the retirement contribution for the following 11 executives and managers:

- Chief of staff
- Chief administrative officer
- Chief operating officer
- Chief financial officer/Fiscal Services Office director
- Center for Families, Children and the Courts director
- Center for Judiciary Education and Research director
- Information Technology Services Office director
- Center for Families, Children and the Courts assistant director
- Court Operations Special Services Office assistant director
- Fiscal Services Office assistant director
- Office of Real Estate and Facilities Management assistant director

Source: Information provided by the Administrative Office of the Courts’ Human Resources Services Office, as of December 2, 2014.

The AOC’s Multiple Work Locations Have Increased Its Expenses and Reduced Its Efficiency

The AOC’s decision to maintain work locations in San Francisco, Sacramento, and Burbank has increased its expenses and reduced its efficiency. For example, because some managers and their

Consolidating all of AOC's work locations in Sacramento would likely result in significant savings and could improve its employees' productivity.

staff work in different locations, we question how the managers can effectively supervise their staff. Further, the AOC has not sufficiently justified the increased expenses associated with maintaining its headquarters in San Francisco, where it pays far higher rent than it does in Sacramento. Consolidation of all its work locations in Sacramento would likely result in significant savings and could improve its employees' productivity because the majority of its managers and staff would be in the same location.

Some Managers and Their Staff Work in Different Locations, Resulting in Inefficiencies and Unnecessary Travel Costs

Several of the AOC's executive managers work in different locations than the majority of their staff, creating the potential for inadequate supervision and unnecessary travel expenses. Although the AOC's headquarters are in San Francisco, none of the AOC's four executive managers—the administrative director of the courts, chief of staff, chief operating officer, and chief administrative officer—are based at the San Francisco location. Instead, they are headquartered in Sacramento and work at the San Francisco location when needed. It is unclear whether any of the four executive officers can effectively and consistently oversee the 481 staff who collectively report to them yet work in the San Francisco location. Further, as we discuss later, the assistant fiscal director indicated that the AOC assigns a vehicle to each of the four executive officers in part to facilitate their frequent travel between the Sacramento and San Francisco work locations—an expense that results from the AOC's decision to keep both work locations.

We found a similar condition when we reviewed the locations at which the AOC's office directors or managers work. As Table 8 shows, six directors or managers are also not located in the same locations as many of their staff. For example, the chief financial officer is based in Sacramento with eight of his staff. However, most of his staff of 60 work in San Francisco and five work in Burbank. Over the last three fiscal years, the chief financial officer's travel expenses amounted to over \$22,000. In addition, the director of the court operations special services office and office of appellate court services is based in Burbank along with only two staff, while her other 40 staff are located in San Francisco. Her travel expenses amounted to more than \$3,200 between July 2013 and March 2014. In both of these instances, we believe that the practice of office directors working in different locations than the majority of their staff is inefficient and causes unnecessary travel expenses.

In contrast, we identified two other office directors who do not work at the same locations as their staff for reasons that we believe are justified. These two directors are both based in San Francisco,

yet their staff are spread among the AOC’s three locations and various court buildings throughout the State. However, the employees work for the capital program and for the real estate and facilities offices and, as a result, their job duties require them to be at construction sites and trial court locations statewide. In both these instances, business needs require the employees to work in different locations than their directors.

Table 8
Location of Managers and Staff

DIVISION	OFFICE	TITLE OF MANAGER	LOCATION OF STAFF				TOTAL
			SAN FRANCISCO	BURBANK	SACRAMENTO	OTHER	
Executive Office	Executive Office	Administrative Director of the Courts	3		4		7
	Office of Governmental Affairs	Division Director			12		12
Operations Services Division	Office of Appellate Court Services*	Division Director*	4	*			4
	Court Operations Special Services Office*		36	3			39
	Center for Families, Children and the Courts	Division Director	55		4		59
	Center for Judiciary Education and Research	Division Director	45				45
	Judicial Branch Capital Program Office	Division Director	16	7	23	1	47
	Criminal Justice Court Services Office	Senior Manager	16				16
Administrative Services Division	Fiscal Services Office	Division Director/Chief Financial Officer	60	5	9		74
	Human Resources Services Office	Division Director	37				37
	Trial Court Administrative Services Office	Senior Managers (2)			83		83
	Information Technology Services Office	Division Director	98	9	4		111
	Office of Real Estate and Facilities Management	Assistant Division Director	16	14	26	22	78
	Office of Administrative Services	Supervising Court Services Analyst	29		†		29
Leadership Services Division	Legal Services Office	Division Director/ General Counsel	33	6	6		45
	Internal Audit Services	Senior Manager	10		4		14
	Office of Communications	Senior Manager	7				7
	Judicial Council Support Services	Supervising Court Services Analyst	12				12
	Trial Court Liaison Office	Manager	4		4		8
	Special Projects Office	Manager			6		6
Totals			481	44	185	23	733

Source: Staffing list as of October 1, 2014, provided to the California State Auditor’s Office by the former director of the Human Resources Services Office.

Notes: The Trial Court Administrative Services Office has two senior managers who report directly to the chief administrative officer. Offices in bold indicate the directors or managers who are not located in the same location as many of their staff.

■ Offices in which the directors/managers work. The number of staff includes the director.

* The Office of Appellate Court Services and the Court Operations Special Services (COSSO) share the same director, and the director is included in the numbers for COSSO.

† The Administrative Office of the Courts lists the manager of the Office of Administrative Services as working in the Trial Court Administrative Services Office.

The AOC's Practice of Paying Regional Salary Differentials Is Costly

To compensate for the high cost of living in San Francisco and Los Angeles, the AOC pays a salary differential to 525 employees who work in these areas. Because of this salary differential, employees who work in San Francisco earn 5.5 percent more than employees who work in Sacramento, and employees who work in the Burbank/Los Angeles area earn 2.5 percent more. The AOC does not track the cost to provide this salary differential. However, we estimated the cost for one smaller office, that of internal audits. Including its senior manager, this office has 10 staff working in San Francisco, and their annual salaries totaled \$900,000, which we estimate could include a salary differential of up to \$47,000. Had this office been located in Sacramento, the AOC would have avoided the expense of paying this salary differential. While we acknowledge there may be good business reasons for some of the 525 employees to work outside of Sacramento, if the AOC consolidated its operations in Sacramento, it would avoid the considerable cost of paying many of its employees a salary differential.

Because the AOC does not accurately track where its staff work, it lacks assurance that it is only paying salary differentials to employees who work in San Francisco or Los Angeles. The AOC's personnel policies and procedures require that each employee's official personnel file identify all regularly scheduled work locations from the date of hire. According to the former human resources director, the human resources office has never had the resources to independently determine whether employees work in more than one location. Instead, the human resources office relies on information submitted through a personnel action request, which includes employees' official work locations but not necessarily where those employees spend the majority of their time. Thus, the human resources office does not follow its policy to review employee records to ensure that it pays an employee the wage that coincides with the city in which the employee actually works.

The human resources office does not follow its policy to review employee records to ensure that it pays an employee the wage that coincides with the city in which the employee actually works.

We found that as a result of the AOC's failure to follow its own policy, it did not accurately classify five employees at the Sacramento salary range. Specifically, when we confirmed the desk locations of the roster of 180 Sacramento employees that the AOC provided us, we found that it did not include at least five employees who work in the Sacramento office. Although this number may seem insignificant, AOC's poor recordkeeping creates the potential for more inconsistencies. When we brought these errors to the former human resources director's attention, he explained that staff had input these data inaccurately and that the AOC is now training them to minimize future errors. Further, according to the former human resources director, two of these five employees earned salaries above the maximum pay range for the Sacramento region

because of the salary differentials. He also explained that the AOC will attempt to recover the overpayments from the employees who received them in error. Had the human resources office periodically reviewed the locations of AOC staff in accordance with its policy, it might have detected these errors.

The AOC Could Save Millions of Dollars Annually by Consolidating Its San Francisco and Burbank Work Locations in Sacramento

The AOC could achieve significant savings by consolidating its work locations in Sacramento to take advantage of lower property lease rates. Specifically, the AOC pays \$4.49 per square foot for the 180,000 square feet of office space it leases in San Francisco and \$3.71 per square foot for the 11,000 square feet it leases in Burbank as opposed to an average of \$2.19 per square foot for the 64,000 square feet it leases in Sacramento. As we show in Figure 2 on the following page, we estimate the AOC could save over \$5 million in rent alone each year by moving its offices to Sacramento. Further, the AOC could eliminate travel expenses between its offices as well as the regional pay differentials.

The AOC has not conducted a sufficient analysis to determine the feasibility of relocating its headquarters. Although the AOC has reduced costs by reducing unneeded lease space, according to the assistant director of the office of real estate and facilities management (real estate assistant director), the AOC believes that several factors make relocating impractical. However, the AOC did not formally record its analysis of these factors and it did not consider locations outside of San Francisco. The real estate assistant director also told us that the State benefits from the AOC's San Francisco lease because it pays rent for the space to General Services⁴ rather than to a private landlord; however, this rationale is invalid without a thorough analysis because another entity could lease the space if the AOC vacated it.

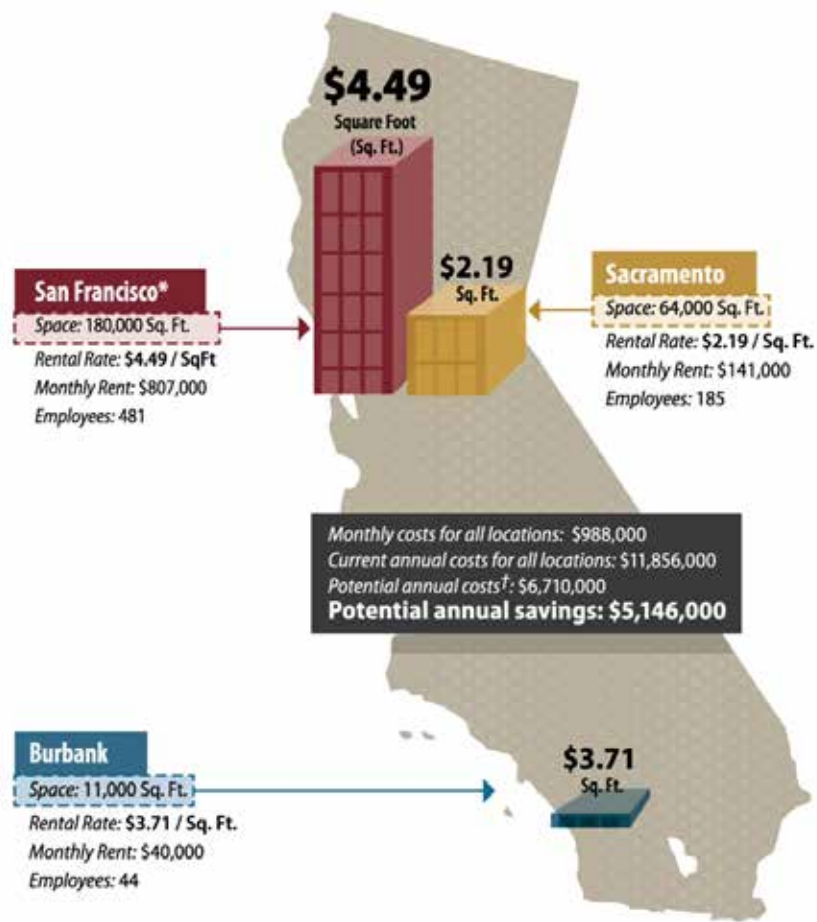
In addition to the financial savings, the AOC could realize other benefits if it relocated to Sacramento. Specifically, having a Sacramento headquarters would likely improve the judicial branch's communication with the Legislature and other state entities. In fact, the Texas Office of Court Administration stated that locating its headquarters near the capital is critical to maintaining and fostering communication with its legislature. Further, relocating to Sacramento would allow most AOC staff to work in one location, making internal communication and management more efficient.

We estimate the AOC could save over \$5 million in rent each year by moving its offices to Sacramento and could eliminate travel expenses between its offices as well as the regional pay differentials.

⁴ The AOC rents its headquarters in San Francisco through General Services, which assigned the space to the Judicial Council indefinitely.

We acknowledge that moving the AOC’s headquarters would likely require a substantial effort and would take time to implement, however, without conducting a thorough cost-benefit analysis, the AOC cannot demonstrate that it is acting in the best interest of the courts by maintaining a work location in Burbank and its headquarters in San Francisco.

Figure 2
Administrative Office of the Courts’ Offices Lease Rates, by City



Source: California State Auditor’s analysis of the Administrative Office of the Courts’ (AOC) real estate contracts and human resources database.

* These amounts factor in the cost and space reductions for the AOC’s sub-lease to the California Public Utilities Commission.

† We calculated potential costs using the AOC’s average lease rate in Sacramento.

The AOC Has Made Questionable Business Decisions

During a time of fiscal crisis, the AOC has continued to make costly business decisions that do not serve the best interest of the trial courts. Specifically, the AOC has employed a significant number of contractors and temporary employees at excessive pay rates, has maintained a large fleet of vehicles without justifying its need for them, and has paid an excessive amount for meals and catering.

The AOC Employs Many Contractors, Temporary Workers, and Consultants

The AOC's use of contractors, temporary workers, and consultants has resulted in significantly higher costs than the AOC would have incurred had it hired state employees to perform this work. Specifically, the AOC spent about \$13.5 million on 55 contractors during fiscal year 2013–14, ranging from a low of \$143,000 to a high of \$406,000 for an average of about \$246,000 per contractor. Most of these contractors work in information technology and construction. According to the AOC, all but one of these contractors work full-time and they are all responsible for their own benefits. Most of these 55 contractors have a long-term working relationship with the AOC: 45 of them have worked with the AOC for two years or longer and 10 have worked for the AOC since 2010 or earlier. Although the Strategic Evaluation Committee (evaluation committee) recommended that the AOC not use any temporary employee for periods exceeding six months, the AOC only addressed the recommendation as it related to *temporary workers*, as discussed below. Our review of five of the 55 contractors found that if the AOC had used state employees in comparable positions, it could have saved about \$650,000 per year. Although this amount does not include any additional costs for benefits, these savings would increase substantially if the AOC had replaced the remaining 50 contractors with state employees. For example, if we extrapolate the savings we calculated for the five contractors we reviewed to the AOC's remaining contractors, the AOC could save up to a total of \$7 million per year, or \$21 million over three years.

The AOC also has not complied with its own policy on hiring temporary workers. In response to an evaluation committee recommendation to cease its use of temporary staff to circumvent the hiring freeze, the AOC developed guidelines in June 2013 to restrict its use of temporary workers. These guidelines state that for various reasons, the AOC may not hire temporary workers for longer than six months and that it must file extension requests to allow them to work past June 30 of each fiscal year. However, our review of temporary worker data as of June 2014 revealed that

The AOC could save up to a total of \$7 million per year by replacing its 55 contractors with state employees.

five of the AOC's 15 temporary agency employees worked for much longer than six months, one since August 2009. Two others have worked for the AOC for more than one and two years, respectively.

Further, the AOC spent more on these 15 temporary workers than it would have if it had hired permanent state employees. The 15 temporary workers worked in accounting, procurement, and other administrative positions that did not seem to require any specialized skills. The AOC failed to perform a cost-benefit analysis to demonstrate that employing temporary agency employees was more cost-effective than hiring state employees for these roles. Our calculations show that if the AOC had used state employees instead of these 15 temporary employees, it could have saved about \$200,000 per year exclusive of the cost of benefits, or \$600,000 over three years.

Further, the AOC's ongoing use of contractors, temporary workers, and consultants makes its staff levels appear lower. For example, the AOC employs consultants or consulting firms, most of which are not included in its staffing numbers. In addition, although the number of the AOC's contractors and temporary workers—70 as of June 2014—is substantially down from the peak of 260 during fiscal year 2011–12, their use continues to be a costly practice. Discontinuing this expensive practice, especially during times of fiscal crisis, would free up additional funding that could benefit the trial courts.

The AOC Has Not Justified Its Decision to Maintain a Fleet of Vehicles

The AOC maintains a fleet of at least 66 owned or leased vehicles, for which it has not conducted any cost-benefit analyses or provided any justification.

The AOC maintains a fleet of at least 66 owned or leased vehicles, for which it has not conducted any cost-benefit analyses or provided any justification—a practice that is contrary to the executive branch's practices and policies. Specifically, in early 2011, the governor issued an executive order that required state agencies to analyze the purpose of, the necessity for, and the cost-effectiveness of the vehicles in their fleet and to relinquish nonessential or cost-ineffective vehicles. The executive order further required the director of General Services to approve all future vehicle purchases. In contrast, AOC's assistant fiscal director stated that the AOC allows its offices to determine their own vehicle needs and whether to purchase or lease any vehicles they acquire.

