



OFFICE OF THE STATE AUDITOR



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STATE AUDITOR

November 18, 2021

STATE COURT ADMINISTRATOR'S OFFICE – STATUS REPORT

Members of the Legislative Audit Committee:

Attached is the status report from the State Court Administrator's Office (SCAO), on the implementation of recommendations contained in the Office of the State Auditor's (OSA) *State Court Administrator's Office Performance Audit*.

OSA REVIEW OF DOCUMENTATION

As part of the status report process, we requested and received supporting documentation for each recommendation that the SCAO reported as having been implemented or partially implemented. Specifically, we reviewed the following documentation:

- Updated SCAO Personnel Rules for:
 - Ensuring that voluntary separation incentives are given only when it benefits the organization, who can approve incentives, and limitations on the amounts given.
 - The proper use of administrative leave, requiring the reason for its use in the timekeeping system, and restrictions on the number of administrative leave hours allowed.
- User Manual for the Personnel Records System for the storage of documents such as Family Medical Leave Act (FMLA) and corrective action letters, and other human resources documents.
- Position descriptions for two staff members responsible for the review and approval of FMLA.

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- Draft of an audit plan for reviewing the retention of human resources documents in the Personal Records System.
- Updated Judicial Procurement Code that includes a cool down period for contracting with former employees, and the documentation related to the justification, approval requirements, and public announcement when entering into sole source contracts.
- Updated Judicial Fiscal Rules for the use of procurement cards that include designation of who can serve as an approving authority for purchases and a segregation of duties to ensure the proper use of funds.

Based on our review, the supporting documentation substantiates the Division's reported implementation status.

OFFICE OF THE STATE COURT ADMINISTRATOR



September 27, 2021

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Dear Auditor Hunter:

In response to your request, we have prepared the attached report on the implementation status of audit recommendations contained in the State Court Administrator's Office Performance Audit. The report provides a brief explanation of the actions taken by the State Court Administrator's Office of the Judicial Department to implement each recommendation.

Since the Performance Audit was finalized in December 2020, the State Court Administrator's Office has been working diligently to implement the recommendations, while also operating under constraints to our operations caused by the COVID 19 pandemic and budget reductions. While a majority of recommendations have been implemented, as noted in our status report, there are recommendations in which full implementation has been delayed from our original response. A contributing factor to the delay is the fact that the Department did not have a permanent Human Resources Division Director in place until June of 2021. Despite several recruitment efforts, the Department was without a permanent Human Resources Division Director for nearly two years.

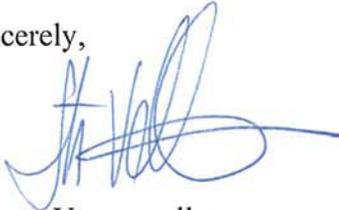
The implementation of a new time and leave keeping system (Kronos) has been progressing steadily over the last year, but at this time has not been fully developed and tested at a level that will meet the needs of the organization. We have revised our implementation date from July 2021 to February 2022 to allow us time to fully test and pilot the system before implementing it statewide.

The State Court Administrator's Office and the Supreme Court remain fully committed to the ongoing effort of updating rules and policies to

strengthen internal controls to mitigate risks and ensure the appropriate use of public funds.

If you have any questions about this status report and the State Court Administrator's Office's efforts to implement the audit recommendations, please contact Tracy Griffith at (720) 625-5863 or tracy.griffith@judicial.state.co.us.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Vasconcellos', with a long horizontal flourish extending to the right.

Steven Vasconcellos
State Court Administrator

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME	State Court Administrator's Office
AUDIT NUMBER	2052P
AGENCY	State Court Administrator's Office, Judicial Department
DATE OF STATUS REPORT	September 27, 2021

