



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

www.courts.ca.gov/auditcommittee.htm
auditcommittee@jud.ca.gov

ADVISORY COMMITTEE ON AUDITS AND FINANCIAL ACCOUNTABILITY FOR THE JUDICIAL BRANCH

MINUTES OF OPEN MEETING WITH CLOSED SESSION

April 15, 2024
12:15 p.m. - 1:15 p.m.
Conference Call

Advisory Body Members Present: Hon. David Rosenberg, Mr. Kevin Harrigan, Mr. Michael Powell, Ms. Nocona Soboleski, Ms. Kristine Swensson (non-voting advisory member)

Advisory Body Members Absent: Hon. Salvatore T. Sima, Mr. Charles Johnson

Others Present: Mr. Matt Espenshade (Principal Manager, Judicial Council Audit Services), Ms. Dawn Tomita (Manager, Judicial Council, Audit Services), Ms. Michelle O'Connor (Senior Auditor, Judicial Council Audit Services), Mr. Joe Meyer (Audit Supervisor, Judicial Council Audit Services), Ms. Sandra Gan (Senior Auditor, Judicial Council Audit Services), Dawn Annino (Court Executive Officer, Fresno Superior Court), Craig Downing (Director, Fresno Superior Court), Mike Ruffoni (Principal Accountant, Fresno Superior Court), Lisa Armstrong (Chief Financial Officer, Fresno Superior Court), Cheryl Pender (Finance Manager, Kings Superior Court), Robert Oliver (Chief Executive Officer, Sonoma Superior Court), Staci Martines (Chief Financial Officer, Madera Superior Court), Joe Saucedo (Senior Financial Analyst, Madera Superior Court), Anabel Romero (Chief Executive Officer, San Bernardino Superior Court)

OPEN MEETING

Call to Order and Roll Call

The chair welcomed committee members and called the meeting to order at 12:15 p.m. and took roll call.

Approval of Minutes

Mr. Harrigan moved to approve the minutes of the October 27, 2023, meeting. Ms. Soboleski 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.

Item 1

External Audit Report – State Auditor’s Office

Mr. Espenshade provided an overview of recent State Auditor’s audit of the Judicial Council of California. California State Auditor released biennial audit report of the Judicial Council’s compliance with California Judicial Branch Contract Law from July 1st, 2021, through June 30th, 2023. Section 19210(c) of the Public Contract Code requires the State Auditor’s Office to audit Judicial Council every two years. Overall, the auditors found the Judicial Council is generally complying with the Judicial Branch Contract Law. However, they did identify few areas for improvements. Although the Judicial Council’s Contracting Manuals comply with legal and administrative requirements, it could strengthen its fraud Reporting Requirements. The auditors found that the Judicial Council could improve its contracting manual’s language regarding fraud reporting so that it more closely aligns with the language in Section 20080 of the State Administrative Manual (SAM). The auditors found that the contracting manual’s current language, which contemplates fraud reporting, lacks specificity. It was recommended that Judicial Council should include language that is substantially similar to the fraud-reporting language in SAM, Section 20080, as it pertains to contracting and procurement. Additionally, it was recommended to require Judicial Council staff to report suspected instances of fraud to independent parties within the Judicial Council, such as the principal manager of Audit Services or chief administrative officer.

Action: Mr. Harrigan moved to approve audit report on Judicial Council’s website (seconded by Mr. Powell). The motion passed by unanimous voice vote of the committee members present.

Item 2

Invitation to Comment regarding proposed revisions to the Judicial Branch Contracting Manual

Oliver Cheng from Judicial Council Legal Services Office provided an overview of proposed changes to the Judicial Branch Contracting Manual (JBCM). State Auditor recommended to include language that is substantially similar to the fraud-reporting language in section 20080 of SAM that pertains to contracting and procurement. In response to these recommendations, the Audit Committee plans to recommend JBCM revisions to the council and invites public comment on the JBCM revisions proposed. The proposed revisions: (i) include language that is substantially similar to the fraud reporting provisions in SAM section 20800 that pertains to contracting and procurement; and (ii) provide instructions to judicial branch entities on to whom incidents of fraud should be reported.

If the provided changes look acceptable to the committee members, then the Legal Services will post invitation to comment on proposed changes. Once posted, the public will be given two weeks to submit public comments. Around mid of June 2024, Audit Committee will need to reconvene to address any public comments received and approve final Judicial Council report to be submitted to Executive and Planning Committee (E&P).

It is anticipated that the next revision of the JBCM will be considered by the council at its meeting scheduled for September 20, 2024, and, if adopted by the council, the effective date of the revised JBCM would be October 1, 2024.

Action: The motion to post invitation to comment 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 12:40 p.m.

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

Item 1

Draft Audit Report – Rule of Court 10.75(d) (6), non-final audit reports or proposed responses to such reports

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

Action: Mr. Powell moved to approve this report for posting (seconded by Mr. Harrigan). Committee members unanimously approved audit of Fresno Superior Court for public posting on Judicial Council’s website.

Item 2

Draft Audit Report – Rule of Court 10.75(d) (6), non-final audit reports or proposed responses to such reports

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

Action: Mr. Harrigan moved to approve this report for posting (seconded by Mr. Powell). Ms. Soboleski abstained from voting. Committee members unanimously approved audit of Kings Superior Court for public posting on Judicial Council’s website.

Item 3

Draft Audit Report – Rule of Court 10.75(d) (6), non-final audit reports or proposed responses to such reports

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

Action: Mr. Powell moved to approve this report for posting (seconded by Ms. Soboleski). Committee members unanimously approved audit of Sonoma Superior Court for public posting on Judicial Council’s website.