The AOC has not established policies and procedures that describe the process its offices should follow to acquire vehicles, which would help to ensure that it acquires only necessary vehicles. Because the AOC has no formal policy for making determinations related to acquiring vehicles, the assistant fiscal director was unable to provide the requests from its offices to

substantiate the need for the 66 vehicles. She further explained that the AOC is not subject to General Services' requirements for fleet management and does not involve General Services in the acquisition of fleet vehicles. However, the assistant fiscal director stated that the office of real estate and facilities management actively uses 43 of the vehicles to visit court locations and construction sites. For the remaining 23 vehicles, she indicated the AOC has not performed a formal cost-benefit analysis to justify the purchase of these vehicles. The lack of a documented policy indicates that the AOC has few controls in place to ensure that vehicle purchases are necessary and reasonable. Moreover, the AOC does not maintain a centralized inventory of its vehicles. Consequently, when we asked for a list of employees who are assigned state vehicles, the assistant fiscal director initially indicated that only three executives have vehicles assigned to them. In response to a follow-up inquiry, the assistant fiscal director stated that some of its offices also maintained vehicles. Subsequently, she provided us a list of 66 vehicles. The lack of a central vehicle list inhibits the AOC's ability to monitor the cost of each vehicle and indicates it does not actively monitor vehicle purchases or their location.

Because the AOC failed to justify the necessity of its vehicles or track their cost, it may be purchasing vehicles in a manner that is not cost-effective. For example, the AOC has assigned vehicles to its top executives—the chief of staff, chief operating officer, and chief administrative officer. When we analyzed the usage of these executives' vehicles, we found that, on average, the three executives use the vehicles for business purposes for only about 20 percent of the time and personal use for the remaining 80 percent. According to the assistant fiscal director, the executives routinely use their state-assigned vehicles to travel directly from home to AOC offices, courts, or other business locations. While this travel has an express business purpose, based on Internal Revenue Service guidelines, direct travel from home to a regular work location—which includes the Sacramento and San Francisco locations for the three executives—must be reported as personal mileage. As a result, the assistant fiscal director indicates that mileage usage by executives is disproportionately represented as personal mileage. If the AOC required these three executives to instead use their personal vehicles and claim the mileage reimbursement rate for their business miles, we estimate that it would save an average of roughly \$2,500 per vehicle each year, plus the cost of maintenance and gas. A similar analysis of other AOC vehicles may identify additional potential savings.

Finally, the AOC also pays for parking for five office directors—one in Sacramento, one in Burbank, and three in San Francisco—which it estimates costs an average of about \$1,000 each month. Executive branch policy only allows for reimbursement of

We analyzed the usage of three executives' vehicles and found that, on average, the executives use the vehicles for business purposes for only 20 percent of the time and personal use for the remaining 80 percent.

parking adjacent to an employee's headquarters if there will be business-related travel on the same day. In contrast, the AOC reimburses up to \$230 per month for parking for employees at the office-director level and above. Because the AOC's policy is contrary to the executive branch's policy, we question why the AOC should continue to provide this benefit.

The AOC's Expenses for Meals and Catering Are Far Higher Than Those in the Executive Branch

Because its policies do not mirror those of the executive branch, the AOC incurs excessive expenses for meals and catering for its employees and for judicial branch staff. For example, although the AOC's reimbursement rates for its employees' meals during normal travel are similar to those of the executive branch, the AOC reimburses its employees for meals at trainings and events at higher rates. Specifically, the executive branch's meal allowance is currently \$23 for dinner. However, according to the assistant fiscal director, until very recently the AOC's allowable cost for a dinner at events or trainings was up to \$60 per person, depending on the nature of the event and whether the meal is consumed at its offices, a restaurant, or a hotel. She also told us that in October 2014, the AOC lowered this amount to \$40 per person.

In addition, the AOC's policy allows it to provide meals for judicial officers, employees, and committee members at official functions, meetings, and conferences. Executive branch policy prohibits agencies from reimbursing employees for business meals with its own or another state agency's employees. In contrast, the AOC's policy allows for business meals during which judicial branch business discussions take place or for meals associated with judicial branch conferences, committee meetings, and workshops, when there is a business need to keep participants together. According to the director of the center for judiciary education and research (education director), providing meals during trainings or meetings offers significant benefits. She explained that doing so allows judicial officers to discuss their work and share best practices with one another, and it also allows them to discuss their cases in a private setting. However, providing these meals entails a sizable expense that is not allowed under the executive branch policy, an expense that we believe may outweigh any potential benefits.

The AOC has spent from \$102,000 to \$183,000 per year on catering contracts over the last six years at its San Francisco location and \$35,000 to \$82,000 over the past three years at its Sacramento location.

Furthermore, the AOC has annual catering contracts for its San Francisco and Sacramento locations. For its San Francisco location, the AOC has spent from \$102,000 to \$183,000 per year on catering over the last six years for this location alone. The AOC indicates that each week it has generally catered four to five meals, each for an average of 24 people. The AOC has similar catering contracts for its Sacramento location at a cost that ranged from

\$35,000 to \$82,000 over the past three years. The education director indicated that the AOC does not have a catering contract for its Burbank location but orders meals on a case-by-case basis. As previously mentioned, catering for either business meetings or training events is not allowed under the policies of the executive branch.

Additionally, when the AOC holds events in locations other than its work locations or other government offices, it contracts out with the facilities for the entire event, including meals. The education director stated that the AOC provides meals and snacks at events because it schedules various activities during the meal periods, including meetings, speakers, announcements, networking opportunities, or additional trainings. According to the education director, the AOC does not centrally track its catering expenditures at these events separate from other program costs. However, we estimated the cost for the catering for one event based on various planning and other documentation as shown in the text box. Specifically, in August 2011, the AOC held a two-week judicial college session at a hotel and conference center in San Jose. According to the AOC's planning documents, it intended to have the venue provide meals and snacks for the 150 attendees at a cost of nearly \$87,000. Had the AOC used the executive branch's reimbursement rates for this event, it would have spent only \$32,000, a savings of roughly \$55,000.

Planned Costs of Meals the Administrative Office of the Courts Provided to Attendees of the 2011 Judicial College

MEAL	COST PER PERSON	EXECUTIVE BRANCH REIMBURSEMENT RATE
Breakfast	\$20	\$7
Morning break	7	NA
Lunch	22	11
Opening lunch	37.85	11
Afternoon break	7	NA
Box dinner	25	23
Dinner	40	23
Commencement dinner	40	23
Estimated total costs	\$87,000	\$32,000

Sources: Administrative Office of the Courts' Center for Judiciary Education and Research's fiscal year 2012-13 budget planning documents for the 2011 Judicial College, which started July 31, 2011, and the meal reimbursement rates in effect as of September 2014, according to the California Department of Human Resources.

NA = The executive branch does not reimburse employees for food provided during breaks.

Recommendations

To ensure that the compensation the AOC provides is reasonable, the Judicial Council should adopt procedures that require a regular and thorough review of the AOC's compensation practices including an analysis of the job duties of each position to ensure that the compensation aligns with the requirements of the position. This review should include comparable executive branch salaries, along with a justification when an AOC position is compensated at a higher level than a comparable executive branch position.

To ensure that its compensation structure is reasonable, the AOC should do the following:

- Cease paying employees' share of retirement contributions.

- Mirror the executive branch's practices for offering leave buyback programs in terms of frequency and amount.

To increase its efficiency and decrease its travel expenses, the AOC should require its directors and managers to work in the same locations as the majority of their staff unless business needs clearly require the staff to work in different locations than their managers.

To ensure that it pays its employees the appropriate salaries for the locations in which they spend the majority of their work hours, the AOC should follow its policy to periodically verify that salary differentials are based on an employee's actual work location.

To justify maintaining its headquarters in San Francisco and its additional space in Burbank, the AOC should conduct a thorough cost-benefit analysis of moving its operations to Sacramento. If the analysis determines that the financial benefits of consolidating its operations in Sacramento outweigh the costs of such a move, the AOC should begin the process of relocating to Sacramento.

To reduce its expenses, the AOC should do the following:

- Implement a policy that requires it to conduct a cost-benefit analysis for using temporary workers, contractors, or consultants instead of state employees before employing temporary workers, contractors, or consultants to do the work of AOC employees.
- Follow its policies and procedures limiting the period of time it can employ temporary workers, and develop a similar policy to limit the use of contractors to a reasonable period of time but no more than one year.
- Conduct a cost-benefit analysis for maintaining its pool of vehicles. If the analysis finds that the cost of maintaining the vehicles outweighs the costs of having its employees use other means of transportation, such as their personal vehicles, the AOC should reduce the number of vehicles it owns and leases. Also, the AOC should track and periodically inventory the vehicles in its fleet.
- Cease reimbursing its office directors for parking at their headquarters by adopting the executive branch's parking reimbursement policies.
- Cease its excessive reimbursements for meals by adopting the executive branch's meal and travel reimbursement policies.

Once the AOC has identified savings related to its compensation and business practices, the Legislature should consider ways to transfer this savings to the trial courts.

Chapter 2

THE JUDICIAL COUNCIL OF CALIFORNIA'S LACK OF OVERSIGHT ALLOWED THE ADMINISTRATIVE OFFICE OF THE COURTS TO SPEND JUDICIAL BRANCH FUNDS IN A QUESTIONABLE MANNER

Chapter Summary

Even though state law authorizes the Judicial Council of California (Judicial Council) and Administrative Office of the Courts (AOC) to spend funds on behalf of the trial courts, the AOC has considerable flexibility in how it spends some of those funds. Over the past four fiscal years, the AOC made about \$386 million in payments on behalf of trial courts; although it may have been legally permissible for the AOC to spend these funds in this manner, we believe the AOC could have paid for some of these expenditures from its own appropriations rather than the trial courts' appropriations. As a result, some of these funds might have been available to support the courts. Thus, the Legislature should take steps to ensure accountability and transparency of the payments the AOC makes on behalf of the trial courts.

The Judicial Council delegated much of its fiscal responsibilities to the AOC, which we believe contributed to the AOC's questionable spending decisions. Furthermore, the Judicial Council has not required the AOC to undergo an independent financial audit to ensure that it has spent public funds appropriately, nor has the Judicial Council ensured that the AOC follows a transparent process when addressing the recommendations that the Strategic Evaluation Committee (evaluation committee) made to improve the AOC's operations. Because the Judicial Council is not effectively overseeing the AOC—namely its spending decisions—the Judicial Council is falling short in its responsibility to ensure access to justice through effective management of judicial branch funds.

The AOC Has Provided Insufficient Justification for Its Use of a Portion of \$386 Million in Local Assistance Funds

Consistent with how funds are appropriated for other statewide programs, the appropriations in the annual budget act often make funds available for the judicial branch in three categories: capital outlay (for physical infrastructure), state operations (for state administrative costs related to judicial branch operations), and local assistance (for costs associated with operating local trial courts). The annual budget act appropriates state funding for the trial courts to the Judicial Council and it, in turn, either allocates

those funds directly to trial courts or authorizes the AOC to spend those funds on trial courts' behalf. As shown in Table 9, the AOC spent approximately \$1.15 billion for state operations over the past four years. In addition, during the same period, trial courts or the AOC spent \$9.96 billion for local assistance.

Table 9

**Judicial Council of California, Administrative Office of the Courts' Expenditures for State Operations
July 2010 Through March 2014**

Judicial Council of California (Judicial Council)

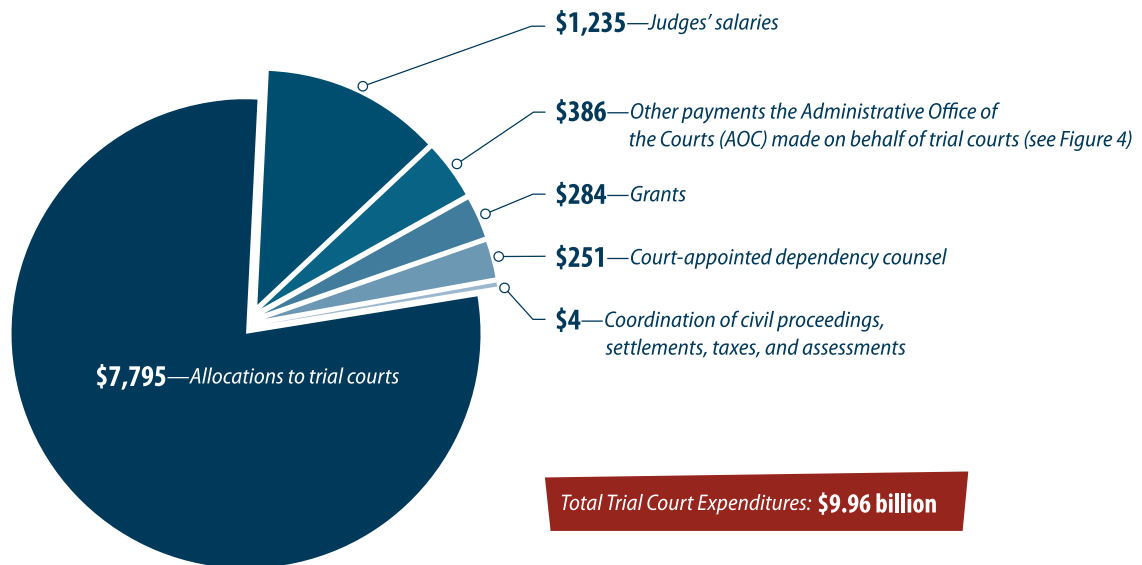
FUND NAME	FISCAL YEAR				TOTAL
	2010-11	2011-12	2012-13	2013-3/31/2014	
General Fund	\$100,191,407	\$92,761,687	\$80,293,236	\$55,752,905	\$328,999,235
Motor Vehicle Account, State Transportation Fund	182,718	167,877	183,211	135,249	669,055
State Trial Court Improvement and Modernization Fund	7,813,731	7,246,514	12,364,710	9,040,948	36,465,903
Court Interpreters' Fund	130,189	165,880	316,546	7,457	620,072
Family Law Trust Fund	1,957,985	1,743,219	1,331,090	902,000	5,934,294
Federal Trust Fund	3,567,740	3,420,846	2,728,533	1,839,032	11,556,151
Trial Court Trust Fund	13,361,871	14,512,899	10,355,792	13,073,308	51,303,870
Administration of Justice Fund	37,777	26,227	38,324	16,267	118,595
State Court Facilities Construction Fund	6,468,499	6,382,361	6,917,232	4,554,574	24,322,666
Mental Health Services Fund	991,214	1,087,712	1,074,610	645,996	3,799,532
State Community Corrections Performance Incentives Fund	–	194,514	719,299	603,322	1,517,135
Judicial Branch Workers' Compensation Fund	293,567	237,358	385,614	248,556	1,165,095
Judicial Council Totals	\$134,996,698	\$127,947,094	\$116,708,197	\$86,819,614	\$466,471,603
Judicial Branch Facility Program					
General Fund	\$1,229,609	\$922,902	\$938,096	\$596,576	\$3,687,183
State Court Facilities Construction Fund	55,052,230	49,950,616	40,200,572	27,789,333	172,992,751
Court Facilities Trust Fund	125,790,660	104,175,480	109,373,174	88,888,331	428,227,645
Immediate and Critical Needs Account, State Court Facilities Construction Fund	5,509,639	15,660,211	25,102,486	28,412,575	74,684,911
Judicial Branch Facility Program Totals	\$187,582,138	\$170,709,209	\$175,614,328	\$145,686,815	\$679,592,490
Grand Total State Operations Expenditures	\$322,578,836	\$298,656,303	\$292,322,525	\$232,506,429	\$1,146,064,093

Source: California State Auditor's analysis of data obtained from the Administrative Office of the Courts' Oracle Financial System.

Of this \$9.96 billion, the Judicial Council allocated approximately \$7.80 billion directly to the trial courts based on an allocation schedule that it is statutorily required to adopt and approve. The AOC spent the remaining \$2.16 billion on behalf of the courts. Figure 3 shows the breakdown of these expenditures. State law either required or authorized the majority of these expenditures. However, we have concerns regarding the appropriateness of a portion of \$386 million of these expenditures because it appears

that the AOC could have paid for some of these costs using its own state operations appropriations rather than local assistance appropriations. As a consequence, some portion of these funds might have been available to support the courts.