SECTION I: SUMMARY

REC. NUMBER	AGENCY'S RESPONSE	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
1A	AGREE	JULY 2021	IMPLEMENTED	JULY 2021
1B	AGREE	JULY 2021	IMPLEMENTED	JULY 2021
1C	AGREE	JULY 2021	IMPLEMENTED	JULY 2021
2A	AGREE	JULY 2021	IMPLEMENTED	JULY 2021
2B	AGREE	JULY 2021	PARTIALLY IMPLEMENTED	FEBRUARY 2022
2C	AGREE	JULY 2021	PARTIALLY IMPLEMENTED	FEBRUARY 2022
2D	AGREE	JULY 2021	IMPLEMENTED	JULY 2021
3A	AGREE	JULY 2021	PARTIALLY IMPLEMENTED	FEBRUARY 2022
3B	AGREE	JULY 2021	PARTIALLY IMPLEMENTED	FEBRUARY 2022
3C	AGREE	JULY 2021	PARTIALLY IMPLEMENTED	SEPTEMBER 2022
4A	AGREE	NOVEMBER 2020	IMPLEMENTED	NOVEMBER 2020
4B	AGREE	MAY 2020	IMPLEMENTED	MAY 2020
4C	AGREE	MAY 2020	IMPLEMENTED	MAY 2020
4D	AGREE	MAY 2020	IMPLEMENTED	MAY 2020
5	AGREE	JULY 2021	IMPLEMENTED	SEPTEMBER 2021
6A	AGREE	JULY 2021	PARTIALLY IMPLEMENTED	FEBRUARY 2022
6B	AGREE	JULY 2021	PARTIALLY IMPLEMENTED	FEBRUARY 2022

SECTION II: NARRATIVE DETAIL

RECOMMENDATION 1A			
<p>The State Court Administrator’s Office should establish and implement formal written rules, policies, and procedures related to voluntary separation incentives that:</p>			
<p>A Specify who has to approve voluntary incentives prior to offering them to staff and who must sign any voluntary separation agreements prior to execution.</p>			
CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	JULY 2021
AGENCY UPDATE			
<p><i>The Colorado Judicial System Personnel Rules were updated and approved July 2021. Updated Rule 31 and new Rule 33 include language regarding voluntary separation incentives. The Rules require all VSI requests for districts to be submitted to the State Court Administrator for review and approval. All VSIs submitted for employees of the SCAO are required to be submitted to the Chief Justice and Justices of the Supreme Court for review and approval. All VSI plans are subject to review and approval by the Director of Financial Services and Legal Counsel.</i></p>			

RECOMMENDATION 1B			
<p>The State Court Administrator’s Office should establish and implement formal written rules, policies, and procedures related to voluntary separation incentives that:</p>			
<p>B Ensure that separation incentives are only executed with employees whose separation would further the strategic goals of any reorganization.</p>			
CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	JULY 2021
AGENCY UPDATE			
<p><i>The Colorado Judicial System Personnel Rules were updated and approved July 2021. Updated Rule 31 and new Rule 33 include language regarding voluntary separation incentives. The Rules specify that a voluntary separation incentive may be offered to certified and classified employees when a layoff may happen or has happened based upon a documented lack of funds, lack of work, or reorganization. No VSIs have been offered at SCAO since the completion of the Performance Audit.</i></p>			

RECOMMENDATION 1C

The State Court Administrator’s Office should establish and implement formal written rules, policies, and procedures related to voluntary separation incentives that:

- C Consider the types of incentives provided in the Executive Branch, detail the types of incentives that can be offered, and specify the total and/or maximum amount that will be paid out in incentives.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	JULY 2021
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AGENCY UPDATE

The Colorado Judicial System Personnel Rules were updated and approved July 2021 after consideration of incentives provided in the Executive Branch. Updated Rule 31 and new Rule 33 include language regarding voluntary separation incentives. The Rules provide for the types of incentives, including but not limited to, payment towards the continuation of health benefits and/or post-employment compensation. Further, the Rules state any post-employment compensation payment and other incentives shall not exceed an amount equal to one week of an employee’s salary for every year of service, up to 18 weeks.

RECOMMENDATION 2A

The State Court Administrator’s Office should ensure that it is using paid administrative leave responsibly and as a good steward of state funds by implementing policies and procedures that:

- A Define the appropriate uses of paid administrative leave, including whether it can be used for settlement agreements.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	JULY 2021
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AGENCY UPDATE

The Colorado Judicial System Personnel Rules were updated and approved July 2021. Updated Rules 26 and 29, and new Rule 33 include language regarding administrative leave and post-employment compensation. The Rules provide that administrative leave may be granted for reasons outlined in the Rules and for the good of the state that reflect prudent use of state funding. The Rules collectively provide for use of administrative leave during a disciplinary investigation but do not allow for administrative leave to be used to extend an employee’s termination date. The Rules also provide that post-employment compensation cannot occur prior to an employee’s separation date.

