

Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Determine whether the Judicial Branch Contracting Manual (judicial contracting manual) is consistent with the requirements set forth in the judicial contract law.</p>	<p>Compiled revisions to the PCC, SAM, and SCM from July 2023 through June 2025, and determined whether the judicial contracting manual reflects those revisions and whether it is consistent with requirements set forth in the judicial contract law.</p>
<p>2 Determine whether the Judicial Council's local manual conforms to the judicial contracting manual.</p>	<p>Determined whether any revisions made to the judicial contracting manual are reflected in the local manual.</p>
<p>3 Assess the Judicial Council's internal controls over procurement practices and then determine whether the council complied with those controls and other key requirements, including requirements related to competitive bidding and sole-source contracting.</p>	<ul style="list-style-type: none"> • Reviewed the judicial contracting manual, the local manual, and the Judicial Council's procedures, and interviewed staff members, to assess the Judicial Council's internal controls for contracting and procurement. • Used FISCAL data from the Judicial Council to identify all procurements for the period from July 2023 through June 2025. From these data, randomly selected 45 procurements for review and judgmentally selected an additional five procurements based on the factors described in Objective 5. • Tested a selection of 50 procurements, including contract agreements, purchase orders, and contract amendments, for compliance with the requirements of the judicial contracting manual and the local manual, including requirements for procurement approval, segregation of duties, competitive bidding, and other key controls.
<p>4 Assess the Judicial Council's internal controls over payment practices and determine whether it complied with those controls.</p>	<ul style="list-style-type: none"> • Reviewed the judicial contracting manual, the local manual, and the Judicial Council's procedures, and also interviewed staff members, to assess the Judicial Council's internal controls for payments. • Judgmentally selected a sample of 24 invoice payments, based on payment amounts, from the procurements reviewed in Objective 3. Tested the selected payments for compliance with requirements of the judicial contracting manual and other procedure documents, including requirements for invoice approval, proper authorization, and segregation of duties.
<p>5 Evaluate the Judicial Council's contracts to determine whether the Judicial Council inappropriately split any contracts to avoid necessary approvals or competitive bidding requirements.</p>	<ul style="list-style-type: none"> • Confirmed that the judicial contracting manual still prohibits Judicial Branch entities from splitting transactions of \$10,000 or more into multiple transactions of less than \$10,000. • Used data from FISCAL to identify vendors from which the Judicial Council made multiple procurements of less than \$10,000 for the period from July 2023 through June 2025. • For a random selection of five vendors with multiple payments of less than \$10,000, assessed corresponding procurement documentation to determine whether any of those multiple procurements should have been a single competitively bid procurement.
<p>6 Assess the reliability of the Judicial Council's contract and payment data recorded in FISCAL to ensure the accuracy and completeness of the data and to establish testing selections.</p>	<ul style="list-style-type: none"> • Reviewed the Judicial Council's annual procurement reports submitted to the Legislature and the State Auditor for July 2023 through June 2025. • Obtained data from FISCAL that the Judicial Council used to generate the annual reports for July 2023 through June 2025. • For a selection of hard copy procurement files, determined whether the selected procurements were accurately recorded in the annual report and in FISCAL. • Compared information from the 24 payment invoices selected as part of Objective 4 to the FISCAL data to determine whether the invoices existed in the system and were accurate.
<p>7 Determine whether each court has developed its own local contracting manual and assess its conformance to the judicial contracting manual.</p>	<p>Obtained each court's local contracting manual that was applicable from July 2023 through June 2025. Assessed whether the local contracting manuals conformed to the judicial contracting manual's requirements and recommendations.</p>

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<p>8 Assess each court's compliance with key internal controls over contracting and procurement in the judicial contracting manual and its local contracting manual, including those related to competitive bidding, sole-source contracting, and payment and deliverable review and oversight.</p>	<ul style="list-style-type: none"> • Based on factors including contract value and type of goods or services procured, judgmentally selected contracts from each court that were active from July 2023 through June 2025. Based on factors including payment value, judgmentally selected payments that each court made from July 2023 through June 2025. • To gain assurance that data used to select payments and contracts were complete, traced source documents to the information used for selection. • For each court, reviewed a selection of contracts and an initial selection of payments compared to key requirements and safeguards identified in the judicial contracting manual, local manual, and other relevant policies and procedures. • For each court, used the Phoenix Financial System to identify any new or amended contracts valued at more than \$1 million from July 2023 through June 2025. For any such contracts, reviewed the contracts and the courts' documentation of notifications sent to the State Auditor.
<p>9 Evaluate selected courts' contracts to determine whether they may have inappropriately split contracts to avoid obtaining necessary approvals or compliance with competitive bidding requirements.</p>	<p>Used the Phoenix Financial System to identify any instances of courts having possibly split contracts. For the identified instances, evaluated additional information, such as payment reports and contract documents, to identify whether a court entered into contracts with the same vendor for similar goods or services during the same time frame for the purposes of avoiding competitive bidding.</p>
<p>10 Review the appropriateness of each court's CAL-Card or other court-issued purchase card transactions when those transactions exceed a total of \$100,000 or 10 percent of all reported procurement payments for a one-year period.</p>	<p>Determined whether each court used purchase cards and reviewed monthly purchase card statements for transactions that appeared questionable based on the amount or vendor. Based on factors including transaction amount and purchase justification, reviewed a judgmental selection of purchase card transactions for each court.</p>

Source: Audit workpapers.