Item 4

Draft Audit Report – Rule of Court 10.75(d) (6), non-final audit reports or proposed responses to such reports

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

Action: Mr. Harrigan moved to approve this report for posting (seconded by Mr. Powell). Committee members unanimously approved audit of Madera Superior Court for public posting on Judicial Council’s website.

Item 5

Draft Audit Report – Rule of Court 10.75(d) (6), non-final audit reports or proposed responses to such reports

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

Action: Ms. Soboleski moved to approve this report for posting (seconded by Mr. Powell). Committee members unanimously approved audit of San Bernardino Superior Court for public posting on Judicial Council’s website.

Adjourned closed session at 1:15 pm.



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

Meeting Date: 6/26/2024

Action Item #1 – (Action Required)

Public Session

Proposed Changes to the Judicial Branch Contracting Manual

Requested Actions:

Action Item #1 - Discuss and approve proposed revisions to the *Judicial Branch Contracting Manual* and the draft report to the Judicial Council (Attachment A).

Supporting Documents:

- ***Attachment A*** – Draft report to the Judicial Council from the audit committee, including the proposed changes to the *Judicial Branch Contracting Manual* and public comments received in response to the committee’s prior proposed changes.

Summary:

State Auditor’s Report and the Proposed JBCM Revisions:

Under Public Contract Code section 19210, the California State Auditor’s Office (State Auditor) must conduct periodic audits of judicial branch entities to assess their implementation of the JBCL. In January 2024, the State Auditor completed its most recent audit of the Judicial Council¹. In its report, the State Auditor stated²:

“Our prior audits of the Judicial Council dating back to 2017 concluded that both the contracting manual [the JBCM] and the Judicial Council’s local manual [the Judicial Council’s Local Contracting Manual] appropriately complied with state requirements, and our review for this audit found that those manuals continue to generally comply with requirements in state law. However, including language in its contracting manual [the JBCM] that is substantially similar to the fraud reporting requirements found in the SAM will bring the Judicial Council into closer

¹ The audit report is posted at: <https://www.auditor.ca.gov/reports/2023-302/index.html>.

² California State Auditor’s Office, *Judicial Branch Procurement: Judicial Council of California*, Report #2023-302 (January 9, 2024), page 2.

compliance with the judicial contract law [the JBCL] and ensure that all Judicial Branch entities—including the Judicial Council and courts—receive adequate guidance about how and to whom they should report fraud.”

The State Auditor recommended³:

“To ensure that it can appropriately detect and report potential instances of fraud in its contracting practices, the Judicial Council should do the following when it updates its contracting manual in 2024:

- Include language that is substantially similar to the fraud-reporting language in section 20080 of SAM that pertains to contracting and procurement.
- Require Judicial Council staff to report suspected instances of fraud to independent parties within the Judicial Council, such as the principal manager of audit services or chief administrative officer.”⁴

In response to these recommendations, the Audit Committee plans to recommend JBCM revisions to the council⁵. The proposed revisions: (i) include language that is substantially similar to the fraud reporting provisions in SAM section 20800 that pertains to contracting and procurement; and (ii) provide instructions to judicial branch entities on to whom incidents of fraud should be reported.

Public Comments

At its meeting on April 15, 2024, the committee reviewed proposed JBCM revisions to implement the State Auditor’s recommendations and approved the posting of its proposed JBCM revisions for public comment. The public comment period began on April 16 and ended on May 2, 2024. The invitation to comment specifically sought input on whether the revisions were clear and understandable, appeared to work from a court operations perspective, and were user- friendly. The public comments that were received during the public comment period are set forth in the comment chart in this report.

³ *Ibid.*, page 7.

⁴ SAM section 20080 can be viewed at: <https://www.dgs.ca.gov/Resources/SAM/TOC/20000/20080>.

⁵ The proposed revisions to the JBCM have been developed in collaboration with Judicial Council staff and the JBCM Working Group. The working group includes representatives from courts throughout California.



Judicial Council of California

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REPORT TO THE JUDICIAL COUNCIL

Item No.: 24-100

For business meeting on September 20, 2024

Title

Judicial Branch Administration: *Judicial Branch Contracting Manual*

Rules, Forms, Standards, or Statutes Affected

None

Recommended by

Advisory Committee on Audits and Financial
Accountability for the Judicial Branch
Hon. David Rosenberg, Chair

Agenda Item Type

Action Required

Effective Date

October 1, 2024

Date of Report

June 26, 2024

Contact

Oliver Cheng, 415-865-4616
oliver.cheng@jud.ca.gov

Executive Summary

The Advisory Committee on Audits and Financial Accountability for the Judicial Branch recommends that the Judicial Council adopt proposed revisions to the *Judicial Branch Contracting Manual*. The proposed revisions implement the recommendation from the California State Auditor to add fraud reporting requirements that are substantially similar to *State Administrative Manual* section 20080.

Recommendation

The Advisory Committee on Audits and Financial Accountability for the Judicial Branch recommends that the Judicial Council, effective October 1, 2024, adopt proposed revisions to the *Judicial Branch Contracting Manual*.

The proposed revisions to the manual are indicated in Attachment A.