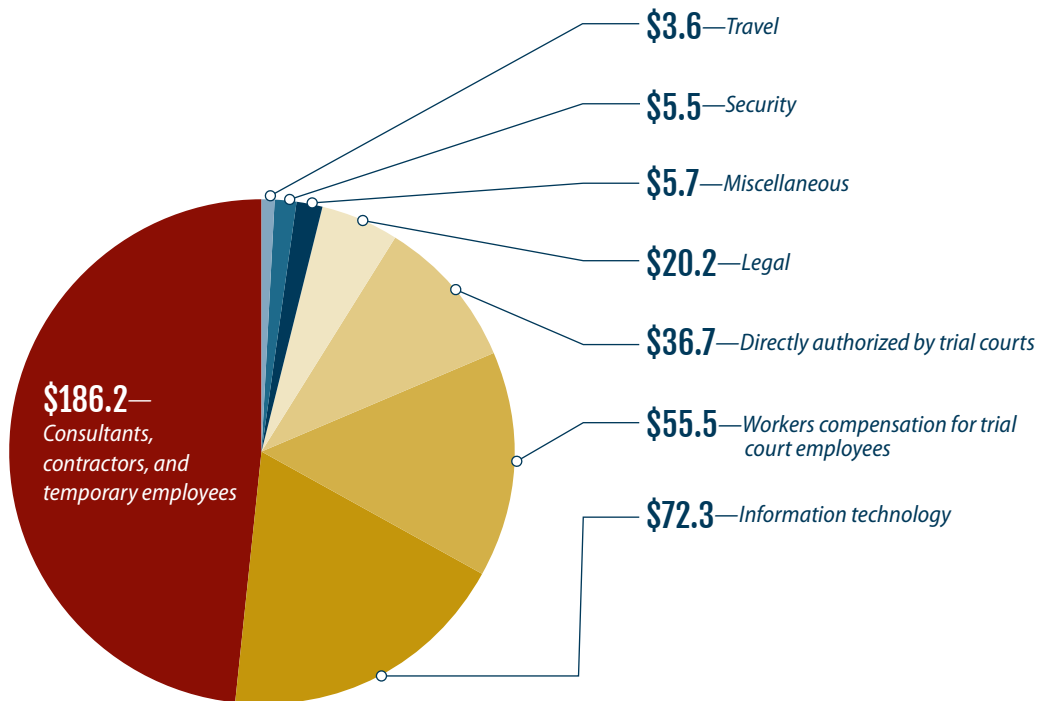
Figure 3
Total State Trial Court Expenditures
July 2010 Through March 2014
(In Millions)



Source: California State Auditor's analysis of data obtained from the AOC's Oracle database.

The AOC spent \$386 million as shown in Figure 4 on the following page. Some of the expenditure categories shown are undoubtedly reasonable uses of local assistance funds, namely court security, workers' compensation for court employees, and those funds that trial courts authorized the AOC to spend on their behalf. However, although state law clearly indicates that travel, legal expenses for court-related lawsuits, and information technology projects that support the courts should be paid from local assistance appropriations, when we reviewed the specific expenditures for these categories, we observed that some expenditures appear to be more closely aligned with what would typically be supported by a state operations appropriation. For example, we saw that the AOC used local assistance funds to pay for AOC employees' travel expenses. We also saw that the AOC used local assistance funds to pay for outside legal services related to contract support for the Court Case Management System (CCMS).

Figure 4
Breakdown of \$386 Million in Other Payments the Administrative Office of the Courts Made on Behalf of Trial Courts
July 2010 Through March 2014
(In Millions)



Source: California State Auditor's analysis of data obtained from the Administrative Office of the Court's Oracle database.

We also have concerns related to the AOC's use of local assistance funds for consultants, contractors, and temporary employees. As shown in Figure 4, the AOC spent \$186 million during this four-year period for consultants, contractors, and temporary employees. Although the AOC provided information asserting that the work these consultants, contractors, and temporary employees performed benefited the courts, we found that if an AOC employee provided the same type of support, the AOC would incur the expense through its state operations appropriation. Yet, when it hires consultants, contractors, and temporary employees, the AOC generally pays them from local assistance funds, even in circumstances where they perform the same or a similar service that an AOC employee could perform. Because the AOC is able to fund expenditures for consultants, contractors, temporary employees, and vendors from the funds appropriated for local assistance, the AOC has an incentive to hire them because the

expenditure will not be charged against the AOC's state operations appropriation. This, in turn, may reduce the amount of local assistance funding otherwise available for the trial courts.

Finally, the AOC spent approximately \$5.7 million on miscellaneous expenses, including office supplies and office equipment. Again, we found that some of these expenses seemed much more closely aligned with state operations than local assistance. For example, the AOC spent nearly \$50,000 to print materials for trial court education programs. Interestingly, the AOC noted that it would have to use its state operations funds if it were to print materials for appellate court education programs. However, when it prints materials for trial court education programs, it uses local assistance funds.

State law affords the AOC a great deal of flexibility in determining how it spends local assistance funds, and with that flexibility comes the responsibility to spend those funds in the most transparent and justified manner. Even though it may have been legally permissible for the AOC to spend local assistance funds in this way, we expected that the AOC would have taken steps to sufficiently justify why it would use local assistance funds as opposed to state operations funds. However, it has not done so. This may be because the AOC has few policies, procedures, or controls in place to ensure that its employees spend local assistance funds appropriately. Instead, the AOC lets its 20 individual offices, services, and centers (offices) determine whether to charge expenditures to local assistance or state operations. In effect, the AOC has left the responsibility for making critical budget decisions to those running its various offices without providing sufficient guidance. Thus, the manner in which AOC spends state operations and local assistance appropriations leads to a lack of accountability over public funds.

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The Legislature Can Increase Transparency and Accountability Concerning How the AOC Spends Local Assistance Funds

The AOC does not disclose to the public how it spends local assistance funds; instead, it reports just the total amount it spends from those funds to provide services to trial courts. For example, the amount of detail we provide in Figure 4 is not available or accessible to the public without a public records act request and subsequent detailed analysis of the AOC's expenditures. As a result, the AOC's expenditures of local assistance funds lack transparency.

The evaluation committee also identified problems related to the transparency of the AOC's budget processes in its May 2012 report. As noted in the Introduction, the Chief Justice charged the evaluation committee with conducting an in-depth review of

The information presented in the governor's budget and other documents still does not paint a clear picture of the AOC's expenditures and whom they benefit.

the AOC with a goal of promoting transparency, accountability, and efficiency. The evaluation committee's report stated that the AOC's budget process was so confusing that it was difficult, if not impossible, to understand what is funded or how it is funded. The evaluation committee recommended that the AOC split its expenditures into state operations and local assistance so as to clarify which entity benefits from the use of those resources. Unfortunately, the AOC has still not implemented this recommendation because, as we discuss later, it is still exploring options for changing its financial reporting. As a result, the information presented in the governor's budget and other documents still does not paint a clear picture of the AOC's expenditures and whom they benefit.

The AOC's chief financial officer indicated that the Legislature attempted in fiscal year 2012–13 to address the issue of a lack of transparency concerning how the AOC spends trial court funds. At that time, it shifted funding for certain activities, including those for the CCMS and the California Courts Technology Center, out of the trial courts' local assistance appropriation and into the AOC's state operations appropriation because it recognized that the AOC incurred the expenses related to administering these particular projects. According to the California Department of Finance (Finance), the purpose of the adjustment was to separate funding available for statewide projects that are supported by the AOC on behalf of trial courts from funds specifically available for trial court operations. Further, Finance noted that the intent was to provide more transparency surrounding the amount of funding available for allocation to the trial courts.

We believe the Legislature needs to take additional steps to ensure that the AOC is spending funds prudently and to eliminate the inability to determine the amount the AOC spends to provide administrative support to the courts. To do so, changes to state law are likely necessary. Such changes would result in a number of benefits. Most notably, they would allow the Legislature to understand the total cost of providing state support to the trial courts so that it could make more informed budget decisions. For example, the Legislature could direct budget increases and reductions to either the trial courts directly or to the AOC. In addition, it could eliminate the AOC's ability to spend local assistance funds for its own purposes in circumstances when its planned expenditures exceed its state operations appropriations. Furthermore, it would encourage the AOC to make more prudent spending decisions, such as decreasing its reliance on contractors and increasing the number of state employees it uses to deliver services. Finally, it would make the AOC's expenditures more transparent to the trial courts because the AOC would only be able to spend local assistance funds if trial courts explicitly authorized

it to do so. This shift would align more clearly with the general definitions of state operations and local assistance that Finance provided to us because a state entity—the AOC—would pass the local assistance appropriations directly to a local entity—the trial courts.

The Judicial Council Has Not Adequately Overseen the AOC’s Budget and Spending

The process the Judicial Council established to bring accountability and transparency to the AOC is falling short of its intended purpose. In particular, the Judicial Council delegated much of its decision-making responsibility related to budgeting and expenditures to the AOC without ensuring the appropriateness and prudence of some of the AOC’s decisions. Moreover, the Judicial Council has never required the AOC to undergo an independent financial audit.

The Judicial Council Relies Heavily on the AOC to Make Prudent Budget Decisions

The lack of Judicial Council involvement in the budgeting process has resulted, in some cases, in the AOC having sole autonomy in making decisions on how to spend certain judicial branch funds. This fact likely contributed to the questionable expenditures that we identified in Chapter 1. State law provides that the Judicial Council retains the ultimate responsibility to adopt a budget and allocate funding for the trial courts in a manner that best ensures that the trial courts can perform their functions and guarantee access to justice. We expected that the Judicial Council would have, at a minimum, established comprehensive guidelines for the AOC’s budgeting process. However, although state law authorizes the Judicial Council to delegate certain decisions related to budgeting and expenditures to the administrative director of the courts (director), the Judicial Council delegated these responsibilities without any process to ensure that the director’s decisions were appropriate and prudent. Specifically, the rules of court require the director to develop policies and procedures for the creation and implementation of a yearly budget for the judicial branch; however, the director has not established such policies but instead relies on the State’s budget policies.

The Judicial Council adopted some accountability mechanisms into the rules of court, but it did not ensure that these mechanisms were effective or even implemented. For example, the rules of court charge the Trial Court Budget Advisory Committee (trial court budget committee) with making recommendations to the Judicial Council

The lack of Judicial Council involvement in the budgeting process has resulted, in some cases, in the AOC having sole autonomy in making decisions on how to spend certain judicial branch funds.

on the preparation, development, and implementation of the budget for the trial courts and providing input to the Judicial Council on policy issues affecting trial court funding. The trial court budget committee is composed of 34 members: 15 judges, 15 court executives, and four members of the AOC, including the chief of staff and chief financial officer. In addition to trial court allocation recommendations, the trial court budget committee reviews and recommends the allocations for statewide trial court services before it submits its recommendations to the Judicial Council.

Although the AOC provides the trial court budget committee with the total amount of local assistance and state operations appropriations it plans to spend to deliver services to the trial courts, it does not always provide justifications for why expenditures should be paid from local assistance appropriations rather than state operations appropriations. For example, we expected that the AOC would present cost-benefit analyses of using contractors, consultants, temporary employees, or vendors to deliver a service to the trial courts rather than an AOC employee. However, based on the documentation that the AOC provided, we found that it does not provide such information to the trial court budget committee. Moreover, the AOC stated that it does not inform the trial court budget committee when it shifts costs between local assistance appropriations and state operations appropriations unless the change is significant. As a result, we question whether the trial court budget committee has enough information to make fully informed decisions related to AOC's spending of local assistance funds.

Furthermore, the Judicial Council appears to take a limited role in certain critical aspects of the budget process. For example, the Judicial Council continued to approve the AOC's budget concepts for increases in funding during the financial crisis.⁵ In fact, over the past five fiscal years, the Judicial Council approved all 26 budget concepts that the AOC submitted to increase its funding. Seven of the 26 budget concepts were for AOC operations and 19 were for the AOC offices that oversee repair, maintenance, and operations of trial court facilities, some of which may have included AOC operations. However, of the 18 budget concepts that the AOC decided to submit as budget change proposals, the Legislature only approved three.

Over the past five fiscal years, the Judicial Council approved all 26 budget concepts that the AOC submitted to increase its funding. However, of the 18 budget concepts that the AOC decided to submit as budget change proposals, the Legislature only approved three.

⁵ Budget concepts are proposals that the AOC submits to the Judicial Council to augment or adjust its authority to expend funds. If the Judicial Council approves the budget concept, the AOC typically submits a budget change proposal to Finance, which the Legislature can approve or deny during the budget process.

In addition, even though the Judicial Council created the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch⁶ (financial advisory committee) to promote transparency, accountability, efficiency, and understanding of the AOC and the judicial branch, the Judicial Council did not ensure that the financial advisory committee fulfilled its intended purpose. For example, the rules of court do not require the financial advisory committee to review the AOC's expenditures—they only require the financial advisory committee to make recommendations to the Judicial Council concerning the AOC's budget concepts. In fact, the chief financial officer told us that the Judicial Council would need to make a special request to the AOC to obtain documentation of the AOC's complete expenditures beyond what is published in the governor's budget.

Thus, neither the financial advisory committee nor the Judicial Council scrutinizes the AOC's spending decisions for its own operations other than for budget concepts. This practice is of particular concern as it relates to the AOC's compensation practices and business decisions. According to the chief of staff, of the questionable financial practices we identified in Chapter 1, the Judicial Council or Chief Justice only directly approved two—staff salaries and retirement contributions. In addition, the rules of court state that the director is not bound by the financial advisory committee's recommendations and can, in fact, propose alternative recommendations to the Judicial Council. It is unclear how the financial advisory committee can ensure accountability of the AOC when it does not exist independently of the AOC, it does not review the AOC's expenditures, and the AOC can override the financial advisory committee's recommendations to the Judicial Council.

The Judicial Council also has been hindered because the AOC has not always provided it with sufficient financial information or analyses to enable it to make informed decisions about planned spending of trial court funds. For example, the rules of court require the financial advisory committee to make recommendations to the Judicial Council regarding the AOC's budget concepts. We reviewed the documentation the AOC submitted to the financial advisory committee and the Judicial Council, and we found there was not always sufficient detail to justify the budget concept. To illustrate, in 2010 the Judicial Council, at the recommendation of the AOC, approved a budget concept for an increase in funding of \$32.4 million, with the description: "Increased appropriation authority from the State Court Facilities Trust Fund for court facility modifications (\$30.4 million) and outside counsel fees for

It is unclear how the financial advisory committee can ensure accountability of the AOC when it does not exist independently of the AOC, it does not review the AOC's expenditures, and the AOC can override the financial advisory committee's recommendations to the Judicial Council.

⁶ This financial advisory committee has 18 members and is composed of appellate justices, superior court judges, and court executive officers, all of whom are appointed by the Chief Justice.

In some cases the AOC bypassed the financial advisory committee and the Judicial Council entirely when submitting budget change proposals to Finance for increases in funding. The AOC stated these were cases where it identified the budget needs too late to receive financial advisory committee or Judicial Council approval.

construction and facility modification projects (\$2 million).” We believe that this single-sentence description provides insufficient information upon which to base a \$32.4 million funding decision.

Moreover, in some cases, the AOC bypassed the financial advisory committee and the Judicial Council entirely when submitting budget change proposals to Finance for increases in funding. The AOC stated these were cases where it identified the budget needs too late to receive financial advisory committee or Judicial Council approval. The Judicial Council has delegated authority to the director to make technical changes to the budget. Exercising this authority, the AOC submitted four budget change proposals to Finance for the five budget years from fiscal years 2010–11 through 2014–15 without Judicial Council approval. The Legislature ultimately approved two of the four budget change proposals—totalling \$8.8 million—that the AOC submitted without Judicial Council approval. These circumstances illustrate that the AOC is making decisions about its own funding without Judicial Council oversight.

It may not be reasonable to expect the Judicial Council to review the AOC’s expenditures at a detailed level; however, the Judicial Council should provide adequate oversight and require sufficiently detailed information to allow it to more thoroughly understand the AOC’s spending. Doing so would allow the Judicial Council to better meet its responsibility to manage the judicial branch’s budget in a manner that best assures that trial courts can carry out their functions and guarantee access to justice.

The Judicial Council Has Not Required a Comprehensive Independent Financial Audit of the AOC

State law does not require the judicial branch to receive independent financial audits as it does the executive branch. An independent financial audit would involve a detailed review of the AOC’s expenditures, revenues, accounts, and funds to ensure their accuracy and compliance with applicable laws and accounting requirements. Given that the AOC’s expenditures totaled more than \$1 billion over the past four fiscal years, we believe an independent financial audit would be beneficial to the Judicial Council by providing assurance that the AOC spends funds legally and prudently.

The AOC’s internal audit office has the authority to audit the AOC’s operations. However, with the exception of an audit of the Office of Court Construction and Management in September 2012, the AOC internal audit office has focused on auditing trial courts rather than on internal operations since July 2010. The AOC’s audits

of the trial courts highlight the importance of accurate financial information and include steps to ensure that courts account for their funds appropriately. For example, the AOC notes in its October 2013 internal audit of the Superior Court of the County of Marin that internal and external users depend on reliable court financial data and reports to evaluate each court's finances. The AOC's acknowledgement of the importance of accurate financial information leads us to question why the Judicial Council has never required the AOC to undergo a similar independent financial audit.