RECOMMENDATION 2B

The State Court Administrator’s Office should ensure that it is using paid administrative leave responsibly and as a good steward of state funds by implementing policies and procedures that:

- B Require that employees record the reason that paid administrative leave was granted in the timekeeping system.

CURRENT IMPLEMENTATION STATUS	PARTIALLY IMPLEMENTED	CURRENT IMPLEMENTATION DATE	FEBRUARY 2022
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AGENCY UPDATE

The Colorado Judicial System Personnel Rules were updated and approved July 2021. Updated Rule 26 requires a reason for the administrative time grant to be entered in the official timekeeping system. The Department is in the process of implementing a new time and leave system (Kronos) that will include multiple types of distinct administrative leave categories (e.g., performance award, investigation, office closed) to better record the reason for the leave. The implementation of Kronos has been delayed and is now expected to be implemented February 2022.

RECOMMENDATION 2C

The State Court Administrator’s Office should ensure that it is using paid administrative leave responsibly and as a good steward of state funds by implementing policies and procedures that:

- C Require oversight of paid administrative leave use, both at the organizational level and by supervisors, to verify that it is being used appropriately and the amounts used are reasonable. This may include running organization-level reports on the amount of administrative leave used to determine standards and identify outliers and providing guidelines on how to monitor that the amounts of leave approved for individual staff are appropriate.

CURRENT IMPLEMENTATION STATUS	PARTIALLY IMPLEMENTED	CURRENT IMPLEMENTATION DATE	FEBRUARY 2022
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AGENCY UPDATE

The Judicial Department is in the process of implementing a new time keeping and leave system that will enhance the overall functionality and reporting of time and leave for all Department employees. The new timekeeping system’s report generating capabilities will allow for regular review of administrative leave usage. Once the new system is in place, the SCAO will implement policies to ensure monitoring of reports related the use of Administrative Leave. As reported above, the implementation of Kronos has been delayed and is now expected to be implemented in February 2022.

RECOMMENDATION 2D

The State Court Administrator’s Office should ensure that it is using paid administrative leave responsibly and as a good steward of state funds by implementing policies and procedures that:

- D Establish limits on the amount of paid administrative leave that can be used for certain purposes. This could also include establishing threshold administrative leave amounts that would need to be reported to the State Court Administrator.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	JULY 2021
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AGENCY UPDATE

The Colorado Judicial System Personnel Rules were updated and approved July 2021. The Department considered the Executive Branch guidance while reviewing and updating Rules. The Rules have limits for certain leave purposes (e.g., volunteer day of service, public health emergency). Rule 26 requires an Administrative Authority, or designee, to report any administrative leave (including leave for investigations) past 20 consecutive working days for an employee in writing to the Director of Human Resources within 5 calendar days of granting the leave.

RECOMMENDATION 3A

The State Court Administrator’s Office (SCAO) should ensure that it properly secures and documents all human resources information by:

- A Establishing policies and procedures requiring that all human resources documentation be stored in a secure shared file and training staff on these policies.

CURRENT IMPLEMENTATION STATUS	PARTIALLY IMPLEMENTED	CURRENT IMPLEMENTATION DATE	FEBRUARY 2022
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AGENCY UPDATE

The Human Resources Division began uploading all Family Medical Leave (FML) documentation into the Personnel Records System (PRS) in May 2021 and retroactively uploaded all FML documentation for SCAO employees for Fiscal Year 2021. In August 2021, the Department finalized written policies and procedures to require that all FML documentation is stored in PRS. The PRS is a secured, centralized personnel records storage application that includes items in an employee’s personnel file, such as disciplinary and corrective action letters, as well as other documentation such as FML paperwork. Documentation related to disciplinary investigations is not stored in PRS, but is stored on a secured, centralized network drive accessible by designated HR staff. Resignation/settlement agreements for SCAO staff are retained electronically on a secured, centralized network drive accessible by designated Legal Team staff. Currently, all FML requests for SCAO employees are reviewed by HR, SCAO Legal Staff, and the Attorney General’s Office, with final approval by the State Court Administrator. HR staff at SCAO received training from two HR Analysts regarding the PRS system on July 19, 2021. The Department is currently working to develop written policies for the storage of other documents, including disciplinary investigations and settlement agreements.