Relevant Previous Council Action

At the Judicial Council's regular business meeting on August 26, 2011, the council adopted the initial version of the *Judicial Branch Contracting Manual (JBCM)*, effective October 1, 2011,

the operative date of substantive requirements of the California Judicial Branch Contract Law.¹ In December 2011, April and August 2012, December 2013, June 2015, June 2016, July 2017, July 2018, September 2019, September 2020, October 2021, September 2022, and September 2023, the council adopted revisions to the JBCM. The version of the JBCM adopted by the council on September 19, 2023, effective October 1, 2023, remains in effect as of the date of this report.²

Analysis/Rationale

Statutory requirement and development of the JBCM

The California Judicial Branch Contract Law (Judicial Branch Contract Law or JBCL) was enacted on March 24, 2011,³ and became effective on that date. With certain exceptions,⁴ the law requires that superior and appellate courts, the Judicial Council, and the Habeas Corpus Resource Center (referred to collectively as judicial branch entities, or JBEs, and each, a JBE) comply with provisions of the Public Contract Code applicable to state agencies and departments related to the procurement of goods and services.⁵ The Judicial Branch Contract Law applies to all contracts initially entered into or amended by JBEs on or after October 1, 2011.⁶

The Judicial Branch Contract Law also requires the council to adopt a manual containing procurement and contracting policies and procedures that must be followed by all JBEs.⁷ The policies and procedures in the manual must be “consistent with [the Public Contract Code] and substantially similar to the provisions contained in the State Administrative Manual (SAM) and the State Contracting Manual.”⁸ Since the adoption of the initial JBCM, the council has adopted 13 sets of revisions to the JBCM.

This report is being submitted by the Advisory Committee on Audits and Financial Accountability for the Judicial Branch under rule 10.63 of the California Rules of Court. Under this rule, the duties of the committee include (1) advising and assisting the council in performing its responsibilities and exercising its authority under the Judicial Branch Contract Law and (2) reviewing and recommending to the council proposed updates and revisions to the JBCM.⁹ In addition, under rule 10.63(a), the committee is “charged with advising and assisting the council in performing its responsibilities to ensure that the fiscal affairs of the judicial branch are

¹ Pub. Contract Code, §§ 19201–19210.

² The current version of the JBCM is available at www.courts.ca.gov/documents/jbcl-manual.pdf.

³ Sen. Bill 78 (Stats. 2011, ch. 10).

⁴ Pub. Contract Code, §§ 19204(c), 19207, 19208.

⁵ *Id.*, § 19204(a).

⁶ *Id.*, § 19203.

⁷ *Id.*, § 19206.

⁸ *Ibid.*

⁹ Cal. Rules of Court, rule 10.63(c)(2) & (c)(3).

managed efficiently, effectively, and transparently, and in performing its specific responsibilities relating to audits and contracting, as required by law and good public policy.”

State Auditor’s report and the proposed revisions to the JBCM

Under Public Contract Code section 19210, the California State Auditor’s Office conducts periodic audits of judicial branch entities to assess their implementation of the JBCL. In January 2024, the State Auditor completed its most recent audit of the Judicial Council.¹⁰ In its report, the State Auditor stated:¹¹

Our prior audits of the Judicial Council dating back to 2017 concluded that both the contracting manual [the JBCM] and the Judicial Council’s local manual [the Judicial Council’s *Local Contracting Manual*] appropriately complied with state requirements, and our review for this audit found that those manuals continue to generally comply with requirements in state law. However, including language in its contracting manual [the JBCM] that is substantially similar to the fraud reporting requirements found in the SAM will bring the Judicial Council into closer compliance with the judicial contract law [the JBCL] and ensure that all Judicial Branch entities—including the Judicial Council and courts—receive adequate guidance about how and to whom they should report fraud.

The State Auditor recommended:¹²

To ensure that it can appropriately detect and report potential instances of fraud in its contracting practices, the Judicial Council should do the following when it updates its contracting manual in 2024:

- Include language that is substantially similar to the fraud-reporting language in section 20080 of SAM that pertains to contracting and procurement.
- Require Judicial Council staff to report suspected instances of fraud to independent parties within the Judicial Council, such as the principal manager of audit services or chief administrative officer.¹³

Consistent with the State Auditor’s recommendations, the JBCM revisions recommended by the committee in Attachment A (1) include language that is substantially similar to the fraud reporting provisions in SAM section 20800 that pertain to contracting and procurement and

¹⁰ The audit report is posted at www.auditor.ca.gov/reports/2023-302/index.html.

¹¹ California State Auditor’s Office, *Judicial Branch Procurement: Judicial Council of California*, Report #2023-302 (Jan. 9, 2024), p. 2.

¹² *Id.* at p. 7.

¹³ SAM section 20080 can be viewed at www.dgs.ca.gov/Resources/SAM/TOC/20000/20080. The SAM is posted at www.dgs.ca.gov/Resources/SAM.

(2) provide instructions regarding the reporting of incidents of fraud. The recommended JBCM revisions would add a new section 1.1(C)(2)(d) to chapter 1 of the JBCM.

Policy implications

The revisions to the JBCM are recommended by the committee in order to implement the State Auditor's recommendations. There are no policy implications.

Comments

At its meeting on April 15, 2024, the committee reviewed proposed JBCM revisions to implement the State Auditor's recommendations and approved the posting of its proposed JBCM revisions for public comment.¹⁴ The public comment period began on April 16 and ended on May 2, 2024. The invitation to comment specifically sought input on whether the revisions were clear and understandable, appeared to work from a court operations perspective, and were user-friendly. The public comments that were received during the public comment period are set forth in the comment chart in this report.

In a public comment, Brian Borys, director of Research and Data Management, representing that he wrote on behalf of the Superior Court of Los Angeles County, suggested making three changes to the proposed JBCM revisions in the committee's invitation to comment. The committee's responses to Mr. Borys's comments are set forth below. The committee's subsequent updates (to the version of the proposed JBCM revisions originally posted for public comment) are shown in Attachment B.