Recognizing the importance of audits of the AOC, effective June 2011 statutory changes established requirements that certain AOC practices be subject to audits regarding compliance with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances of all significant funds under its control. To fulfill these statutory requirements, the AOC requested that Finance perform an audit. Finance expects to release the audit sometime after January 1, 2015. Although the statute required the AOC to have this audit completed by December 2013, the AOC indicated that coordination with another audit and with Finance's availability delayed the audit's start. Furthermore, the audit by Finance, while important, has a narrower scope than an independent audit of the AOC's financial statements as it will not require Finance to issue an auditor's opinion on the AOC's internal controls and compliance with provisions of laws, regulations, and contracts. Finance indicated its audit will focus on compliance with existing AOC policies and procedures, will only include observations and recommendations, and will not include an opinion on the AOC's financial statements or compliance with policies and procedures.

Of concern is that the AOC has publicly mischaracterized the type and results of the previous Finance audit it received. Specifically, on its Web site, the AOC notes that it will receive an independent financial audit from Finance in 2014, which it asserts will be the second such independent audit from Finance, the last one performed in 2011. The Web site states that Finance's 2011 audit assessed the AOC's fiscal processes, internal controls, procedures, and financial statements and concluded that the AOC's fiscal controls were generally adequate and that it properly recorded its expenditures. This statement is not accurate. In particular, although Finance performed a general review of specific program state operations expenditures, it did not issue an opinion on the AOC's internal controls or financial statements. The AOC's mischaracterization of Finance's audit leads us to question whether it will prioritize undergoing a comprehensive independent financial audit in the future unless the Judicial Council specifically requires such an audit.

The AOC requested that Finance perform an audit to fulfill statutory requirements; however, Finance stated that its audit will not include an opinion on the AOC's financial statements or compliance with policies and procedures.

The Judicial Council Has Not Ensured That the AOC Provides Transparency or That It Implements Recommended Changes to Its Operations

The Judicial Council has not always ensured that the AOC has been transparent or accurate in reporting its efforts to improve its operations. The AOC has a tumultuous history with various stakeholders including the public, the trial courts, and the Legislature. In fact, the evaluation committee's report noted that the AOC does not consistently seek input from stakeholders, present information that would allow stakeholders to be informed, or retain evidence of analyses it conducted to support certain decisions. Although the AOC has taken steps in recent years to improve its processes, these steps have coincided with amplified scrutiny and thus may not have been a proactive effort.

As previously mentioned, the budget cuts to the judicial branch in response to the State's financial crisis significantly affected the trial courts. However, the AOC did not take adequate steps to minimize its expenditures and thereby ease the effect on the trial courts. In particular, although the AOC reported that it reduced its staffing levels and laid off employees, until fiscal year 2012–13 it backfilled its vacant positions with temporary workers and contract staff. Specifically, as shown on page 13 in Table 2 in the Introduction, between fiscal years 2009–10 and 2010–11, the AOC decreased its filled positions from 875 to 854 but increased its total staff size from 1,066 to 1,106 because it hired contractors and temporary agency employees. Further, temporary workers and contract staff are generally more expensive than AOC employees. Although the AOC generally discontinued backfilling its staff with temporary workers in fiscal year 2012–13 after the evaluation committee released its report, the AOC engaged in this practice during a time when the trial courts faced extreme budget shortfalls.

Most recently, the AOC has not been transparent or accurate in its reporting on the status of implementing the recommendations from the evaluation committee's 2012 report. For example, the information available on the AOC's Web site does not allow the public to easily understand the AOC's progress in addressing the evaluation committee's recommendations because the committee's 124 recommendations were reworded and renumbered into 145 Judicial Council directives. To illustrate, as of June 2014 the AOC reported that 109 of the 145 directives were completed; however, had it reported on the status of completing the evaluation committee's recommendations, our analysis indicates it could have reported that 82 out of the 124 recommendations were completed. However, this is information that the AOC does not make publicly available because it only reports on the status of the directives. Moreover, when we assessed the status of the implementation efforts, we found that,

Between fiscal years 2009–10 and 2010–11, the AOC decreased its filled positions from 875 to 854 but increased its total staff size from 1,066 to 1,106 because it hired contractors and temporary agency employees.

even had the AOC reported that 82 of the evaluation committee's recommendations were implemented, that would be not true. Specifically, we determined that only 51 recommendations were completed. According to the chief of staff, the Judicial Council's Executive and Planning Committee (executive committee), with the concurrence of three evaluation committee members and Judicial Council leadership, met to reword and renumber the recommendations to make the actions needed to complete them clearer and to allow them to be more easily tracked. She further stated that the executive committee and AOC staff sought concurrence from one or more of the evaluation committee members when they believed a directive changed the intent of a recommendation.

Irrespective of the executive committee's and AOC's rationale for renumbering and rewording the recommendations, the end result are directives that, in some cases, no longer directly correlate to the evaluation committee's report. In fact, we identified 57 recommendations where the wording changed significantly when they were reworded into a directive. Moreover, even though the chief of staff indicated that the evaluation committee was disbanded after its report was published, rewording recommendations without the concurrence of the entire evaluation committee undermines the intent of its review, which was to provide independent and objective recommendations to improve the AOC. Of even greater concern is that some of the rewording resulted in directives that did not always address the intent of the original recommendation, examples of which we show in Table 10 on the following page.

For example, the evaluation committee recommended that the AOC permanently eliminate the position for the director of the Human Resources Services Office. The executive committee subsequently changed this recommendation to a directive that only encouraged the AOC to make general staffing adjustments—a significant change to the original recommendation's intent to eliminate a specific director position. Furthermore, although the AOC reported that it had eliminated that position soon after the evaluation committee made its recommendation, 10 months later, the AOC reestablished the position.

Moreover, as we show in Table 11 which begins on page 51, the AOC has not always accurately reported the status of the directives it has completed, which is concerning because the executive committee approved the AOC's determination of the status of each of the directives. For example, the evaluation committee recommended that the AOC bring greater transparency to its budget process, stating that it must make budget information readily available to the public and provide understandable explanations and detail concerning revenue sources, fund transfers, and expenditures. The AOC indicated that it implemented the directive that correlates to

Irrespective of the executive committee's and AOC's rationale for renumbering and rewording the recommendations, the end result are directives that, in some cases, no longer directly correlate to the evaluation committee's report.

this recommendation because it continues to work on ensuring that budget information is readily available to the public on its Web site. However, the information it makes public related to its budget does not contain the type of detail needed to understand fully how the AOC spends judicial branch funds. In fact, according to the chief financial officer, a member of the public would need to file a public records act request in order to obtain the complete expenditures of the AOC.

Table 10
Examples of Significantly Reworded Strategic Evaluation Committee Recommendations

STRATEGIC EVALUATION COMMITTEE (EVALUATION COMMITTEE) RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE	EVALUATION COMMITTEE RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE
7-34(a)	97	The current number of higher-level positions in the Human Resources Division should be reduced as follows: The division director position should be permanently eliminated as the human resources function should no longer be a stand-alone division.	The executive and planning committee (executive committee) recommends that the Judicial Council direct the administrative director of the courts (administrative director) to consider 7-34 and implement the necessary organizational and staffing changes, contingent upon the council's approval of an organizational structure for the Administrative Office of the Courts (AOC) and taking into account the results of the classification and compensation studies to be completed.
7-34(b)	97.1	The current number of higher-level positions in the Human Resources Division should be reduced as follows: The number of manager positions should be reduced from five to three, with some of the resulting resources allocated to line human resources functions.	The executive committee recommends that the Judicial Council direct the administrative director to consider evaluation committee recommendation 7-34 and implement the necessary organizational and staffing changes, contingent upon the council's approval of an organizational structure for the AOC and taking into account the results of the classification and compensation studies to be completed.
7-53	124	The resources of Office of Communications, including the public information officer, should be made more available to furnish increased media relations services to courts requesting such assistance.	The executive committee recommends that the Judicial Council direct the administrative director, <i>to the extent that resources are available</i> , that Office of Communication resources, including the public information officer, should be made more available to furnish increased media relations services to courts requesting such assistance.
9-2	45	The total staff size of the AOC must be reduced significantly and should not exceed the total number of authorized positions. The current number of authorized positions is 880. The consolidation of divisions, elimination of unnecessary and overlapping positions, and other organizational changes recommended in this report should reduce the number of positions by an additional 100 to 200, bringing the staff level to approximately 680 to 780.	The executive committee recommends that the Judicial Council direct the administrative director that the total staff size of the AOC must be reduced significantly and must not exceed the total number of authorized positions. The consolidation of divisions, elimination of unnecessary and overlapping positions, and other organizational changes should reduce the number of positions.
9-3	46	Vacant authorized positions should be <i>eliminated</i> if they have remained unfilled for six months.	The executive committee recommends that the Judicial Council direct the administrative director <i>to report</i> to the Judicial Council vacant authorized positions if they have remained unfilled for six months.

Sources: California State Auditor's analysis of the Strategic Evaluation Committee's (evaluation committee) May 2012 report and Judicial Council directives.

Note: Italicized words represent significant changes the executive committee made to the evaluation committee's recommendations.

Table 11
Examples of Strategic Evaluation Committee Recommendations, Judicial Council Directives, and Status

STRATEGIC EVALUATION COMMITTEE (EVALUATION COMMITTEE) RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE	EVALUATION COMMITTEE RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE	REPORTED STATUS AND DATE OF REPORTED STATUS	CALIFORNIA STATE AUDITOR'S (STATE AUDITOR) DETERMINED STATUS	TIMELINE FOR COMPLETION	STATE AUDITOR'S RATIONALE FOR DETERMINED STATUS
4-2	3	The primary role and orientation of the Administrative Office of the Courts (AOC) must be as a service provider to the Judicial Council and the courts.	The Executive and Planning committee (executive committee) recommends that the Judicial Council promote the primary role and orientation of the AOC as a service provider to the Judicial Council and the courts for the benefit of the public.	Ongoing	No Action Taken	For Immediate Implementation (Ongoing)	There is no explanation or plan laid out as to how the Judicial Council is going to implement this recommendation.
4-3	4	In exercising its independent and ultimate governance authority over the operations and practices of the AOC, the Judicial Council must demand that the AOC provide it with a business case analysis, including a full range of options and impacts, before undertaking any branch-wide project or initiative. In exercising its authority over committees, rules, grants, programs and projects, the Judicial Council must demand that the AOC provide it with a full range of options and impacts, including fiscal, operational, and other impacts on the courts.	The executive committee recommends that the Judicial Council, in exercising its independent and ultimate governance authority over the operations and practices of the AOC, must ensure that the AOC provide it with a comprehensive analysis, including a business case analysis, a full range of options and impacts, and pros and cons, before undertaking any branch-wide project or initiative. In exercising its authority over committees, rules, grants, programs, and projects, the Judicial Council must ensure that the AOC provide it with a full range of options and impacts, including fiscal, operational, and other impacts on the courts.	Ongoing	No Action Taken	Ongoing	There is no explanation or plan laid out as to how the Judicial Council is going to implement this recommendation.

continued on next page . . .

STRATEGIC EVALUATION COMMITTEE (EVALUATION COMMITTEE) RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE	EVALUATION COMMITTEE RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE	REPORTED STATUS AND DATE OF REPORTED STATUS	CALIFORNIA STATE AUDITOR'S DETERMINED STATUS	TIMELINE FOR COMPLETION	STATE AUDITOR'S RATIONALE FOR DETERMINED STATUS
7-25	89	The functions performed by the Finance Division should be placed in the Judicial and Court Administrative Services Division. The Finance Division should be renamed the Fiscal Services Office, reporting to the chief administrative officer. The Fiscal Services office manager position should be at the senior manager level.	The executive committee recommends that the Judicial Council direct the Administrative Director of the Courts (administrative director) to consider evaluation committee recommendation 7-25 and implement the necessary organizational and staffing changes, contingent upon the council's approval of an organizational structure for the AOC.	In Progress	No Action Taken	Completion date will be determined in December 2014	The AOC did not address the organizational issue in its response and stated that the implementation of this directive is pending the completion of AOC's classification and compensation study. However, the classification and compensation study will not address issues of organization, but only those of classification and compensation.
7-28	92	The budgeting process must become more transparent. Budget information must be readily available to the public, including online. Budget documents must provide understandable explanations and detail concerning revenue sources, fund transfers, and expenditures.	The executive committee recommends that the Judicial Council direct the administrative director to report back on the budget and fiscal management measures implemented by the AOC to ensure that the AOC's fiscal and budget processes are more transparent.	Completed	Pending	October 2013	The AOC has indicated this directive is complete while the Fiscal Services Office continues to work on ensuring that budget information is readily available to the public on its Web site. AOC also indicates that an existing source, the State's eBudget Web site, displays the judicial branch's fiscal information. The response also stated the AOC will build upon the California Department of Finance's annual budget development calendar to document the AOC fiscal and budget processes. Additionally, the Fiscal Services Office will confer with other state departments to obtain feedback regarding their internal fiscal and budget processes. The response speaks to what the AOC plans to do to respond to the recommendation, but it does not indicate what actions have taken place to render the recommendation completed.

STRATEGIC EVALUATION COMMITTEE (EVALUATION COMMITTEE) RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE	EVALUATION COMMITTEE RECOMMENDATION	JUDICIAL COUNCIL DIRECTIVE	REPORTED STATUS AND DATE OF REPORTED STATUS	CALIFORNIA STATE AUDITOR'S (STATE AUDITOR) DETERMINED STATUS	TIMELINE FOR COMPLETION	STATE AUDITOR'S RATIONALE FOR DETERMINED STATUS
7-69	140	The use of temporary or other staff to circumvent the hiring freeze should cease.	The executive committee recommends that the Judicial Council direct the administrative director to ensure that the employment of temporary or other staff to circumvent a hiring freeze is not permitted. The administrative director must review all temporary staff assignments and eliminate those that are being used to replace positions subject to the hiring freeze. Temporary employees should be limited to periods not exceeding six months and should be used only in limited circumstances of demonstrated need, such as in the case of an emergency or to provide a critical skill set not available through the use of authorized employees.	Completed	Partially Implemented	June 2013	The AOC has addressed the issue of temporary staff by reducing its temporary staff workforce and implementing June 2013 guidelines on the use of temporary staff. However, the AOC continues to employ some temporary staff for longer than six months and it has not addressed the issue of using other staff, such as the 55 contractors it had as of December 2014—most of whom had worked with the AOC for longer than two years, to circumvent hiring freezes and staffing reductions.
8-4	37	The Finance Division should track appropriations and expenditures by fund, and keep a historical record of both so that easy year-to-year comparisons can be made. This can be done by unit, division, or program— whichever provides the audience with the most informed and accurate picture of the budget.	The executive committee recommends that the Judicial Council direct the administrative director to require that the Finance Division track appropriations and expenditures by fund, and keep a historical record of both so that easy year-to-year comparisons can be made. This can be done by unit, division, or program, whichever provides the most informed and accurate picture of the budget.	Completed	No action Taken	October 2013	The AOC indicated that its staff will continue to review existing processes and procedures to determine what improvements can be implemented. However, nothing in its status reporting indicates that any change has been implemented.

Sources: California State Auditor's analysis of the Strategic Evaluation Committee's May 2012 report and the AOC's status reporting.

Finally, the evaluation committee criticized the AOC for being a top-heavy and unwieldy organization. As a result, the evaluation committee suggested a top leadership group of limited size and a consolidated number of divisions and offices. The evaluation committee warned that the change in the AOC's organizational structure was not to be a "mere moving of boxes on an organization chart but a fundamental restructuring of the organization, ultimately leading to fewer divisions and a significant reduction in top-level management positions." However, it appears that the action the Judicial Council and AOC took did not align with the evaluation committee's recommendation. Specifically, although the executive committee approved the AOC's plan to restructure its organization into three divisions, this effort created 20 offices—many of which are the same as the previously existing seven divisions and seven offices. The restructuring also did not result in a significant reduction in the number of high level management positions. In fact, prior to the reorganization, the AOC had 13 executive staff and it currently has 12 such positions.

Recommendations

To determine the cost to the State of providing support to the trial courts, the Legislature should take steps to clearly define the difference between local assistance expenditures and state operations expenditures. One method of accomplishing this would be to make the necessary statutory changes to classify as local assistance only those appropriations that the AOC passes directly to the trial courts or that the AOC expends on behalf of the trial courts with their explicit authorization. All other appropriations would be classified as state operations.

