



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

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ADVISORY COMMITTEE ON AUDITS AND FINANCIAL ACCOUNTABILITY FOR THE JUDICIAL BRANCH

MINUTES OF OPEN MEETING WITH CLOSED SESSION

March 10, 2021
12:15 p.m. - 1:15 p.m.
Conference Call

Advisory Body Members Present: Hon. David Rosenberg, Hon. Peter Siggins, Hon. Mary Ann O'Malley, Mr. Kevin Lane (joined the meeting during discussion of Action Item #3), Mr. Neal Taniguchi, Mr. Phil Jelcich (non-voting advisory member)

Advisory Body Members Absent: Hon. Arthur A. Wick, Ms. Kate Bieker, Ms. Michelle Martinez

Others Present: Mr. Grant Parks (Lead Committee Staff, Principal Manager of Audit Services Office), Ms. Dawn Tomita (Audit Supervisor, Audit Services Office), Mr. Joe Meyer (Senior Auditor, Audit Services Office), Mr. Robert Fleshman (Court Executive Officer, Napa County Superior Court), Ms. Maria Rhinehart (Court Executive Officer, Imperial County Superior Court), Mr. Baltazar Vazquez (Assistant Clerk/Executive Officer, 6th District Court of Appeal), Ms. Lucy Chin (Administrative Specialist, 6th District Court of Appeal)

OPEN MEETING

Call to Order and Roll Call

The chair welcomed committee members and called the meeting to order at 12:20 p.m. and took roll call.

Approval of Minutes

Justice Siggins moved to approve the minutes of the July 14, 2020 meeting. Judge O'Malley seconded the motion. There was no further discussion of the minutes. Motion to approve passed by unanimous voice vote of the committee members present.

No public comments were received for this meeting.

DISCUSSION AND ACTION ITEMS

Info Item 1

Report from Audit Services

Mr. Parks provided information on audit progress and staffing. Audit Services currently has audits underway at Amador, Mariposa, Mono, Sonoma, Riverside, Santa Clara, and Shasta Superior Courts. With respect to external audits for the judicial branch, the State Controller's Office (SCO) continues its work on auditing revenues, expenditures, and fund balances of superior courts. The SCO has selected five additional courts to audit during the

next fiscal year: Colusa, Tulare, San Diego, Ventura, and Yuba Superior Courts. Available funding for external audits was reduced by the Legislature. Recently Mr. Parks was notified by JCC budget staff that there was a legislative drafting error, and spending authority is limited to \$540,000 per year (not roughly \$1 million). Therefore, instead of roughly fifteen audits per year, the committee can expect to receive four to five audits per year from the State Controller's Office. In addition, the SCO started an audit of the Judicial Council's revenues, expenditures, and fund balance. This audit is expected to be concluded in August. Finally, the State Auditor's Office will be auditing Judicial Council's procurement practices, and this audit should be completed in December of 2021.

Justice Siggins asked Mr. Parks if he expects to fill vacant positions and whether Audit Services' auditors are expected to resume cash handling audits. Mr. Parks responded that he does not expect to fill those vacant positions in the short term, but he continues to have discussions with Budget Services. With respect to the resumption of cash handling testing, there is no specific time as to when the auditors will resume travel to perform reviews of cash handling procedures.

Info 2

General Discussion by Audit Committee Members

No items discussed.

Action Item 1

External Audit Report – State Auditor's Office (Action Required)

The State Auditor is required to audit court compliance with the Judicial Branch Contract Law per Public Contract Code, Section 19210(a). State Auditor most recently reviewed Alameda, Contra Costa, Lake, Orange, and San Bernardino for FY 19-20. Overall, the conclusion was that the trial courts adhered to most of the required or recommended contracting practices. However, the auditors identified a few areas to improve. These areas of improvement include following proper protocols for authorizing payments to vendors, and consistently reporting contracts over \$1,000,000 to the State Auditor's Office as required by law. In addition, the State Auditor also recommended some practices and improvements to court local contracting manuals to ensure legal counsel at the court or (Judicial Council) are consistently involved when developing solicitations that are high value or high risk. Staff recommended the committee approve this audit report for public posting.