- Mr. Borys suggested that the wording in the proposed JBCM revisions regarding the reporting of "suspected incidents of fraud" be replaced with "incidents in which there is a reasonable suspicion of fraud." The committee disagrees with the commenter's suggested revision. It is unclear exactly what a reasonable suspicion of fraud would be, and SAM section 20080 does not include a "reasonable suspicion" qualifier. If a reasonable suspicion qualifier is added to the JBCM revisions, the State Auditor might conclude that the revisions are not substantially similar to section 20080, and therefore do not sufficiently implement the State Auditor's recommendation.¹⁵
- Mr. Borys recommended deleting some of the committee's proposed JBCM language describing potential incidents of fraud (i.e., the references to "intentional use of JBE assets for an improper purpose or taking JBE assets without consent (e.g., theft)" as well as "intentional acts impairing the value, usefulness, or function of JBE (e.g., vandalism)"). He stated that the foregoing language pertained to instances of fraud that

¹⁴ The proposed revisions to the JBCM were developed in collaboration with Judicial Council staff and the JBCM Working Group. The working group includes representatives from courts throughout California.

¹⁵ The commenter expressed concern about "over-reporting" by *the courts*. The committee notes that the reporting requirements recommended by the State Auditor are intended to cover reporting by JBE employees, not by JBEs themselves as entities. To clarify that the proposed JBCM revisions pertain to fraud reporting requirements for JBE employees (not JBEs as entities), the committee has updated the proposed JBE revisions to add "employees" in the first sentence of the proposed JBCM revisions (changing "JBEs" to "JBE employees").

would not occur during the procurement and contracting process, but instead pertained to the asset and inventory management processes of JBEs, and therefore exceeded the scope of the State Auditor’s recommendations. The committee agrees that the foregoing language could be overly broad and inadvertently include incidents beyond the JBE contracting and procurement process. In response to the public comment, and upon further consideration, the committee has decided to delete the foregoing language from the recommended JBCM revisions.

- In the proposed JBCM revisions that the committee circulated for public comment on April 16, the committee proposed that (1) Judicial Council employees report incidents of fraud to the Judicial Council’s principal manager of Audit Services and the Judicial Council’s chief administrative officer and (2) employees of all other JBEs report incidents of fraud to their procurement and contracting officer (or the individual who handles the responsibilities of procurement and contracting officer for the JBE) and their chief executive officer (or equivalent). In his public comment, Mr. Borys proposed rewording the JBCM revisions so that employees of JBEs (other than the Judicial Council) could report incidents of fraud to their “principal manager of audit services.” The committee’s view is that JBEs (other than the Judicial Council) will not necessarily have an individual specifically serving in the position of “principal manager of audit services.” However, permitting JBE employees to report incidents of fraud to the individual at the JBE with primary audit responsibilities would be consistent with the State Auditor’s recommendations. Therefore, the committee has updated the proposed JBCM revisions so that employees of JBEs (other than the Judicial Council) can report incidents of fraud to the “individual who has primary audit responsibilities for the JBE” in addition to the JBE’s procurement and contracting officer and the chief executive officer (or equivalent).¹⁶

Alternatives considered

None.

Fiscal and Operational Impacts

The proposed JBCM revisions will add new reporting requirements relating to the judicial branch’s procurement and contracting process. The committee anticipates that JBEs may incur some costs in connection with implementing the requirements, such as conducting staff training

¹⁶ Staffing among small, medium, and large courts can vary, so it is reasonable to provide employees of JBEs (other than the Judicial Council) with greater flexibility regarding to whom the incidents of fraud can be reported. Therefore, employees of JBEs (other than the Judicial Council) should also have the option of reporting to the JBE’s respective procurement and contracting officer (or the individual who handles the responsibilities of procurement and contracting officer for the JBE). Mr. Borys appears to be concerned that the proposed JBCM revisions (regarding which individuals at the JBE should receive the reports about incidents of fraud) “reinterpret” the State Auditor’s recommendations. The proposed JBCM revisions do not reinterpret the State Auditor’s recommendations; instead they are based on and consistent with the State Auditor’s recommendations as set forth in its January 2024 audit report as well as Judicial Council staff’s discussions with State Auditor staff.

on the reporting procedures. No significant costs or operational impacts are anticipated from implementing the recommendations in this report.

Attachments and Links

1. Chart of comments, at page 7
2. Attachment A: *Judicial Branch Contracting Manual*, with all proposed revisions in track changes format
3. Attachment B: *Judicial Branch Contracting Manual*, with updates (in track changes format) made by the committee to the version that was posted for public comment