To ensure that it spends funds appropriately, the AOC should develop and implement controls to govern how its staff can spend judicial branch funds. These controls should include specific definitions of local assistance and support expenditures, written fiscal policies and procedures as the rules of court require, and a review process.

The Judicial Council should develop rules of court that create a separate advisory body, or amend the current advisory committee's responsibilities and composition, that reports directly to the Judicial Council to review the AOC's state operations and local assistance expenditures in detail to ensure they are justified and prudent. This advisory body should be composed of subject matter experts with experience in public and judicial branch finance.

To bring more transparency to the AOC's spending activities and to ensure that the AOC spends funds in a fiscally and legally prudent manner, the Legislature should require an annual independent financial audit of the AOC. This audit should examine the appropriateness of the AOC's spending of any local assistance funds.

To increase transparency, the Judicial Council should conduct a more thorough review of the AOC's implementation of the evaluation committee's recommendations by more closely scrutinizing the actions the AOC asserts it has taken to complete directives.

To make the AOC's budget more understandable, the Judicial Council should require the AOC to report its budget in a more understandable and transparent manner, and in a manner that readily allows stakeholders and the public to know the full amount of the AOC's spending. Further, the Judicial Council should require the AOC to prepare and make public a high-level summary of how the judicial branch's budget relates to the appropriations from the State's budget.

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Chapter 3

THE ADMINISTRATIVE OFFICE OF THE COURTS HAS NOT SUFFICIENTLY JUSTIFIED ITS CURRENT BUDGET AND STAFFING LEVELS

Chapter Summary

The Administrative Office of the Courts (AOC) has not sufficiently aligned the services it provides to the needs of the courts, and, as a result, it has not sufficiently justified its budget and staffing levels. Given that the AOC's primary function is to provide services to the courts, we expected that it would have taken steps to identify the needs of the courts in a comprehensive manner; however, it has not done so. Thus, to obtain usage information and other feedback about the AOC's services, we surveyed the courts and found that each trial court on average has used only 55 percent of the services that the AOC provides. Our survey results also demonstrated that the needs of the courts change over time—especially during fiscal crises—which further supports the importance of regular surveys. If the AOC does not focus its efforts on improving services and being proactive in offering only those services that the courts need, it cannot provide assurance that it uses its resources in the way that best serves the courts.

The AOC also has not used workforce planning to effectively align its staffing levels with its mission and the needs of the courts. Although the AOC has begun conducting some elements of workforce planning, it has performed these steps out of order by not first having established its mission and goals based on the needs of the courts. If the AOC effectively implements a workforce plan, it can begin a process of continuously improving its operations through performance measures tied to its strategic goals.

The AOC Has Not Determined Which of the Services It Provides Are Critical to the Courts' Operations

The AOC has not taken key steps to determine if the services it provides meet the needs of the trial courts. A comprehensive survey is one tool that the AOC could use to determine whether all of the services it provides add value and are critical to courts' operations. The Texas Office of Court Administration surveys its court customers every two years regarding the services it provides. Because the AOC has not sought feedback from the courts through a survey regarding all of its services, it lacks essential information to assure the courts, the Legislature, and the public that its services meet the courts' needs and are worthwhile.

Examples of Criticism From Courts' Perspectives on the Services of the Administrative Office of the Courts

- "Given the drastic reduction to trial court budgets, continuing to provide these worthwhile (family service) programs has become a challenge. We created the demand and internal advocacy and now that funds have been diminished we need to refocus our priorities and some of the AOC services become irrelevant. We have created an entire bureaucracy to take care of all the various programs that assist trial courts to provide service at the local level, but given the current reality, continuing to maintain these programs at the AOC adds little value to the trial courts."
(Superior Court of the County of Sonoma)
- "The Judicial Branch Statistical Information System is antiquated, in need of replacement, and contains mountains of unaudited, useless data."
(Superior Court of the County of Orange)
- "Regarding payroll, we would like to see solutions to unique problems rather than a 'cookie cutter' operation. The system is average at best and as a large court on the Phoenix Human Resources payroll system, we are not getting what we need from the system or service and will be transitioning off to a more robust and alternative private vendor."
(Superior Court of the County of San Bernardino)

Source: Responses to the California State Auditor's survey of trial courts, the courts of appeal, and the Supreme Court.

Because the AOC had not effectively assessed the needs of the courts, we conducted a survey of the trial courts, the courts of appeal, and the Supreme Court in order to obtain feedback about the services that the AOC asserts that it provides. We found that the courts have not used all of these services equally. In 2014 the AOC posted a list on the California judicial branch Web site identifying all the services that it provides to the judicial branch entities, including the trial courts. We used this list to design our survey, which asked each court to inform us about whether it had used or valued each of the services that apply to it. We evaluated 272 services the AOC provides to the trial courts, 170 services it provides to the courts of appeal, and 153 services it provides to the Supreme Court. Many AOC services apply to all three entities. We also asked the courts to provide comments and to assess whether cuts to their budgets made these services more or less important to their operations. We received complete responses from the Supreme Court, all six courts of appeal, and 56 of the 58 trial courts. We include selected critical comments in the text box, and include selected examples of praise in the text box on the following page.

Our survey identified how many trial courts have used services that the AOC provides. Although our survey identified some services that relatively few trial courts have used, we do not conclude that the AOC should discontinue these services. Rather

the AOC could use these data on the wide-ranging rates of use of its services as a starting point for conducting its own follow-up surveys and analyses. Feedback from the courts can help the AOC to better evaluate the effectiveness and relevance of each of its services.

The AOC Provides Many Services That Few Trial Courts Have Used

According to our survey results, no trial court has used all of the services that the AOC provides. Specifically, on average, each individual trial court has used only 55 percent of the 272 AOC services, as shown in Table 12, which begins on page 60. In general, the size of the courts does not appear to affect their level of reliance on the AOC's services. However, very small trial courts on average have used only 41 percent of the services that the AOC provides.

Our survey results also indicate that the trial courts have used some of the AOC's services far more than others. When we analyzed the popularity of AOC services to the trial courts, we found that 50 percent or fewer of the trial courts have used 124 of the 272 AOC services, and a quarter or fewer of all trial courts have used 39 of the services, as shown in Figure 5 on page 62. Again, low rates of use do not necessarily mean that a service is not critical to the operations of the trial courts. However, it is important feedback from the trial courts that can help the AOC evaluate the necessity and value of the services it provides.

Survey responses indicated that some AOC services may need reevaluation given the current tight fiscal situation. For example, as Table 13 on page 63 shows, only seven of the 56 trial courts that responded have used the Justice Partners Outreach and E-Services program, which includes communication and outreach efforts to benefit the courts and their justice partner stakeholders, and supports the implementation of e-filing and other e-business services at the courts. Similarly, only five of the trial courts have used the AOC's technical assistance with juvenile court management system data and analytics. The AOC should follow up with the trial courts to determine why so few of them have used these and other services. In some cases the reason is self-evident. For example, three of the least-used AOC services are pilot programs, which are offered to only a few courts. However, in all cases the AOC should incorporate usage information in its evaluation of the service.

The results of our survey showed that all four offices and one center we reviewed provide some services that the majority of trial courts have not used. As shown in Table 14 on page 64, the majority of the trial courts have used between 43 percent and 87 percent of the services that these offices provided. This result indicates a disconnect between the services that the offices provide to the trial courts and the services that the trial courts have actually used. For example, as Table 14 shows, the Court Operations Special Services Office (COSSO) provides 38 services to the courts. However, the majority of the trial courts have used only 17 of these 38 services. In contrast, our survey showed that the services of the Center for Judicial Education and Research office are in high demand, as the majority of the trial courts have used almost all of its services. In the future, the AOC could use our survey results to determine how

Examples of Praise From Courts' Perspectives on the Services of the Administrative Office of the Courts

- "Continuing education and training for judicial officers and staff is essential to keeping up to date on changes in the law and rules of court. These services are much more important now that the trial courts have eliminated in-house training as a result of budget reductions."
(Superior Court of the County of Ventura)
- "Legislative and Budget Advocacy has never been more critically needed nor has it ever been more important than it is currently and the efforts made on behalf of the judicial branch have been tremendous. While the outcomes aren't always as we in the branch would like them to be, we are confident in the tremendous amount of work expended on behalf of all of the courts that make up the judicial branch."
(Superior Court of the County of Tuolumne)
- "Although all the services we call upon at the Judicial Council are important, we consider legal assistance to be the most important and to be extremely effective."
(Superior Court of the County of Napa)
- "Appellate courts are absolutely dependent upon the AOC services. Administration in each of the appellate courts is very small (a couple of people) and we have always been completely dependent upon the AOC for administrative needs. They are our human resources, financial, education, statistical, legal advice, contracting, etc. At the inception of the AOC, it originally handled the appellate court administration completely. Recent cutbacks over the past five years have made their jobs so much harder to do, and that, in turn, has made the jobs of the appellate courts so much harder to do also. This in turn affects the access to justice by the public that we are here to serve."
(First District Court of Appeal)

Source: Responses to the California State Auditor's survey of trial courts, the courts of appeal, and the Supreme Court.

many courts have used the services that the remaining 15 offices provide. Further, the AOC could conduct additional surveys and analyses to understand why the majority of the courts have not used most of the services that offices like COSSO provides.

Table 12
Total Services That Each Trial Court Has Used, of 272 Services That the Administrative Office of the Courts Offers to the Trial Courts

COURT SIZE	TRIAL COURT	NUMBER OF SERVICES USED	PERCENT
Very Small	Del Norte	39	14%
	Trinity	52	19
	Amador	63	23
	Mariposa	82	30
	Colusa	95	35
	Modoc	118	43
	Lassen	119	44
	Calaveras	120	44
	Mono	126	46
	Plumas	129	47
	Sierra	140	51
	Glenn	154	57
	San Benito	154	57
Inyo	163	60	
Small	Yuba	59	22
	Madera	124	46
	Humboldt	126	46
	Santa Cruz	129	47
	Yolo	130	48
	Imperial	147	54
	Napa	150	55
	Tuolumne	153	56
	Kings	157	58
	Nevada	160	59
	Placer	162	60
	Sutter	168	62
	Shasta	170	63
	Lake	175	64
	Tehama	182	67
	El Dorado	184	68
	Mendocino	187	69
	Butte	188	69
	San Luis Obispo	193	71
Merced	239	88	
Siskiyou	245	90	

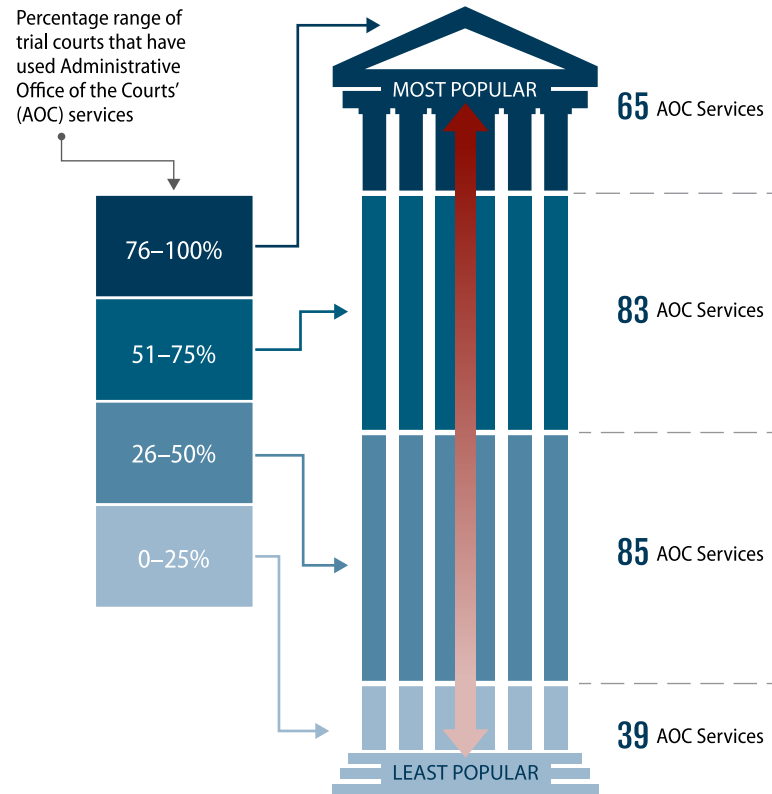
- Trial courts that have used between 0–25% of the Administrative Office of the Courts’ (AOC) services
- Trial courts that have used between 26–50% of the AOC’s services
- Trial courts that have used between 51–75% of the AOC’s services
- Trial courts that have used between 76–100% of the AOC’s services

COURT SIZE	TRIAL COURT	NUMBER OF SERVICES USED	PERCENT
Medium	San Joaquin	38	14%
	Kern	87	32
	San Mateo	122	45
	Ventura	146	54
	Fresno	155	57
	Contra Costa	165	61
	Santa Barbara	179	66
	Tulare	182	67
	Monterey	194	71
	Stanislaus	196	72
	Solano	211	78
	Sonoma	222	82
Large	San Diego	101	37
	Los Angeles	127	47
	Sacramento	134	49
	Orange	161	59
	Riverside	161	59
	San Bernardino	163	60
	San Francisco	167	61
	Alameda	186	68
	Santa Clara	237	87
	Averages		149

Source: California State Auditor’s analysis of survey responses from 56 trial courts.

Our survey also revealed that many of the AOC’s services are popular: as shown in Figure 5 on the following page, more than three-quarters of the trial courts have used 65 of the 272 services that the AOC provides to them, and the trial courts also generally reported to have valued these services. A list of the services most-used by the trial courts appears in Table 15 on page 65. Fiscal services and education and training services are among the most popular AOC services. In fact, Table 15 includes 11 education and training services. In addition, trial courts rated the quality of both fiscal services and education and training services as between good and excellent, on average. Further, the majority of trial courts reported that cuts to their budgets have made some AOC service areas much more important to their operations. In their comments, the Supreme Court and the courts of appeal all stated that they extensively rely on AOC services. Three courts of appeal further emphasized that cuts to their budget have increased the importance of AOC services to their operations.

Figure 5
Popularity of 272 Administrative Office of the Courts' Services to the Trial Courts



Source: California State Auditor's analysis of survey responses from 56 trial courts.

However, some courts indicated that even the most commonly used, high-quality AOC services are not necessarily critical to their operations. For example, despite considering the quality of AOC training services to be excellent, the Superior Court of the County of Kern stated that the majority of its judges do not consider any of the AOC's education and training services to be valuable in light of the service reductions it has been forced to implement. Similarly, in its comments the Superior Court of the County of Sonoma wrote, "Are we better trained and performing better because of all these training and education courses, [or] are we just attending them[?]" Our survey results and these comments indicate a need for the AOC to better understand which of its services the trial courts value and find necessary, and which services it should review to understand why trial courts find them to be less critical.

Table 13
Administrative Office of the Courts’ Services That the Trial Courts Have Used Least

ADMINISTRATIVE OFFICE OF THE COURTS (AOC) SERVICE AREA	AOC SERVICE	TOTAL TRIAL COURTS THAT HAVE USED THE SERVICE	THE AOC OFFICE DIRECTORS’ RATING OF THE IMPORTANCE OF THE SERVICE TO THE JUDICIAL BRANCH*
Communications services	Management of content strategy, publishing, and metrics evaluation for social media channels including You Tube and Twitter and consultation with other judicial branch entities on their programs.	1	Critical
Education and training services	Statewide education for experienced judicial officers and judicial attorneys—Appellate Justices Institute. [†]	4	Significant
Legal services	Legal advice and assistance with petitions for complex civil case coordination.	4	Critical
Access services	Support to civics education program to improve civic learning and public understanding of the judicial branch, including the California Task Force on K–12 Civics Learning.	5	Significant
Capital projects and facilities services	Administration of the delegated authority pilot project in which four courts are performing their own facilities maintenance. ^{‡§}	5	Significant
Capital projects and facilities services	Establishment and implementation of policies for the judicial branch capital program—relocation services.	5	Critical
Communications services	Drafts speeches, remarks, talking points, briefing sheets, or backgrounders to support the chief justice’s engagement calendar. [†]	5	Significant
Criminal justice services	Technical and program assistance and training as part of the California Risk Assessment Pilot Project (CalRAPP). [§]	5	Significant
Juvenile services	Technical assistance with juvenile court management system data and analytics.	5	Significant
Juvenile services	Child Welfare County Data Profiles updates.	5	Significant
Operations support services	Preparation and distribution of oral argument calendar, summary of cases accepted, conference list, and Notice of Forthcoming Filings for Supreme Court. [†]	5	Critical
Collaborative courts services	Legal, training, and program assistance to support Elder Courts.	7	Critical
Collaborative courts services	Cost-benefit studies of collaborative courts.	7	Significant
Information technology services	Justice Partners Outreach/E–Services.	7	Significant
Legal services	Subject matter expertise and technical assistance with issues—appellate practice and procedure.	7	Not Rated
Access services	Sargent Shriver Civil Counsel Pilot Program. [§]	8	Significant
Audit services	Whistleblower Hotline responsibility.	8	Critical
Capital projects and facilities services	Management of 22 parking facilities across the state for court, jury, and public parking spaces.	8	Significant
Collaborative courts services	Legal, training, and program assistance to support Homeless Courts.	8	Critical
Legal services	Subject matter expertise and technical assistance with issues—complex litigation.	8	Critical
Mandated reporting	Sentencing of criminal defendants by race and ethnicity.	8	Significant
Operations support services	Tribal/State court coordination support.	8	Significant
Mandated reporting	Judicial Branch AB 1473 Five-Year Infrastructure Plan.	9	Significant
Collaborative courts services	Legal, training, and program assistance to support Unified Courts for Families.	10	Not Rated
Operations support services	Administration of Special Masters assignment. [†]	10	Significant
Operations support services	Management of petitions for coordination of complex civil cases.	10	Critical

Sources: California State Auditor’s analysis of survey responses from 56 trial courts, and the AOC’s ratings of the importance of its services.