Action: Mr. Taniguchi moved to approve this audit report for posting (seconded by Justice Siggins). The motion passed by unanimous voice vote of the committee members present.

Action Item 2

External Audit Report – State Controller’s Office (Action Required)

Mr. Parks summarized the audit by stating San Joaquin Superior Court had complied with statute for the recording of revenues, expenditures, and fund balances for fiscal year 2017-18. Nevertheless, the State Controller did identify few issues. One of them was how revenue transactions were posted in Phoenix system. In one instance, the wrong general ledger codes were used. The net effect of this issue was minimal and did not disrupt the overall presentation of court’s financial statements. In another example, the court didn’t have sufficient documentation to support a transaction pertaining to an \$1,800 expense. The State Controller also recommended the court improve documentation of personnel action forms (signed by the employees), to better document authorized salaries. Mr. Parks recommended the committee approve the audit for posting on the council’s website.

Action: Judge O’Malley moved to approve posting of this audit report on Judicial Council’s website (seconded by Mr. Taniguchi). The motion passed by unanimous voice vote of the committee members present.

Action Item 3

External Audit Report – State Controller’s Office (Action Required)

Overall, El Dorado Superior Court complied with governing statutes for revenues, expenditures, and fund balances under the court’s control. The auditors did note some issues regarding the recording of revenue. Specifically, in its enhanced collections program, the court missed an opportunity to claim more revenue for court expenses by using a higher indirect cost rate. In its response, the Court stated it was using lower rate and was being conservative, thus allowing more funds to be passed on to the State and county. The Court agreed to have further discussions with JCC collections staff to refine the Court’s procedures for how it applies the indirect cost rate. Finally, the auditors noted eight prior-year transactions pertaining to fiscal year 2016-2017 that were posted as current year expenses in fiscal year 2017-2018. As a result, the court was not using proper GL account to record these prior year expenditure adjustments. The court agreed to continue working with JCC accounting staff to better understand and consistently use the correct general ledger accounts. Mr. Parks recommended to approve posting this report on the council’s website.

Action: Judge O’Malley moved to approve posting of this audit report on Judicial Council’s website (seconded by Justice Siggins). The motion passed by unanimous voice vote of the committee members present.

Action Item 4

External Audit Report – State Controller’s Office (Action Required)

State Controller’s Office found that Solano Superior Court complied with all governing statutes for revenues, expenditures, and fund balances. The auditors did not identify any findings.

Action: Judge O’Malley moved to approve posting of this audit report on Judicial Council’s website (seconded by Mr. Taniguchi). The motion passed by unanimous voice vote of the committee members present.

A D J O U R N M E N T

There being no further open meeting business, the meeting was adjourned to closed session at 12:55 p.m.

C L O S E D S E S S I O N

Item 5

Draft Audit Report – Rule of Court 10.75(d) (6) (Action Required)

Non-final audit reports or proposed responses to such reports

Committee members discussed the draft audit report for Courts of Appeal, Sixth Appellate District, per Rule of Court 10.63(c)(1).

Action: Judge O'Malley moved to approve this report for posting (seconded by Justice Siggins). The motion passed by unanimous voice vote of the committee members present.

Item 6

Draft Audit Report – Rule of Court 10.75(d) (6) (Action Required)

Non-final audit reports or proposed responses to such reports

Committee members discussed the draft audit report for Napa Superior Court, per Rule of Court 10.63(c)(1).

Action: Judge O'Malley moved to approve this report for posting (seconded by Mr. Taniguchi). The motion passed by unanimous voice vote of the committee members present.

Item 7

Draft Audit Report – Rule of Court 10.75(d) (6) (Action Required)

Non-final audit reports or proposed responses to such reports

Committee members discussed the draft audit report for Imperial Superior Court, per Rule of Court 10.63(c)(1).

Action: Judge O'Malley moved to approve this report for posting (seconded by Mr. Taniguchi). The motion passed by unanimous voice vote of the committee members present.

Adjourned closed session at 1:15pm.