DRAFT

COMMENT CHART

SP24-03

Judicial Administration: *Judicial Branch Contracting Manual*

Commenter	Position	Comment	Committee Response
<p>Superior Court of Los Angeles County (comment submitted on behalf of the Court by Mr. Bryan Borys, Director of Research and Data Management)</p>	<p>Agree if modified</p>	<p>The following comments are representative of the Superior Court of California, County of Los Angeles (Court), and do not represent or promote the viewpoint of any particular judicial officer or employee.</p> <p>Regarding SPR24-03 “Judicial Administration: Judicial Branch Contracting Manual,” the Court agrees with the proposal if modified in three main areas.</p> <p>For one, it is suggested that the first sentence in Section 2.d of the Judicial Branch Contracting Manual (JBCM) read “JBEs must report actual incidents of fraud, or those incidents in which there is a reasonable suspicion of fraud...” This language will help the courts avoid over-reporting of incidents where there may be little basis to suspect fraud.</p> <p>Secondly, the State Auditor recommended including language in the JBCM substantially similar to the fraud-reporting language in SAM 20080 “that pertains to contracting and procurement” to ensure that JBEs can appropriately detect and report potential instances of fraud in its “contracting practices.” However, the proposed revisions to the JBCM exceed that scope. The second and third bullets describe instances of fraud pertaining to assets that would not occur during the procurement and contracting process, but rather the asset and inventory management processes of the JBEs. These provisions do not belong in the JBCM.</p> <p>Lastly, we need not reinterpret the State Auditor’s recommendation. The section on “How to Report” should read, in part: “Employees of all other JBEs must report any incidents listed above, in this Section 2.d., to their principal manager of audit services, or chief administrative officer, or equivalent.”</p>	<p>Please see the “Comments” section above regarding the Committee’s response to this public comment.</p>
<p>Michael M Ward, Retired Disabled Veteran</p>	<p>Agree if modified</p>	<p>i agree with the proposed bill, In child support cases when non-custodial parents request audits be done on the custodial parents, we have child support solely focusing on the non0-custodial parent when they are to be focusing on the custodial parent for fraud in income reporting, when those reports of fraud are deemed to be sustained there are measures that need to be taken to assure non-custodial parents are not going to get duped in the end, there has been cases of proven, and documented fraud upon the court in audits, but the courts once again violate the constitution affecting due process because when fraud is detected, they tend to give a "slap on the wrist" , but divert their attention back onto the noncustodial parent which is a violation of due process, nor do they turn over all records, but they want all of the non-custodial parents records, totally sweeping the fraud under the rug only if it benefits them, or shield them from civil recourse. there needs to be laws in california set in place for thorough audits of fraud, and</p>	<p>This public comment pertains to child support payments governed by the Family Code and related common law, whereas the proposed JBCM revisions pertain to contracting and procurement by judicial branch entities governed by the California Judicial Branch Contract Law (Public Contract Code sections 19201 – 19210) and other Public Contract Code sections. Therefore, this public comment does</p>

Commenter	Position	Comment	Committee Response
		<p>swift punishment after it is discovered by the non-custodial parent, in my case i requested the Department Of Child Support Services, and family court to perform an Audit on my child support accounts, the court and child support case worker concealed for 10 straight years that my ex wife made an income of \$13,000.00 per month, compared to my \$3500.00-\$4k in disability compensation, they refused to disclose it, instead they decided to take me to court for more support after I filed a petition to have the order reduced due to her income exceeding mines by 3x's . the court instead decided to retro-actively award both cases thousands of dollars of my money totaling to over \$50,000.00 that is with interest. now every time i try to fight it, the courts refused to turn over the audit, transcripts, evidence, designation of record to the appellate districts in an effort to conceal their constitutional violations under color of law, causing both of my cases to be dismissed, and audits trashed. this bill is greatly needed to eliminate the courts personal interference with court cases because they have a financial stake in the case. I am not the only victim, there are thousands of others who would benefit from this bill being passed.</p>	<p>not substantively address the proposed JBCM revisions.</p>

DRAFT

d. Reporting Actual or Suspected Incidents of Fraud

JBE employees must report actual or suspected incidents of fraud that occur during the procurement and contracting process that relate to the following:

- Inappropriate activity involving the purchase of or contracting for goods and services.² For example, engaging in kickbacks (i.e., a sum of money that is paid to someone illegally in exchange for some type of preferential treatment).
- Willful, improper employee behavior affecting state interests (e.g., employee using their position to make unauthorized purchases for their own personal gain).

This reporting requirement applies regardless of whether the incident is:

- alleged against JBE employees or other individuals, or
- discovered internally or by referral.

How to Report:

Judicial Council employees must report the incidents listed above, in this Section 1.1(C)(2)(d), to the Judicial Council's Principal Manager of Audit Services and the Judicial Council's Chief Administrative Officer. Employees of all other JBEs must report any incidents listed above, in this Section 1.1(C)(2)(d), to their respective JBE's Procurement and Contracting Officer (PCO)³ (or the individual who handles the responsibilities of PCO for the JBE, or the individual who has primary audit responsibilities for the JBE) and their Chief Executive Officer (or equivalent).

1.2 LOCAL CONTRACTING MANUAL

This section provides broad guidance to JBE staff involved in developing their Local Contracting Manuals. This section is not intended to dictate the techniques that should be used, because the details of the process should suit the individual JBE, the stakeholders affected, and the JBE's business needs.

² This includes inappropriate activity involving grant programs or subvention programs (for more information on subvention contracts, please see chapter 5, section 5.8 of this Manual).

³ For more information on PCOs, please see chapter 1, section 1.1(C)(1) of this Manual.

d. Reporting Actual or Suspected Incidents of Fraud

~~JBEs~~JBE employees must report actual or suspected incidents of fraud that occur during the procurement and contracting process that relate to the following:

- Inappropriate activity involving the purchase of or contracting for goods and services.² For example, engaging in kickbacks (i.e., a sum of money that is paid to someone illegally in exchange for some type of preferential treatment).
- ~~Intentional use of JBE assets for an improper purpose or taking JBE assets without consent (e.g., theft).~~
- ~~Intentional acts impairing the value, usefulness, or function of JBE assets (e.g., vandalism).~~
- Willful, improper employee behavior affecting state interests (e.g., employee using their position to make unauthorized purchases for their own personal gain).

This reporting requirement applies regardless of whether the incident is:

- alleged against JBE employees or other individuals, or
- discovered internally or by referral.

How to Report:

Judicial Council employees must report the incidents listed above, in this Section ~~1.1(C)(2-)(d-)~~, to the Judicial Council's Principal Manager of Audit Services and the Judicial Council's Chief Administrative Officer. Employees of all other JBEs must report any incidents listed above, in this Section ~~1.1(C)(2-)(d-)~~, to their respective JBE's Procurement and Contracting Officer (PCO)³ (or the individual who handles the responsibilities of PCO for the JBE, or the individual who has primary audit responsibilities for the JBE) and their Chief Executive Officer (or equivalent).