* The service descriptions in the AOC’s rating of the importance of its services contain slightly different wording than the descriptions in the AOC list of services that we used to create our survey.

† The AOC indicated that these services provide some benefit to the trial courts but each service is designed to primarily serve another judicial branch entity.

‡ The AOC’s description of this service states that four courts participate, however in their survey responses five courts indicated that they have used the service.

§ Because of the nature of pilot projects, only a small number of trial courts participate in each of these AOC pilot projects.

Table 14
Administrative Office of the Courts' Services that the Majority of Trial Courts Have Used, by Office

OFFICE	OFFICE PURPOSE	TOTAL NUMBER OF SERVICES PROVIDED TO TRIAL COURTS BY THIS OFFICE	NUMBER OF SERVICES THAT THE MAJORITY OF TRIAL COURTS HAVE USED	PERCENT OF SERVICES THAT THE MAJORITY OF TRIAL COURTS HAVE USED
Trial Court Liaison Office	Establishes and maintains effective working relationships with the trial courts in order to accomplish the strategic and operational goals of the Judicial Council of California (Judicial Council).	7	3	43%
Court Operations Special Services Office	Provides direct services, resources, and program support in the following areas: Administration and Planning; Assigned Judges Program; Court Language Access Support Program; divisional budgeting/appellate court services; court research; promising and effective programs; and physical security, personal security, and emergency planning.	38	17	45
Information Technology Services Office	Assists the courts in achieving the Judicial Council's technology objectives, and develops and supports automated systems for the judicial branch.	14	8	57
Human Resources Services Office	Provides human resources management services to judicial branch employees and judicial officers, and assists the courts with labor and employee relations, mediation, training, recruitment, classification and compensation, benefits development, integrated disability management, policies, human resource information systems, and other related matters.	8	6	75
Center for Judiciary Education and Research	Provides staff and volunteer subject matter experts and faculty for training and education to judges and judicial branch personnel.	31	27	87

Sources: California State Auditor's analysis of survey responses from 56 trial courts, and lists of services provided by the Administrative Office of the Courts (AOC). Office purposes are from AOC's Web site.

The AOC Has Not Effectively Evaluated the Needs of the Trial Courts

Although the AOC offered a number of explanations for not surveying the courts in the past several years, its justifications are problematic. Specifically, according to the chief of staff, the AOC has not comprehensively surveyed the courts because it has lacked the staff resources to do so. She also stated that the AOC needed to first catalogue all of its services in order to craft a survey because many AOC services are not readily apparent to the courts and a survey would need to inform the courts about all of the services that the AOC provides. We agree that the AOC would need to understand and catalogue the services it provides, which it did in 2014. However, because the survey results would help the AOC become more efficient, it should make staff resources available for this important effort. Further, if the courts were unaware of the services AOC offered, perhaps the AOC should have considered whether those services were actually critical to the courts' operations.

Table 15
Administrative Office of the Courts’ Services That the Trial Courts Have Used Most

ADMINISTRATIVE OFFICE OF THE COURTS (AOC) SERVICE AREA	AOC SERVICE	TOTAL TRIAL COURTS THAT HAVE USED THE SERVICE
Family services	Assembly Bill 1058 legal program support and funding and administration for child support commissioners and family law facilitators.	55
Education and training services	Statewide training for new judicial officers—new judge orientation.	54
Operations support services	Assigned Judges Program.	54
Fiscal services	Financial policies and procedures.	53
Information technology services	Judicial Branch Statistical Information System.	53
Education and training services	Judicial ethics training as required for participants in the Commission on Judicial Performance Insurance Program.	52
Education and training services	Judicial publications: benchguides, bench handbooks, benchbooks, civil proceedings benchbooks.	52
Education and training services	Statewide education for experienced judicial officers and judicial attorneys—qualifying ethics training.	52
Access services	Judicial branch self-help Web site and resources.	51
Audit services	Regular financial, operational, and compliance audits.	51
Education and training services	Court Clerk Training Institute.	51
Education and training services	Court manager and supervisor training.	51
Education and training services	Statewide training for new judicial officers—B.E. Witkin Judicial College.	51
Education and training services	Statewide training for experienced judicial officers and judicial attorneys—institutes (in civil, criminal, juvenile, family, probate, and rural courts).	51
Fiscal services	Budgeting.	51
Fiscal services	Financial management—accounting and reporting.	51
Fiscal services	Accounts payable support.	51
Fiscal services	Enhanced collections guidelines and assistance for courts and counties.	51
Operations support services	Vexatious Litigants List administration.	51
Security services	Screening Equipment Replacement Program.	51
Access services	Self-help legal, training, program, and education support.	50
Education and training services	Statewide broadcasts for trial and appellate court judicial officers, chief executive officers, and court staff.	50
Education and training services	Statewide and regional education (i.e., Beyond the Bench).	50
Education and training services	Statewide training for new judicial officers—primary assignment orientations (civil, criminal, probate, dependency, delinquency, family).	50
Fiscal services	Fiscal training and assistance.	50
Human resources services	Judicial branch workers’ compensation program oversight and administration.	50

Source: California State Auditor’s analysis of survey responses from 56 trial courts.

Instead of asking the courts and other judicial branch entities to evaluate its services, the AOC asked its offices to assess the importance of services they provide to the judicial branch. However, its offices’ self-assessments do not appear to have accurately reflected the courts’ needs. Specifically, in 2013 the

The AOC's office directors identified as significant or critical to the judicial branch 24 of the 26 services that our survey shows the trial courts have used least.

AOC directed each of its offices to assess which services they believed were critical, significant, or of limited priority to the judicial branch. As shown in Table 13 on page 63, the AOC's office directors identified as significant or critical to the judicial branch 24 of the 26 services that our survey shows the trial courts have used least. This apparent contradiction underscores the need for the AOC to survey its customers directly in order to accurately ascertain their needs.

The AOC Has Not Aligned Its Budget and Staffing Levels With the Needs of the Courts

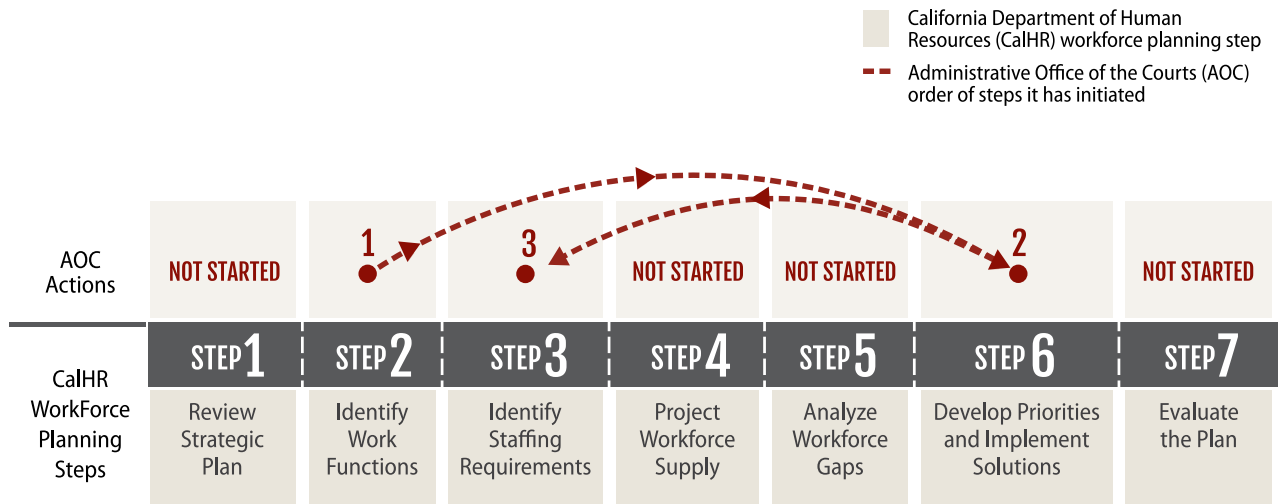
As our review of the AOC's efforts to evaluate the importance of its services demonstrates, the AOC has not aligned the services it provides with the needs of the courts and, as a result, the AOC has not sufficiently justified its current budget and staffing levels. Before and during the budget crisis, the AOC's staffing levels grew. As we discussed in the Introduction, the Strategic Evaluation Committee (evaluation committee) criticized the AOC's growth in its May 2012 review, noting that the AOC should be downsized. To ensure that its budget and staffing levels are appropriate going forward, we believe that the AOC needs to make fundamental organizational changes. Guidance for government agencies suggests that an agency should begin the process of making major changes to its organization by first determining the needs of its customers. For example, the United States Government Accountability Office's (GAO) guidance for business process reengineering starts with a high-level assessment of the organization's mission, strategic goals, and customer needs.

Although the AOC would benefit from implementing organizational change using a workforce-planning model that focuses on the needs of the trial courts, it has not sufficiently planned and executed its efforts to follow such a model to date. The California Department of Human Resources (CalHR) developed a seven-step workforce planning model that assists state agencies in aligning their staffing levels with their strategic mission and critical needs. The CalHR model begins with strategic planning, including identifying customer expectations. However, contrary to the guidance this model provides, the AOC engaged in some later steps before it completed earlier steps, as we show in Figure 6.

In order for the AOC to implement meaningful change, we believe that it needs to begin by completing the first critical step of the workforce planning process: strategic planning. However, neither the Judicial Council nor the AOC has established or revised a strategic plan for the AOC. The Judicial Council of California's (Judicial Council) rules of court require it to establish a strategic

plan for the judicial branch as a whole every six years. However, the Judicial Council’s latest strategic plan, developed in 2006, is now at least two years out of date. The chief of staff stated the Judicial Council has continued in the direction of the plan it developed in 2006 because funding cuts have kept it from adopting a new strategic plan. However, given the economic changes that have occurred in the State, we believe that expecting adequate and appropriate guidance from an expired strategic plan is unrealistic. Lacking a current strategic plan, the Judicial Council has been dealing with changing pressures, both internal and external, without clear strategic direction.

Figure 6
Administrative Office of the Courts’ Order of Initiation of the California Department of Human Resources’ Workforce Planning Model



Sources: The AOC’s classification and compensation study contract, management of the AOC, its listing of services, and CalHR.

In addition to being out of date, the Judicial Council’s strategic plan does not explicitly describe how the AOC will serve the needs of its customers, which are primarily the trial courts, nor does it include measurable objectives or performance measures for the AOC. According to the chief of staff, the Judicial Council did not conduct strategic planning specific to the AOC’s functions because it remained focused on the mission and goals of the judicial branch as a whole. However, unlike the courts, which directly serve the public, the AOC provides centralized programs and services to other judicial branch entities. The unique role of the AOC—to serve other judicial branch entities—demands that it have a different focus for its strategic plan.

Once the AOC has established the services it should provide, it will be better positioned to determine and justify its budget and staff.

In fact, the AOC has not yet officially established its mission, following only an unofficial mission of “service.” Establishing a mission and strategic goals is important to ensure the successful outcome of an agency’s operations and to focus its strategic planning efforts. According to the GAO, an agency that is in the midst of designing new processes should have previously laid a solid foundation for change by clarifying its mission, as well as by identifying customer and stakeholder needs, assessing performance problems, setting new performance goals, and determining that reengineering is an appropriate approach to take. Establishing its mission and identifying the courts’ needs should assist the AOC in determining the services it should provide. Once the AOC has established the services it should provide, it will be better positioned to determine and justify its budget and staff.

Although the AOC has made some initial efforts to assess the value and importance of its services and other activities, it has not fully performed the second step in CalHR’s workforce planning model. The second step includes determining which work functions it should discontinue, which it should add, and which it should allow to remain unchanged. This second step involves determining how the changes identified in step one will increase or decrease the agency’s work, factoring in changes such as reorganizations and relocations. The result of step two should be a list of current and future work functions and a list of work functions that the agency will discontinue. The AOC began what it called its core and essential services study; however, the AOC began this study by assessing the services it needed to provide by surveying its offices, as we discuss above, rather than by surveying the courts. Given that our survey showed that many of the courts have not used some services the AOC has deemed critical, we believe its internal survey alone, without surveying the trial courts and other customers, was an incomplete effort.

The AOC has initiated some of the remaining workforce planning steps out of order as well. According to the third step of CalHR’s model, once an agency has identified the work functions it must perform to achieve the goals of its strategic plan, the agency should identify the staffing levels it needs to perform those functions. The model states that an agency must first define the competencies staff must possess to successfully perform the work functions it identified in step two, then determine the number of staff with those competencies the agency will need in order to accomplish its functions. However, in late 2013, the AOC contracted with a private corporation, at a cost of \$788,000, to conduct the classification and compensation study. We identify this type of activity as part of step six of the workforce planning model. Step six includes prioritizing solutions that fall into categories such as position classification actions and retention strategies.

However, as we show in Figure 6 on page 67, the AOC is developing these solutions without having completed most of the earlier steps of the model, including without having first identified its appropriate staffing needs or levels. According to the chief of staff, the AOC intends to use the study as a foundation for making future decisions about AOC structure, downsizing, or growth, and that the study was needed to address pressing staff compensation and classification issues currently facing the AOC. Further, the evaluation committee directed the AOC to perform the study. However, performing a classification and compensation study now, before knowing what the courts' needs are and what skills and abilities AOC's staff must possess to perform its mission and achieve its goals, lessens the value of the study. Specifically, by first establishing its staffing level needs, an agency is in a position to determine the appropriate classifications and compensation for its staff.

The AOC has yet to perform either step four or five in CalHR's workforce planning model. Step four of the model is to project the agency's future workforce to determine the number of employees with each set of competencies it will require. This step involves creating a profile of the agency's current workforce and projecting future workforce supply based on attrition factors such as retirements, dismissals, and transfers. It also includes determining variables that could affect the workforce, such as changes in the industry or in funding for critical positions. The fifth step is to analyze gaps between the agency's future workforce supply and its future workforce demands. Performing this sort of gap analysis can allow an agency to discover excess staff in some areas or an inadequate supply of staff in others. The AOC will not be able to conduct a valid gap analysis until it determines its future needs to meet its strategic goals and projects its future workforce supply.

The sixth step of the model is to identify priorities and implement solutions that will allow the agency to meet its strategic goals and critical business outcomes while targeting its recruitment and retention efforts to specific staffing levels. The agency should prioritize the areas where its staffing needs are most pressing, and then develop and implement solutions related to changes in position classification and strategies for staff development, recruitment, and retention. The AOC has begun its classification and compensation study, as we show in Figure 6 on page 67; however, the AOC will not be able to complete this step appropriately without completing the earlier steps of CalHR's workforce planning model.

We believe that the workforce planning model's final step—evaluating the workforce plan—may be one of the most critical steps for the AOC. To accomplish this step, an agency must develop performance measurements to monitor performance in many areas,

The AOC will not be able to conduct a valid gap analysis until it determines its future needs to meet its strategic goals and projects its future workforce supply.

including customer satisfaction, agency performance, and employee performance. An agency must adjust its workforce planning efforts in response to the results of this monitoring and incorporate those adjustments into its strategic plan. For example, once the AOC defines its strategic goals, it could measure its progress toward reaching those goals to ensure its continuous improvement. Any gains the AOC achieves through a workforce analysis may erode unless it continuously monitors its performance and makes further refinements. Further, by periodically assessing its progress toward reaching its goals, the AOC can make adjustments and refinements to its activities to continue to improve its workforce planning efforts.

Recommendations

The AOC should conduct a comprehensive survey of the courts on a regular schedule—at least every five years—to ensure that the services it provides align with their responses. The AOC should re-evaluate any services that the courts identify as being of limited value or need.