RECOMMENDATION 3B

The State Court Administrator’s Office (SCAO) should ensure that it properly secures and documents all human resources information by:

- B Developing a contingency plan to respond to sudden personnel changes.

CURRENT IMPLEMENTATION STATUS	PARTIALLY IMPLEMENTED	CURRENT IMPLEMENTATION DATE	FEBRUARY 2022
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AGENCY UPDATE

The Human Resources Division began uploading all FML documentation into the Personnel Records System (PRS) in May 2021. August 2021, the Department finalized written policies and procedures to require that all FML documentation is stored in PRS. The PRS is a secured, centralized personnel records storage application that includes items in an employee’s personnel file, such as disciplinary and corrective action letters, as well as other documentation such as FML paperwork. Documentation related to disciplinary investigations (other than the disciplinary action letter) is not stored in PRS, but is stored on a secured, centralized network drive accessible by designated HR staff. Resignation/settlement agreements for SCAO staff are retained electronically on a secured, centralized network drive accessible by designated Legal Team staff. The Department is currently working to develop written policies for the storage of other documents, including disciplinary investigations and settlement agreements. SCAO now has two positions to support benefits, including the administration of FML. The HR Division has also developed a tracking spreadsheet for FML inquiries that is stored on a secured, centralized network drive accessible by designated HR staff. All of these measures will provide for continued accessibility and security of documentation in the event of personnel changes.

RECOMMENDATION 3C

The State Court Administrator's Office (SCAO) should ensure that it properly secures and documents all human resources information by:

- C Implementing a review process, including regular reviews by internal audit, to ensure that all required documentation is maintained in the appropriate files and the SCAO's policies and controls are adequate.

CURRENT IMPLEMENTATION STATUS	PARTIALLY IMPLEMENTED	CURRENT IMPLEMENTATION DATE	SEPTEMBER 2022
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AGENCY UPDATE

In July 2021, the internal audit unit completed a follow up of the recommendations from this Performance Audit. This included a sample of 15 SCAO employees with FML inquiries in FY21 to ensure the documentation was maintained by HR. HR provided supporting documentation for all 15 sampled employees. There were no resignation/settlement agreements for SCAO employees since the OSA Performance Audit for the internal audit unit to review. The internal audit unit is also developing an audit program for SCAO that will include, among other things, a review of FML documentation as well as documentation related to disciplinary investigations and resignation/settlement agreements. The audit program for the SCAO will be fully developed after the completion of the current schedule of judicial district audits. We anticipate that the program will be developed by September 2022, which will also allow for implementation of the new time reporting system prior to audit work.

RECOMMENDATION 4A

The State Court Administrator's Office should establish and implement written rules, policies, and procedures related to the sole source procurement process to help ensure that it is used appropriately by:

- A Updating procurement rules to prohibit former employees from contracting with the Department within a specified period after their resignation.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	NOVEMBER 2020
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AGENCY UPDATE

The Independent Contractors Fiscal Rule, approved in November 2020, includes a mandatory waiting period of six months between an employee's date of separation from employment and the date when a former employee is eligible to begin providing services as an independent contractor with the Judicial Department.

RECOMMENDATION 4B

The State Court Administrator’s Office should establish and implement written rules, policies, and procedures related to the sole source procurement process to help ensure that it is used appropriately by:

- B Establishing internal reviews and approvals for all phases of the sole source contracting process that includes identifying all parties required to review the contract documentation.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	MAY 2020
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AGENCY UPDATE

The Procurement Fiscal Rules and Procedures, approved in May 2020, require all sole source procurements above the discretionary purchasing thresholds in the Rule to be coordinated by the Procurement Unit in the Financial Services Division. Further, the Procurement Unit is required to provide an opinion on the sole source request to the State Court Administrator. The authority to approve or deny a sole source procurement request rests with the State Court Administrator. Additionally, all sole source procurements are to be reported to the Chief Justice quarterly.

RECOMMENDATION 4C

The State Court Administrator’s Office should establish and implement written rules, policies, and procedures related to the sole source procurement process to help ensure that it is used appropriately by:

- C Identifying information required to support the written justification and negotiations for the sole source procurement and contract terms.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	MAY 2020
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AGENCY UPDATE

The Procurement Fiscal Rules and Procedures, approved in May 2020, outline the required information that shall be required in a sole source procurement request to support the justification. The Rules further require the request to include: (1) a summary of information detailing the costs of using an alternative good or service or of not making the purchase, and (2) a cost analysis explaining why the price offered from the vendor is fair and equitable. The Rules require the Procurement Unit to negotiate the most favorable price, terms, and conditions for the sole source procurement.