² This includes inappropriate activity involving grant programs or subvention programs (for more information on subvention contracts, please see ~~JBCM Ch. chapter~~ 5, section 5.8 of this Manual).

³ For more information on PCOs, please see ~~JBCM Ch. chapter~~ 1, section 1.1(C)(1-) of this Manual.



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

Meeting Date: 7/11/2023

Action Item #2 – (Action Required)

2023-2024 Annual Audit Plan

Requested Action:

- **Action Item #2** – Discuss and approve the draft annual audit plan for fiscal year 2024-25.

Supporting Documents:

- ***Attachment B***—Draft Audit Plan (Fiscal Year 2024-25).

Background:

One of the audit committee’s primary responsibilities under California Rules of Court, Rule 10.63(c)(1) is to “review and approve a yearly audit plan for the judicial branch...” The proposed audit plan for fiscal year 2024-25 is provided as Attachment B and represents audit staff’s recommendations to the committee for what should be audited for the coming year. The recommended plan is based on a variety of factors, including areas of risk at the courts and available audit resources within Audit Services.

Last Year’s Audit Findings (2023-24)

So far in fiscal year 2023-24, the audit committee has considered 12 audit reports prepared by the Judicial Council’s Audit Services, and another 2 reports are drafted but pending review by the audit committee (although the results of these audits are preliminary, we included them in the statistics below for additional context to our FY 2022-23 audits). Those 14 audit reports contained a cumulative total of 25 audit findings in the following areas:

- Cash Handling – 15 findings (60%)
- Procurement and Contracts – 7 findings (28%)
- Payment Processing – 2 findings (8%)
- JBSIS Case Filing Data – 1 finding (4%)

Overall, we identified fewer reportable findings in 2023-24 than in the year prior. The most common areas for findings in 2023-24 were the same as the most common areas for findings in 2022-23:

- *Cash Management* – our most common findings in this area were related to the lack of proper segregation of duties or safe combinations and contents not being properly secured.
- *Procurement and Contracts* – lack of procurement requisitions to demonstrate management’s approval to begin a solicitation (i.e., demonstrating there was a legitimate business need and funds were available). We also twice noted the lack of documentation to explain why certain solicitations did not follow competitive bidding rules noted in the Judicial Branch Contracting Manual (JBCM).

Changes to the Audit Plan for Fiscal Year 2024-25

Audit Services proposes the following changes to the audit plan:

- ***Remove Enhanced Collections from the audit plan and add Travel and Business Meal Expenses*** –Audit Services added testing of Enhanced Collections to its audit plan beginning in FY 21-22. At the time, the potential areas of risk included the courts improperly keeping revenues obtained from delinquent debtors in excess of the court’s actual costs of collecting debt. Since adding this testing to the audit program, Audit Services has not found this to be an issue at the courts we have reviewed over the past three fiscal years. Therefore, Audit Services proposes removing testing of enhanced collections from the FY 24-25 Audit Plan and adding back testing of travel expense claims and business meals.

In previous audits related to travel expense claims, we observed court employees not providing sufficient information on travel expense claims to demonstrate the travel charges are allowable and consistent with judicial branch travel policies. For example, court employees did not always specify the beginning and end dates/times of travel which is needed to evaluate whether a traveler’s reimbursement claim for a particular meal was appropriate. When such information was provided, we found instances where courts approved reimbursements for unallowable business meals. On some occasions, the mileage claimed was not the lesser distance between home or headquarters to the business destination. We also found instances where court staff inappropriately approved the travel expense claims of judicial officers. Additionally, our review of business meals found that the business meal rules were not always followed, and some business meals may not have been a prudent use of trial court funds. Some examples included exceeding the per meal limits specified in the FIN Manual, not keeping a list of attendees which prevents the court from demonstrating the event’s per-person cost, and spending trial court funds to pay for expenses that were not related to court operations.

Proposed Audit Schedule (FY 2024-25)

The proposed list below is generally based on those courts with the greatest elapsed time since their prior audit by the council, while also considering the State Controller's planned audits. Considering SCO's audit schedule helps to minimize the number of audits a court will endure in a single fiscal year.

Audit Services' proposed FY 2024-25 audits:

- Lake
- Yolo
- Humboldt
- Butte
- Colusa
- Solano
- Siskiyou
- Ventura

Schedule of Current and Planned Audits

The table on the following page provides a listing of the audits scheduled for FY 24-25 (including those currently in progress), as well as those likely to be selected for next year’s schedule. This is intended to be a tentative guide to the committee and potential notice to courts that they may be audited.

Appellate / Superior Court	Date of Last Audit Report	(Current Plan) (Next Year)		Appellate / Superior Court	Date of Last Audit Report
		FY 2024-25	FY 2025-26		
Plumas	January-11	IP		Del Norte	February-22
Alameda	March-13	IP		Inyo	February-22
Lake	August-14	X		Santa Clara	February-22
Yolo	February-15	X		Shasta	February-22
Humboldt	December-15	X		Sutter	February-22
Kern	August-16	IP		Orange	June-22
Placer	October-17	IP		Santa Barbara	June-22
Merced	January-18	IP		Stanislaus	June-22
Butte	April-18	X		Nevada	July-22
Colusa	June-18	X		El Dorado	November-22
Solano	June-18	X		Mendocino	November-22
Siskiyou	October-18	X		Tuolumne	November-22
Sacramento	December-18		Y	Marin	October-23
Ventura	December-18	X		Monterey	October-23
Glenn	February-19		Y	San Luis Obispo	October-23
San Benito	June-19		Y	Yuba	October-23
San Francisco	June-19		Y	Los Angeles	October-23
Santa Cruz	June-19		Y	Tulare	October-23
Modoc	October-19		Y	San Joaquin	October-23
Trinity	October-19		Y	Fresno	April-24
Lassen	February-20		Y	Kings	April-24
San Mateo	February-20		Y	Madera	April-24
Sierra	February-20			San Bernardino	April-24
Tehama	February-20			Sonoma	April-24
San Diego	July-20			Calaveras	*June-24
Imperial	March-21			Contra Costa	*June-24
Napa	March-21			3rd DCA	^May-18
Mariposa	July-21			5th DCA	^February-19
Mono	July-21			4th DCA	^March-19
Riverside	July-21			1st DCA	^July-20
Alpine	February-22			2nd DCA	^July-20
Amador	February-22			6th DCA	^March-21