To justify its budget and staffing levels, the AOC should conduct the steps in CalHR's workforce planning model in the appropriate order. It should begin by establishing its mission and creating a strategic plan based on the needs of the courts. It should then determine the services it should provide to achieve the goals of that plan. The AOC should base its future staffing changes on the foundation CalHR's workforce planning model provides. Finally, the AOC should develop and use performance measures to evaluate the effectiveness of this effort.

Chapter 4

SIGNIFICANT CHANGE IS NECESSARY TO ENSURE THE FUTURE ACCOUNTABILITY, TRANSPARENCY, AND EFFICIENCY OF THE ADMINISTRATIVE OFFICE OF THE COURTS

Chapter Summary

In the previous chapters, we recommended various steps the Administrative Office of the Courts (AOC) could take to address the specific problems we identified in this audit. However, we are not convinced that individually addressing each of these problems will fully resolve the issues we found with the AOC's efficiency, transparency, and accountability. In this chapter, we present ideas for major change across four main areas of the AOC's operations, which, if implemented, would structurally alter both the Judicial Council of California (Judicial Council) and the AOC as well as both entities' financial reporting practices. The four areas are the oversight of the AOC's expenditures, the structure it employs for service delivery, its process for strategic planning, and its public reporting of budget and expenditure information.

We propose these changes to address the AOC's questionable spending practices and its need to better justify its budget and staff level. For example, we note that both AOC expenditures specifically and the judicial branch budget allocation process in general may require additional oversight and transparency. We also explore how a structural change to the way that the AOC receives funding for providing services to the courts could empower the courts to select only those services that they need, thus redirecting certain funding from the AOC to the courts. Further, we describe how court administration offices in other states and other comparable organizations provide a window into more performance-conscious budgeting and staffing practices that we believe the AOC should adopt. Finally, we urge the AOC to consistently present a clear and complete accounting of its budget and expenditures to the public.

Changes to the Judicial Council or to Its Oversight Process Would Increase the AOC's Accountability

Throughout this report, we have noted areas in which the Judicial Council and AOC have not always made the best fiscal and business decisions. We recommended in Chapter 2 that the Judicial Council create a separate advisory body—or modify an existing one—to review the AOC's expenditures to ensure that they are justified and prudent; however, because of the general principle of governmental

separation of powers and the specific authority vested in the Judicial Council by the California Constitution, the Legislature cannot require the Judicial Council to implement this recommendation. Moreover, even if the Judicial Council implements our recommendation, it would have sole responsibility for ensuring that the independent committee fulfilled its mission and for accepting or rejecting any recommendations that the committee may make. Thus, we cannot be sure that our recommendation will help better ensure that the Judicial Council makes financial decisions that are in the best interest of the courts.

Furthermore, the Strategic Evaluation Committee (evaluation committee) brought many of the problems we have identified throughout this report to the AOC's attention more than two years ago, yet the Judicial Council has not always ensured that the AOC has been transparent or accurate in reporting its efforts to address the problems. In particular, the evaluation committee's report noted the following:

The AOC has failed to plan, manage, and monitor programs in a manner that seeks critical collaboration and input from the courts. The AOC has undertaken significant and far-reaching programs over the past decade, including the Court Case Management System, branch-wide financial systems, court construction and facilities management, and others. The organization has failed to adequately consider fiscal, operational, and other impacts of its programs and projects on the courts. The failure to fully consider potential costs, benefits, and other impacts of programs and projects is emblematic of a breakdown in the organization's service orientation to the courts. AOC leadership must take steps to implement a system of program and project planning and monitoring that embraces a collaborative planning process; that analyzes and forecasts the full range of impacts on the courts; that employs appropriate cost-benefit analyses; and that can utilize available performance metrics in monitoring programs and projects. These steps are an important foundation in demonstrating a commitment to transparency, accountability, and efficiency.

We are concerned that without significant change, the Judicial Council and AOC will continue to publicly embrace plans to address the weaknesses that we and others have identified but fail to take the steps necessary to repair those weaknesses in a meaningful and transparent way.

Given the lapses in Judicial Council oversight and AOC decision making that we have identified throughout this report, we believe significant change is warranted. We are concerned that without significant change, the Judicial Council and AOC will continue to publicly embrace plans to address the weaknesses that we and others have identified but fail to take the steps necessary to repair those weaknesses in a meaningful and transparent way. We believe that the recommendations made here, if implemented, will go a long way toward ensuring that judicial branch funds,

especially those designed to support the costs of operating the courts, are used effectively and efficiently. As we do with all audits, our office will closely monitor and report the AOC's progress in implementing our recommendations to the Legislature and the public. If the Judicial Council does not undertake sufficient and timely action in response to our recommendations, it may be desirable to amend the provisions of the California Constitution that prescribe the powers of the Judicial Council so that the reforms we recommend can be implemented.

A Fee-for-Service Model Could Help the AOC Better Align Its Services With the Needs of the Courts

As we discussed in Chapter 3, the AOC has not sufficiently determined the value of its services to the courts. To ensure that AOC services align with the needs of the courts, we believe that the AOC should consider adopting a fee-for-service model. Currently, the AOC uses a fee-for-service model for the human resource services and procurement services that it provides to the courts. For both services, the AOC does not directly bill the trial courts but rather reduces their funding by the cost of the services it provides to them. We believe that modifying and expanding this approach would enable the AOC to ensure that its business processes align with the needs of the courts and it would also provide trial courts with more flexibility to fund their highest-priority functions.

Under a modified and expanded fee-for-service system, the Judicial Council would shift some of the AOC's funding to the trial courts. The trial courts would then have the option to decide how to best use the funding to obtain needed services. They could choose to use the additional funding on AOC-provided services or vendor-provided services, or to forgo services altogether and instead spend the funding directly on their own local court operating expenses. As a result, instead of the AOC determining which services are critical to court operations, the courts would decide. Under this system, the Judicial Council would continue to directly fund certain core AOC services, which it could determine through a survey or other means. Funding for the remaining AOC services and the associated AOC staff would depend on the trial courts' continued use of these services.

Some of the 10 courts we asked about this concept indicated that they could potentially gain flexibility and control from an expanded fee-for-service structure. According to the Superior Court of the County of Sacramento (Sacramento Court), this structure could improve upon the current process for several reasons, including that "courts may be able to find cheaper, and/or better solutions"

To ensure that AOC services align with the needs of the courts, we believe the AOC should consider adopting a fee-for-service model.

Under the current system of service delivery, courts can use as many AOC services as they wish at no direct cost to the requesting court, which may have contributed to the AOC's size and inefficiencies.

than those currently achievable through the AOC. The Superior Court of the County of Lassen echoed this sentiment, stating “There are some services that we have no choice over. For example, [the AOC has] a very complicated facility management system that is often ineffective . . . the court could accomplish what it needs by directly receiving the funding and working with the contracted facility management partner.” These comments suggest that an expanded fee-for-service system could benefit the courts.

An expanded fee-for-service system could also lead to a right-sized AOC. If such a system was established, the AOC would derive part of its funding from the trial courts’ payments for services. Under the current system of service delivery, courts can use as many AOC services as they wish at no direct cost to the requesting court. However, if the AOC used a fee-for-service system, some indicated that they might decrease the number of AOC services that they use. For example, the Superior Court of the County of Orange (Orange Court) stated, “We generally only use the legal services regarding court administration and case management issues as a sounding board. It is currently ‘free.’ If it were a fee-for-service, it is unlikely that we would continue to use the service.” Similarly, the Sacramento Court stated that an expanded fee-for-service structure could allow it to redirect some of its spending from AOC services to local operational needs, such as opening additional court rooms. As the Superior Court of the County of Los Angeles (Los Angeles Court) explained, “When certain services are free to certain consumers, then those consumers overconsume: they do not see, or consider, the costs of those services.” As a result, the current system may have contributed to the AOC’s size and inefficiencies.

However, five of the 10 courts we asked about an expanded fee-for-service system either concluded that potential problems make an expanded fee-for-service system infeasible or were neutral on the subject of feasibility. For example, Orange Court stated that a fee-for-service model works in private industry where there is competition and alternatives to choose from, but given the limited number of courts, it would be difficult for the AOC to keep the service fees low “for features that fewer courts want.” In addition, the Superior Court of the County of Plumas asserted that a fee-for-service model does not benefit small courts, indicating that it has only 11 employees and does not have staff with expertise in specialty areas. Similarly, the Superior Court of the County of Kings asked, “If the funding is reduced at the AOC level, how would the AOC be able to maintain the knowledgeable and experienced staffing that could provide the services?” However, the other five trial courts we spoke with were open to the system change as long as the implementation addressed their concerns. As the Los Angeles Court stated, “There are many details to be worked out

jointly by the Judicial Council and the trial courts. Most significant, perhaps, is how to shift the current funding from AOC staff to the trial courts.”

Most of the trial courts that we asked indicated that maintaining steady funding for certain AOC services is justified and would be a necessary component of a successful expanded fee-for-service system. For example, the Superior Court of the County of Kern (Kern Court) and the Superior Court of the County of San Mateo indicated that financial services, legal advice, governmental affairs work, and some human resources services should be a part of the baseline of core AOC services. Kern Court also emphasized its dependence on the AOC for services that are both important to its operations and not easily anticipated, such as human resources investigations. Overall, the comments we received suggest that it should be possible to distinguish between the specific services that would be appropriate to include in the AOC’s baseline budget and those services that could move to a fee-for-service system.

The fact that the California Department of General Services (General Services) currently operates on a partial fee-for-service basis further supports the potential feasibility of expanding fee for service at the AOC. General Services provides services to other state entities on a fee-for-service basis. For example, its contracted fiscal services unit offers accounting, budgeting, and financial services to various state departments and entities. Thus, General Services may provide the AOC with a model for implementing a fee-for-service system. In response to this concept, the administrative director of the courts believes that the Judicial Council should consider an expanded fee-for-service system, and if it determines the system to be feasible and sensible, the Judicial Council should weigh its application to the judicial branch.

The AOC Could Implement Best Practices From Comparable Organizations

According to the National Center for State Courts (NCSC), an independent court improvement organization, judicial leaders have the responsibility to demonstrate the necessity for specific funding levels. Further, the NCSC states that these leaders need to establish administrative structures and management processes that demonstrate they are using the taxpayers’ money wisely. We do not believe that the AOC has satisfactorily demonstrated this. We identified several best practices that the AOC could use to better justify its budgets and staff levels, as we show in Table 16 on the following page.

The National Center for State Courts states that judicial leaders need to establish administrative structures and management processes that demonstrate they are using the taxpayers’ money wisely. We do not believe that the AOC has satisfactorily demonstrated this.

Table 16
Best Practices That the Administrative Office of the Courts Could Adopt

BEST PRACTICE	DESCRIPTION	SOURCES
Establish customer needs	An agency should understand who its customers are and what their needs are to improve the type and cost of the services it provides. Some agencies accomplish this through customer service surveys.	United States Government Accountability Office (GAO), Texas Office of Court Administration (Texas OCA), California Department of General Services (General Services)
Develop a strategic plan	Strategic planning involves identifying an organization's mission and goals for the future. It helps an organization anticipate changes in its work needs and provides a direction for future decisions.	California rules of court, GAO, California Department of Human Resources (CalHR), General Services, Texas OCA
Identify necessary work functions based on customer needs	Organizations should tie their work to the needs of their customers. This focus can assist in creating a successful business model and help an organization focus on appropriate work functions.	GAO, CalHR
Conduct workload analysis	Determining staffing demand is essential to ensure that an organization can meet its strategic goals and customer expectations, and that it can maintain quality.	CalHR, National Center for State Courts (NCSC)
Create, track, and monitor performance measures	Performance measures provide historical data and targets in all types of business performance. They are used to determine areas of excellence and areas that need improvement, and to monitor performance over time.	California rules of court, GAO, NCSC, General Services, Texas OCA
Adopt performance-based budgeting	Performance-based budgeting ties budgets to performance measures, increasing both the accountability and transparency of an organization.	Texas OCA
Make budgets and expenditures available to the public	Many organizations increase their transparency by posting their budgets online. Some increase both transparency and accountability by making their expenditures available to the public as well.	California rules of court, General Services, New York Office of Court Administration (New York OCA), Texas OCA

Sources: Interviews and documentation from relevant state agencies, GAO, NCSC, Texas OCA, and New York OCA.

As we discussed in Chapter 3, strategic planning is critical to an entity's ability to justify its budget and staff level because it provides the foundation upon which the entity can anticipate changes in work and human resource needs. However, as we described in Chapter 3, the AOC has not fulfilled essential elements of strategic planning, including developing a mission and measurable objectives. The Texas Office of Court Administration (Texas OCA)—which performs the same general function as the AOC—has developed a strategic plan that identifies the outcome measures of its strategic objectives and performance measures, demonstrating that the AOC could also take these steps.

In another example, General Services created a strategic plan that it revises every five years. To fulfill its statement that “what gets measured gets done,” General Services has trained managers to

develop strategic plan objectives that are measurable. Each General Services office creates and tracks performance measures that tie to the goals of the strategic plan. Similar to the AOC, General Services provides services to other state entities; however, unlike the AOC, General Services measures progress on many of its objectives through customer service surveys. This approach would benefit the AOC by ensuring that its success in meeting the objectives in its strategic plan directly relates to customers' satisfaction.

The AOC could also engage in performance-based budgeting to assist in justifying its budget and staff level. According to the California Department of Finance, using a performance-based budget requires an agency to organize and track its expenditures by measurable performance objectives. In essence, performance-based budgeting links the budgeted expenses to performance measures, objectives, and goals rather than simply to the previous year's expenses. The Texas OCA developed a number of measurable performance objectives in order to use performance-based budgeting. The AOC has not developed measurable performance objectives because, according to the chief of staff, it turned its focus away from strategic planning when faced with the fiscal crisis. However, in our view, the fiscal crisis created an even greater need for strategic planning, rather than the opposite. The chief of staff reported that the Judicial Council may adopt performance measures in the future. Given that the Texas OCA was able to adopt performance-based budgeting, we see no reason why the AOC should not be able to do so as well.

Finally, increasing the amount of information that the AOC must make publicly available would also help enable it to justify its budgets and staff levels. Although the rules of court require the Judicial Council to ensure accountability through reporting on its use of its public resources to the other branches of government, the AOC makes only limited—and often complicated—information about its budget and staff level available to the public. As we described in Chapter 2, the AOC does not make detailed budget and expenditure documentation available to the public. More specifically, the AOC does not make public detailed information about how it spends local assistance funds designated for the trial courts, which we determined was \$386 million over the past four fiscal years as discussed in Chapter 2. Providing more transparent and readily understandable budget information to stakeholders would help the AOC to better justify its budget and staff level and significantly improve the transparency of its spending practices.

Providing more transparent and readily understandable budget information to stakeholders would help the AOC to better justify its budget and staff level and significantly improve the transparency of its spending practices.

Recommendations

To ensure that it provides services to the trial courts as efficiently as possible, the Judicial Council should explore implementing a fee-for-service model for selected services. These services could include those that are little used or of lesser value to the trial courts, as identified in our survey that we discuss in Chapter 3.

To justify the budget and staff level of the AOC, the Judicial Council should implement some or all of the best practices we identified to improve the transparency of AOC spending activities.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to 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 objectives specified in the scope section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: January 7, 2015

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TANI G. CANTIL-SAKAUYE
*Chief Justice of California
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MARTIN HOSHINO
Administrative Director

December 16, 2014

Ms. Elaine M. Howle*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, California 95814

Dear Ms. Howle:

The Auditor's report provides several recommendations that are designed to enhance transparency, accountability, and efficiency within the Judicial Branch. As the recently appointed Administrative Director for the Judicial Council of California, I find the report useful as I carry out my duties on behalf of the Judicial Council.

I agree with many of the recommendations in the report, and will welcome input on internal controls, processes, and procedures to improve business operations and customer service. Service to the trial courts—which was a principal focus of the audit—is a critical component of the work of the Judicial Council's staff, together with our mandated and otherwise cited responsibilities with respect to the Supreme Court, the Courts of Appeal, the Judicial Council, the sister branches of government, and the public.

In reviewing the audit, I am pleased to share that some of the recommended changes were already under way before I assumed my post in October 2014. Many of these changes stem from the Chief Justice's appointment of the Strategic Evaluation Committee (SEC) in March 2011, to conduct an in-depth review of the administrative arm of the Judicial Council. After the committee completed its review more than a year later, the Judicial Council reviewed and accepted its report, created directives based on the report, and continues to oversee the

* California State Auditor's comments begin on page 89.

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implementation of those directives. The Chief Justice also appointed three SEC members to the Judicial Council to assist. These actions are reflective of the significantly increased oversight the council has assumed over the past two years on many aspects of its staff operations.

