



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Administrative Office of the Courts

For the period July 1, 2018 through June 30, 2022

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**Office of the Washington State Auditor
Pat McCarthy**

July 20, 2023

Dawn Marie Rubio, State Court Administrator
Administrative Office of the Courts
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Agency operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Agency's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Agency operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the Agency could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Administrative Office of the Courts from July 1, 2018 through June 30, 2022.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the Washington State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Agency's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended June 30, 2022, 2021, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Compliance with Becca Bill
- Use of dedicated funds (State vs. Blake)

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Administrative Office of the Courts July 1, 2018 through June 30, 2022

2022-001 The Administrative Office of the Courts did not adequately monitor state grants awarded to courts throughout the state.

Background

The Administrative Office of the Courts (Office) oversees the distribution of funds in accordance with the Revised Code of Washington 13.32A, also known as the Becca Bill. The Becca Bill requires all children between ages 8 and 18 to attend school regularly. The Office is annually appropriated funds that it distributes to 33 county courts through interagency agreements. Using an equitable distribution formula, the Office allocates funds to county juvenile court administrators for the costs associated with processing and case management of truancy, children in need of services, and at-risk youth referrals.

The interagency agreements state that supporting documentation for Becca Bill expenditures should be retained at the local level for six years and should not be submitted to the Office when requesting reimbursement. Instead, to ensure the reimbursements are allowable and properly supported, the Office has established written procedures that require the Office Comptroller to periodically audit the supporting documentation retained by the courts. This requirement was also communicated to the courts in the interagency agreements.

During state fiscal years 2019 through 2022, the Office distributed approximately \$7 million each year to the county courts, for a total of \$28.6 million during the audit period.

Description of Condition

The Administrative Office of the Courts did not adequately monitor state grants awarded to courts throughout the state.

We judgmentally selected and reviewed 20 out of 266 reimbursement payments made to county courts in state fiscal year 2022. We found all 20 were supported by the required documentation as outlined in the interagency agreement. However, the Office Comptroller conducted no fiscal audits during the audit period to ensure the reimbursements were only for allowable purposes and supported by adequate documentation.

Cause of Condition

Management did not follow its procedures and ensure that the fiscal audits were being performed.

Effect of Condition

The Office's lack of monitoring puts public funds at risk of misuse or loss. By not performing fiscal audits of county court reimbursements, there is an increased risk of reimbursement payments not being allowable and properly supported.

Recommendation

We recommend the Office establish and maintain written procedures that outline how to conduct an audit of a county court and how often they will occur.

Office's Response

The Administrative Office of the Courts acknowledges the audit finding.

Through mid-2018, there is evidence that the Comptroller conducted routine audits of courts, three per quarter. However, that practice fell off with turnover in the Comptroller position during the audit period, FY 2018 – FY 2022.

The following steps will be implemented to ensure reimbursement payments to courts under the Becca Bill are allowable.

- *Complete audits as required under the interagency agreements for FY 2023.*
- *Review the audit process, and for FY 2024 either: 1) reinstate the audit process as outlined or 2) require courts to submit supporting documentation with each request for reimbursement.*
- *Ensure written procedures are in place and communicated to staff so knowledge is not lost in times of staff turnover.*

Auditor's Remarks

We thank the Office for its cooperation and assistance throughout the audit. We will review the status of the Office's corrective action during our next audit.

Applicable Laws and Regulations

Administrative Office of the Courts procedure – “*Becca Cost Guidelines*”, which is also included in each grant award to the courts under exhibit A, states in part:

A. PURPOSE and SCOPE

This document establishes the allowable cost guidelines for BECCA reimbursements. It also sets forth the required documentation needed to support reimbursement request. This supporting documentation needs to be retained at the local level and should not be submitted to AOC.

Audit Process

The AOC Comptroller will periodically audit court Becca reimbursement requests to ensure requests are supported.

Each year, the AOC Comptroller will randomly select several courts/counties for audit. On-site audits are not required by the State Auditor’s Office (SAO), but the AOC and AOC Comptroller reserve the right to schedule on-site audits if desired or required.

The AOC Comptroller (or designee) will review payroll records, invoices, travel vouchers, and any other records of expenses related to Becca reimbursement requests as provided in the reimbursement requests. The AOC Comptroller will ensure that expenses detailed on any of these (or other) reimbursement request documents are supported by required approval and signature of appropriate county staff, and that the expenses detailed are in support of Becca programs in that county.

Following this review, the AOC Comptroller (or designee) will contact the court if reimbursement request(s) do not meet the criteria or file the attached report in the AOC Becca audit file.

INFORMATION ABOUT THE AGENCY

The AOC was established by the Washington State Legislature in 1957 and operates under the direction and supervision of the Chief Justice of the Supreme Court, pursuant to Chapter 2.56 RCW. The mission of the Washington State Administrative Office of the Courts (AOC) is to advance the efficient and effective operation of the Washington Judicial System. AOC executes the Washington judicial system administrative policies and rules, examines the operations of the court system, and makes recommendations for improvement.

The AOC is organized into four functional areas: the Administrative Services Division, the Information Services Division, the Court Services Division, and the Management Services Division.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Administrative Office of the Courts at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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