Notes:

"IP" = In progress

"X" = Scheduled for audit in current year's audit plan

"Y" = Tentative for audit in next year's audit plan

* = Pending audit committee approval

^ = The appellate courts are not scheduled for audits at this time



**JUDICIAL BRANCH
ANNUAL AUDIT PLAN
Fiscal Year 2024-25**



Judicial Council of California

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BACKGROUND

The Audit Committee

The Judicial Council amended Rule of Court, rule 10.63 in July 2017, establishing the “Advisory Committee on Audits and Financial Accountability for the Judicial Branch” (audit committee). The Judicial Council has tasked the audit committee with advising and assisting the Judicial Council in performing its responsibilities to ensure that the fiscal affairs of the judicial branch are managed efficiently, effectively, and transparently. The committee’s audit-specific responsibilities include¹:

- Reviewing and approving an annual audit plan for the judicial branch.
- Reviewing all audit reports of the judicial branch and recommending actions to the Judicial Council in response to any substantial issues identified.
- Approving the public posting of all audit reports of the judicial branch.
- Advising and assisting the Judicial Council in performing its responsibilities under:
 - Government Code, Section 77009(h) – the Judicial Council’s audits of the superior courts.

¹ The Judicial Council tasked the Advisory Committee on Audits and Financial Accountability for the Judicial Branch with responsibilities beyond reviewing and responding to audit reports, which is the principal focus of this annual audit plan. Other committee responsibilities generally include monitoring adherence to the California Judicial Branch Contract Law, evaluating proposed changes to the *Judicial Branch Contracting Manual*, and making recommendations on proposed changes to the annual compensation plan for Judicial Council staff.

- Government Code, Section 77206 – Responding to external audits of the Judicial Council and the superior courts by the State Controller, State Auditor, or Department of Finance.

The audit committee serves as a central clearinghouse for hearing all audit-related issues pertaining to the Judicial Council, Courts of Appeal, and the superior courts, regardless of whether the audit was performed by the Judicial Council’s own staff (Audit Services) or by external audit organizations (such as the State Controller’s Office, State Auditor’s Office, or the Department of Finance). The audit committee communicates significant audit findings and issues to the entire Judicial Council and can also suggest policy changes or other proposed corrective actions in response to any significant audit finding.

Purpose of the Annual Audit Plan

The purpose of the annual audit plan is twofold: The annual plan explains (a) which focus areas will be audited during the year, and (b) how Audit Services will coordinate with external audit organizations (described below) to execute the annual audit plan in response to statutorily mandated audits and to other areas of focus. The annual audit plan itself also helps to establish expectations for audit committee members regarding which audits and topics will come before their committee for further discussion during the year.

Audit Services’ Role

Audit Services’ primary role is to establish an annual audit plan, which explains how significant risks and statutory audit requirements imposed on the judicial branch will be addressed in the coming year, and to perform audits of the Courts of Appeal and superior courts to ensure the Judicial Council’s rules and policies are followed in actual practice. An audit of a superior court often entails a review of its fiscal affairs such as, but not limited to, whether the court has: implemented certain mandatory internal controls over cash handling and has spent state-provided funding on allowable expenses for “court operations” as defined by Rule of Court, rule 10.810. Audits of the Courts of Appeal focus more heavily on procurement activity given the more limited requirements imposed on their activities by the Judicial Council and state law. Generally, audits are scheduled based on the time elapsing from the prior audit. Finally, Audit Services periodically performs internal reviews of the Judicial Council as directed by executive management and coordinates with independent, external agencies that audit the Judicial Council’s operations.

The Role of External Audit Agencies

External audit agencies, such as the State Auditor's Office (State Auditor) and the State Controller's Office (SCO), also perform recurring audits of the judicial branch as directed by statute. The statutory authorities for each external audit agency (as they currently pertain to the judicial branch) are summarized below:

State Auditor's Office – performs the following audits:

- Financial statement audits of the State's annual comprehensive report, as prepared by the SCO in accordance with Generally Accepted Accounting Principles. [Govt. Code, Section 8546.3]
- Discretionary audits as directed by the Joint Legislative Audit Committee. [Govt. Code, Section 8546.1]
- Audits of the Judicial Council and other judicial branch entities' compliance with the Judicial Branch Contract Law. [Pub. Contract Code, Section 19210]

State Controller's Office – performs the following audits:

- Audits of Judicial Council and superior courts' revenues, expenditures, and fund balance. [Govt. Code, Section 77206]
- Audits of criminal fine and fee revenue collection and distributions by the superior courts. [Govt. Code 68101- 68104]

Although the State Auditor and the SCO both perform financial-related audits, the purpose of each audit is different. The State Auditor's annual financial statement audit includes the financial information submitted by the judicial branch to the SCO. Separate from this statewide financial statement audit, the Government Code requires the SCO to evaluate the Judicial Council and superior courts' compliance with state laws, rules and regulations pertaining to significant revenues, expenditures, and fund balances under their control. These SCO audits focus on evaluating financial compliance with the State's unique rules, such as the State's legal/budgetary basis of accounting and civil filing fee collections and distributions. The Judicial Council is required to use the SCO to perform the audits mandated under Government Code, Section 77206, unless either the State Auditor or Department of Finance can perform the same scope of work as the SCO but at a lower cost.