The Auditor's policy-related recommendations fit within the intent of the Chief Justice's commitment to an ongoing self-assessment of the Judicial Branch and its various entities. The recommendations will be considered through the deliberative processes established by the council and its advisory bodies.

①

Attached to this letter are more detailed responses to the recommendations. Thank you for your team's work on the audit and the opportunity to respond to it.

Sincerely,



Martin Hoshino
Administrative Director

MH/MD/se
Enclosures

cc: Ms. Jody Patel, Chief of Staff, Judicial Council of California

Judicial Council Audit Response

12/16/2014

Judicial Branch of California: Because of Questionable Fiscal and Operational Decisions, the Judicial Council and Administrative Office of the Courts Have Not Maximized the Funds Available for the Courts

RESPONSES:

Chapter 1: Generous Compensation Practices and Questionable Business Decisions Have Not Maximized Funding Available for Courts

The recommendations in this chapter focus on the benefits and compensation for Judicial Council staff. The Judicial Council is the policymaking body of the California courts, the largest court system in the nation. Under the leadership of the Chief Justice and in accordance with the California Constitution, the Judicial Council is responsible for ensuring the consistent, independent, impartial, and accessible administration of justice. Judicial Council staff, as well as all California courts implements the council's policies. The Judicial Council has salary-setting authority for council staff subject to the approval of the Chief Justice. A number of the recommendations in this chapter have already been implemented or are in the process of being reviewed. Below are responses to each of the recommendations in chapter 1.

1. To ensure the compensation the AOC provides is reasonable, the Judicial Council should adopt procedures that require a regular and thorough review of the AOC's compensation practices including an analysis of the job duties of each position to ensure that the compensation aligns with the requirements of the position. This review should include comparable executive branch salaries, along with a justification when an AOC position is compensated {sic} a higher level than a comparable executive branch position.

Response:

This effort is already under way. The Judicial Council is near completion of a year-long comprehensive organization-wide classification and compensation review of employees' duties and salaries. The Judicial Council brought in an independent consultant with extensive experience to review both government and business classification and compensation structures. A component of the classification and compensation study specifically includes a market analysis of all council positions to comparable positions including the Executive Branch, courts, local government, other state Judicial Branch administrative offices (e.g., Texas OAC), etc.

②③

2. To ensure its compensation structure is reasonable, the AOC should do the following:
 - Cease paying for employees' share of retirement contributions.

Response:

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12/16/2014

As of October 2012, and consistent with this recommendation, the Judicial Council ceased paying new executive level employees' share of retirement benefits. The retirement contribution is now limited to 11 out of 814.70 authorized positions. This issue will be brought to the Chief Justice and the Judicial Council for consideration of any further action.

- Mirror the executive branch's practices for offering leave buyback in terms of frequency and amount.

Response:

Each year the Chief Justice considers the fiscal environment in exercising her authority to determine the appropriate level of a leave buy-back program for state-level Judicial Branch entities, including consideration of the Legislative Analyst's Office recommendations regarding leave buy-back. The Chief Justice has previously approved leave buy-back consistent with those recommendations.

3. To increase its efficiency and decrease its travel expenses, the AOC should require its directors and managers to work in the same locations as the majority of their staff unless business needs clearly require the staff to work in different locations than their managers.

Response:

Many organizations successfully function with a dispersed executive and management level staff, within established parameters of appropriate business practice controls; others require direct, on-site supervision. Current practices relating to the Judicial Council will be reviewed to ensure effectiveness and efficiency of staff operations.

4. To ensure that it pays its employees the appropriate salaries for the regions in which they spend the majority of their work hours, the AOC should follow its policy to periodically verify that salary differentials are based on an employee's actual work location.

Response:

I agree. In September 2014, a reconciliation of employees' work locations corrected the five identified discrepancies, and a recently established training and verification process will ensure the future accuracy of work location designation records.

5. To justify maintaining its headquarters in San Francisco and its additional space in Burbank, the AOC should conduct a thorough cost-benefit analysis of

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moving to Sacramento. If the analysis determines that the financial benefits of consolidating its operations to Sacramento outweigh the costs of such a move, the AOC should begin the process of relocating to Sacramento.

Response:

There are many factors that should be appropriately considered in making a determination of the location of the Judicial Council's headquarters. This recommendation will be brought to the Judicial Council for its consideration.

①

6. To reduce its expenses, the AOC should do the following:
 - Implement a policy that requires it to conduct a cost-benefit analysis for using temporary workers, contractors, or consultants instead of state employees before employing temporary workers, contractors or consultants to do the work of AOC employees.
 - Follow its AOC policies and procedures limiting the period of time it can employ temporary workers, and develop a similar policy to limit the use of contractors to a reasonable period of time, but no more than one year.
 - Conduct a cost-benefit analysis for maintaining its pool of vehicles. If the analysis finds that the cost of the {sic} maintaining the vehicles outweighs the costs of having its employees use other means of transportation, such as their personal vehicles, the AOC should reduce the number of vehicles it owns and leases. Also, the AOC should track and periodically inventory the vehicles in its fleet.
 - Cease reimbursing its office directors for parking at their headquarters by adopting the executive branch's parking reimbursement policies.
 - Cease its excessive reimbursement for meals by adopting the executive branch's meal and travel reimbursement policies.

Response:

These business practices will be reviewed for cost reduction opportunities and will be acted on as appropriate.

①

7. Once the AOC has identified savings related to its compensation and business practices, the Legislature should consider ways to transfer this savings to the trial courts.

Response:

Although this recommendation is directed to the Legislature, the Judicial Council will need to assess outcomes from any implemented changes in order to inform any related budget discussions with the Administration and the Legislature.

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Chapter 2: The Judicial Council's Lack of Oversight Allowed the Administrative Office of the Courts to Spend Judicial Branch Funds in a Questionable Manner

The recommendations in this chapter are focused on improving transparency, accountability and efficiency at the Judicial Council. Given that the Strategic Evaluation Committee was not charged with conducting a financial audit of the AOC, this chapter addresses many of the fiscal areas not covered by the SEC's report. Since taking office in 2011, the Chief Justice has implemented numerous initiatives to enhance transparency and accountability throughout the Judicial Branch. Below are the responses to the recommendations in chapter 2.

- 1) To determine the cost to the State of providing support to the trial courts, the Legislature should take steps to clearly define the difference between local assistance expenditures and state operations expenditures. One method of accomplishing this would be to make the necessary statutory changes to classify as local assistance only those appropriations that the AOC passes directly to the trial courts or that the AOC expends on the behalf of the trial courts with their explicit authorization. All other appropriations would be classified as state operations.

Response:

Although this recommendation is directed to the Legislature, over the past several years, significant budget display clarifications have already been made to create a more transparent and understandable structure for the Judicial Branch. The Judicial Council will continue to work with the Administration and the Legislature to more clearly define appropriations to and expenditures made on behalf of the trial courts versus those for other judicial branch operations.

- 2) To ensure it spends funds appropriately, the AOC should develop and implement controls to govern how its staff can spend Judicial Branch funds. These controls should include specific definitions of local assistance and support expenditures, written fiscal policies and procedures as required by the rules of court, and a review process.

Response:

I will recommend that the Judicial Council direct the updating and development of additional guidelines and protocols for approving and validating expenditures and costs related to the State Trial Court Improvement and Modernization Fund and the Trial Court Trust Fund.

- 3) The Judicial Council should develop rules of court that create a separate advisory body, or amend the current advisory committee's responsibilities and

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composition, that reports directly to the Judicial Council to review the AOC's state operations and local assistance expenditures in detail to ensure they are justified and prudent. This advisory body should be composed of subject matter experts with experience in public and Judicial Branch finance.

Response:

This recommendation will be brought to the Judicial Council for its consideration.

①

- 4) To bring more transparency to the AOC's spending activities and to ensure that the AOC spends funds in a fiscally and legally prudent manner, the Legislature should require an annual independent financial audit of the AOC. This audit should include an examination of the appropriateness of the AOC's spending of any local assistance funds.

Response:

Although this recommendation is directed to the Legislature, I agree with efforts to ensure that Judicial Branch funds are expended in a fiscally and legally prudent manner and will forward this recommendation to the Judicial Council for policy direction. Given the significant costs associated with such audits, additional funds may need to be appropriated to cover those expenses.

⑥

- 5) To increase transparency, the Judicial Council should conduct a more thorough review of the AOC's implementation of the evaluation committee's recommendations by more closely scrutinizing the actions the AOC asserts it has taken to complete directives.

Response:

This recommendation will be brought to the Judicial Council for its consideration.

①

- 6) To make the AOC's budget more understandable, the Judicial Council should require the AOC to report its budget in a more understandable and transparent manner, and in a manner that readily allows stakeholders and the public to know the full amount of the AOC's spending. Further, the Judicial Council should require the AOC to prepare and make public a high-level summary of how the Judicial Branch's budget relates to the appropriations from the State's budget.

Response:

I agree that the Judicial Council's budget should be reported in a manner that is understandable to the public and will recommend to the council that we review current practices and work to improve clarity. To the extent that

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- ⑦ discussions with the Administration and the Legislature result in the clarification of local assistance and state operations expenditures, I will recommend to the council that we align reporting processes accordingly. Additionally, I will recommend to the Judicial Council that we develop and make public a high-level summary of how the Judicial Branch's budget relates to the appropriations from the State's budget.

Chapter 3: The Administrative Office of the Courts Has Not Sufficiently Justified Its Current Budget and Staffing Levels

The recommendations in this chapter focus on workforce planning, and the assessment of the needs of the trial courts and services provided by Judicial Council staff. I agree that workforce planning is an effective way to ensure the services provided support the achievement of the Judicial Council's mission, strategic plan, and performance expectations. Below are responses to each of the recommendations in chapter 3.

- 1) The AOC should conduct a comprehensive survey of the courts on a regular basis – at least every 5 years – to ensure the services it provides align with their responses. The AOC should re-evaluate any services that courts identify as being of limited value or need.

Response:

⑧ The Judicial Council's staff implements council policy and serves the courts, justice partners, and the public to improve access to justice with a variety of programs and services. As such, I agree that it is important to regularly evaluate and improve those services to meet the changing needs of our customers. This effort is under way with the development of a catalog of services that was provided to the Judicial Council governing body in June 2014. I will recommend that the Judicial Council conduct a more detailed customer survey to better understand the direct and indirect services our customers need and use.

- 2) To justify its budget and staffing levels, the AOC should conduct the steps in CalHR's workforce planning model in the appropriate order. It should begin by establishing its mission and creating a strategic plan based on the needs of the courts. It should then determine the services it should provide to achieve the goals of that plan. The AOC should base its future staffing changes on the foundation provided CalHR's workforce planning model. Finally, the AOC should develop and use performance measures to evaluate the effectiveness of this effort.

Response:

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I agree that a workforce planning model is important for an organization to ensure alignment with strategic and business goals and help determine the most effective organizational structure and deployment of staff. The Strategic Evaluation Committee appointed by the Chief Justice did consider workforce and organizational model requirements and recommended that the Judicial Council proceed as soon as possible with a classification and compensation study. This study is under way and the results are expected to be presented to the Judicial Council in April 2015. The outcomes from the study will provide valuable information for the development and adoption by the council of the most appropriate workforce planning model and related performance measures in alignment with stated strategic and business goals. Research will be conducted on various workforce planning models (including the CalHR model and others cited by CalHR including those for Alaska, Delaware, Iowa, Minnesota, Montana, and Nevada) as options for Judicial Council consideration.

②

Chapter 4: Significant Change is Necessary to Ensure the Future Accountability, Transparency, and Efficiency of the Administrative Office of the Courts

The recommendations in this chapter focus on a fee-for-service structure between the courts and the Judicial Council, and a number of best practices the Auditor recommends be implemented by the council. A fee-for-service structure needs to be thoroughly evaluated by the Judicial Council. Many of the best practices listed have been or are in the process of being implemented. Below are responses to each of the recommendations in chapter 4.

- 1) To ensure that it provides services to the trial courts in the most efficient manner possible, the Judicial Council should explore implementing a fee-for-service model for selected services. These services could include those that are little used or of lesser value to the trial courts, as identified in our survey that we discuss in Chapter 3.

Response:

All such recommendations and options should be given consideration by the Judicial Council, and if determined to be feasible and sensible, the Judicial Council should weigh their application to the Judicial Branch, consistent with the equal access intent of the Trial Court Funding Act and the Trial Court Funding Workgroup's April 2013 recommendations to the Governor and the Chief Justice to ensure that litigants across the state have equal access to justice, and that funding for the branch is allocated in a manner that leads to greater access for all Californians irrespective of court location.

⑨

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- 2) To justify the budget and staff of the AOC, the Judicial Council should implement some or all of the best practices we identified to improve the transparency of AOC spending activities.

Response:

The Auditor has provided helpful information regarding recommended best practices. Each will be reviewed and appropriate action will be taken.

①

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE JUDICIAL COUNCIL OF CALIFORNIA

To provide clarity and perspective, we are commenting on the Judicial Council of California's (Judicial Council) Administrative Office of the Courts' (AOC) response to our audit. The numbers below correspond to the numbers we have placed in the margins of the Judicial Council's response.

We are concerned that the AOC's assertion that it will review its current policies or bring our recommendation to the attention of the Chief Justice and/or the Judicial Council—without proposing a specific plan—suggests that meaningful change will not occur. As we state on page 1, the Judicial Council's role in making certain critical decisions has been more ministerial than substantive, in part because the Judicial Council relies heavily on the AOC to make prudent budget decisions and to provide it with thorough information. We expect that the AOC's 60-day, 6-month, and 1-year responses will include detailed plans, including time frames for implementation, of what the Judicial Council and AOC intend to do or have done to address each of our recommendations.

①

We have concerns related to the AOC's classification and compensation study. As we depict in Figure 6 on page 67 and discuss on pages 68 and 69, based on the California Department of Human Resources' workforce planning model, the AOC performed its classification and compensation study out of order before determining the courts' needs, which would dictate the number of staff the AOC needs and what skills and abilities its staff must possess to accomplish its mission.

②

The AOC does not state whether this classification and compensation study is part of an ongoing effort to justify its salaries, or whether it is a one-time effort. As our recommendation on page 35 states, we expect that the Judicial Council will adopt procedures that require a regular and thorough review of the AOC's compensation practices, not simply a one-time review.

③

The AOC's response overlooks key portions of our and the Legislative Analyst's Office's (LAO) reports. Specifically, we note on page 25 that although a leave buyback program can prove to be cost-beneficial, we question the decision to continue to provide this benefit to AOC staff at a time when trial courts had to lay off their employees, reduce hours, and close courtrooms. The LAO's report includes a similar caution about the timing of a leave buyback program, stating that because of the up-front cost, such a program would be easiest during years without significant budgetary constraints.

④

- ⑤ Although we agree that some improvements have been made to budget displays, additional improvements are necessary. The Strategic Evaluation Committee (evaluation committee) also identified problems related to the transparency of the AOC's budget processes in its May 2012 report. As we note on page 42, the evaluation committee's report stated that the AOC's budget process was so confusing that it was difficult, if not impossible, to understand what is funded or how it is funded. The evaluation committee recommended that the AOC split its expenditures into state operations and local assistance so as to clarify which entity benefits from the use of those resources. Unfortunately, although two years have passed since the evaluation committee made its recommendation the AOC has still not implemented it.
- ⑥ Given the Judicial Council's commitment to transparency, accountability, and efficiency of the judicial branch, we would expect that it would implement our recommendation for an independent financial audit regardless of whether the Legislature appropriates additional funds. In fact, the California Department of Finance is currently performing an audit of the AOC even though the AOC did not receive additional funds.
- ⑦ We appreciate that the administrative director wants to develop and make public a high-level summary of how the judicial branch's budget relates to appropriations; however, the AOC can take steps to improve its reporting of information prior to the Legislature taking any action. For example, the information we provide in Figure 4 on page 40 would go a long way to increase the amount of information available to the public relating to how the AOC spends local assistance funds when combined with an explanation of why local assistance funds were used as opposed to the AOC's state operations appropriation.
- ⑧ The AOC's response does not address two critical aspects of our recommendation. First, the response makes no mention of how often the AOC intends to survey its customers. Second, the AOC does not indicate what it intends to do with the results of those surveys. As we state on page 66, an agency should begin the process of making major changes to its organization by first determining the needs of its customers. We hope that the AOC will use the results of its customer surveys as a basis for organizational change, including determining what services it should—or should not—continue to provide.
- ⑨ Our recommendation is in no way intended to be inconsistent with the important goal of providing equal access to justice. Rather, it is intended to ensure that judicial branch resources are used in a more focused and effective way.