RECOMMENDATION 4D

The State Court Administrator’s Office should establish and implement written rules, policies, and procedures related to the sole source procurement process to help ensure that it is used appropriately by:

- D Requiring public sole source notifications be posted prior to awarding sole source contracts.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	MAY 2020
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AGENCY UPDATE

The Procurement Fiscal Rules and Procedures, approved in May 2020, require the Procurement Unit to publish the sole source procurement on the electronic bid system for review by the public for 14 calendar days. The Rules further require that if one or more responses are received from qualified and responsible vendors who can meet the specifications identified in the notice, and who are not otherwise prohibited from bidding on the contract, the sole source procurement method shall not be used.

RECOMMENDATION 5

The State Court Administrator’s Office should improve controls over the use of procurement cards by establishing written policies on which positions can serve as a “budget authority” and are authorized to approve procurement card purchases, taking into consideration the appropriate segregation of duties and how and where approvals should be documented.

CURRENT IMPLEMENTATION STATUS	IMPLEMENTED	CURRENT IMPLEMENTATION DATE	SEPTEMBER 2021
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AGENCY UPDATE

The Commercial Card Fiscal Rules approved in November 2020 require the Administrative Authority (Division Directors at SCAO) to review, sign, and date the procurement card statement for each cardholder indicating approval of transactions. The Department developed Budget Fiscal Rules that were approved by the Chief Justice in September 2021 with an effective date of October 1, 2021. The Budget Rules formalize the process for an Administrative Authority to delegate budget authority to department staff for certain programs/appropriations and requires the Administrative Authority to document and maintain a list of all budget authority designees.

RECOMMENDATION 6A

The State Court Administrator’s Office (SCAO) should implement an effective system of internal control that fosters a culture of integrity, ethical values, and accountability by:

- A Implementing policies and procedures and continuing to update Judicial Rules as necessary, to ensure that collectively, they provide sufficient direction to staff on the human resources and financial services functions discussed throughout this report, and detail how staff are to implement Judicial rules within the organization.

CURRENT IMPLEMENTATION STATUS	PARTIALLY IMPLEMENTED	CURRENT IMPLEMENTATION DATE	FEBRUARY 2022
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AGENCY UPDATE

The Department believes that implementation of this recommendation is an ongoing process. The SCAO has continued to work on implementing and updating rules and policies to strengthen internal controls to mitigate risks and ensure the appropriate use of public funds. Since the Audit, the Department has updated the Colorado Judicial System Personnel Rules, developed internal policies and procedures for the storage of FML documentation in PRS, and has developed Budget Fiscal Rules that were approved by the Chief Justice in September 2021, with an October 1, 2021 effective date. In addition to the progress noted above, the Department has taken steps to ensure that documentation in other areas identified in the Performance Audit, such as disciplinary investigations and resignation/settlement agreements, is stored on centralized, secured network drives, and is developing written policies for the storage of those documents.

RECOMMENDATION 6B

The State Court Administrator’s Office (SCAO) should implement an effective system of internal control that fosters a culture of integrity, ethical values, and accountability by:

- B Implementing monitoring activities to ensure that controls within the organization are working properly, which should include conducting routine supervisory reviews of key administrative functions, such as expenditures and administrative leave use, and routinely using its internal audit function to monitor controls within the SCAO itself.

CURRENT IMPLEMENTATION STATUS	PARTIALLY IMPLEMENTED	CURRENT IMPLEMENTATION DATE	FEBRUARY 2022
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AGENCY UPDATE

The Department believes that implementation of this recommendation is an ongoing process. In July 2021, the internal audit unit completed a follow up of the recommendations from the performance audit. The internal audit unit is also developing an audit program that will include a review of SCAO expenditures, procurement contracts, administrative leave, FML documentation, and additional areas within the SCAO for compliance with Judicial Department Rules, Policies, and Procedures. The implementation of Kronos, now anticipated in February 2022, will provide for enhanced reporting and monitoring of administrative leave.