ANNUAL AUDIT PLAN

Risk Assessment Background

The concepts behind risk and internal controls are interrelated. Internal controls are those policies or procedures mandated by the Judicial Council, or developed by a court, designed to

achieve a specific control objective. For example, an internal control for cash handling, such as the segregation of certain conflicting duties, principally focuses on reducing the risk of theft. Internal controls respond to risks and Audit Services broadly classifies risks into the following three categories:

- Operational Risk – The risk that the court’s strategic business objectives or goals will not be accomplished in an effective or efficient manner.
- Reporting Risk – The risk that financial or operational reporting is not relevant or reliable when used for internal decision-making or for external reporting. Examples of external reporting include the Judicial Council and the courts’ financial reporting to the SCO, or a court’s reporting of case filing data to the Judicial Council through the Judicial Branch Statistical Information System (JBSIS).
- Compliance Risk – The risk of not complying with statutory requirements or the policies promulgated by the Judicial Council (such as the requirements found in the *Trial Court Financial Policies and Procedures Manual* (FIN manual), Judicial Branch Contracting Manual, or other Judicial Council policies).

Any single risk area may overlap with more than one of the three risk categories defined above. For example, certain reports—such as JBSIS case filing reports—have a reporting risk component in that the data reported must be accurate and complete to support trial court funding allocations, along with a compliance component since the Judicial Council has established definitions for what constitutes a new case filing and how a filing should be categorized by case type. Another example would be the court’s reporting of encumbrances at fiscal year-end, which the Judicial Council uses to help monitor court compliance with statutory caps on each court’s fund balance. Audit Services considers risk areas that cross over into more than one risk category to be indicative of higher risk.

However, risk areas that can be confined to only one risk category—such as compliance risk—may also be considered an area of higher risk depending on the likelihood of error or its potential negative effects (financial, reputational, etc.). For example, the FIN Manual has established policies concerning the proper handling of cash and other forms of payment received by the courts. Many of these policies were issued with the intent of establishing a minimum level of internal controls at each court to prevent or detect theft or fraud by court employees, and to provide the public with the highest level of assurance that their payments would be safeguarded and properly applied to their cases.

When identifying areas to include within the scope of its superior court audits, Audit Services focused on identifying compliance and reporting risks, but not operational risks. This decision

reflects Audit Services' recognition of each superior court's broad authority to operate under its own locally developed rules and strategic goals. Government Code, Section 77001 provides for each superior court's local authority by authorizing the Judicial Council to adopt rules that establish a decentralized system of trial court management. The Judicial Council's Rules of Court, rule 10.601, also emphasizes the decentralized management of superior court resources and affirms each superior court's authority to manage their day-to-day operations with sufficient flexibility. Audit Services will consider auditing operational risk areas where courts have local discretion only when asked to do so by the superior court's presiding judge or court executive officer and provided that sufficient audit staff resources are available.

The Legislature has provided the Judicial Council with the responsibility for developing broad rules within which the superior courts exercise their discretion. For example, Government Code, Section 77206 authorizes the Judicial Council to regulate the budget and fiscal management of the trial courts, which has resulted in it promulgating the FIN Manual pursuant to Rules of Court, rule 10.804. The FIN Manual establishes a fundamental system of internal controls to enable trial courts to monitor their use of public funds, consistently report financial information, and demonstrate accountability. The FIN Manual contains both mandatory requirements that all trial courts must follow, as well as suggestive guidance that recognizes the need for flexibility given varying court size and resources. Similarly, the Legislature enacted section 19206 of the Public Contract Code, requiring the Judicial Council to adopt and publish a *Judicial Branch Contracting Manual (JBCM)* that all judicial branch entities must follow. When identifying high risk areas that will be included in the scope of its audits, Audit Services considers the significant reporting and compliance risks based on the policies and directives issued by the Judicial Council, such as through the FIN Manual, JBCM, Rules of Court, and budgetary memos.

Risk Areas, Assessed Level of Risk, and Auditing Entities

Audit Services uses its professional judgment when identifying areas of risk (and associated risk levels), which inform the scope of its audits. Specifically, Audit Services considered the significance of each risk area in terms of the likely needs and interests of an objective third party with knowledge of the relevant information, as well as a risk area's relevance or potential impact on judicial branch operations or public reputation. The risk areas assessed are shown in Table 1 below. The table also reflects statutorily mandated audits performed by the State Auditor and State Controller's Office, which further contribute to accountability and public transparency for the judicial branch. When assigning risk levels, Audit Services generally considered the complexity of the requirements in a given risk area and its likely level of importance or significance to court professionals, the public, or the Legislature. High risk areas are those where the internal control requirements may be complex or the incentives to circumvent those controls or to rationalize not having them in the first place is high (e.g., cash handling). Areas of medium risk generally included those risk areas where the complexity of the requirements were low to

moderate, but the reputational risk resulting from any significant audit findings would be moderate to high.

Table 1 – Risk Areas Considered (by area, level of risk, and responsible audit organization)

Risk Area	Description of Risk	Risk Category and Level		Audit Organization		
		Reporting Risk	Compliance Risk	JCC Audit Services	State Controller's Office	State Auditor's Office
Superior Courts						
Financial Reporting	Financial statements are not prepared in accordance with GAAP.	Medium	Medium			X
Financial Compliance	Revenues, expenditures, and fund balance not recorded in accordance with state rules.	N/A	Medium		X	
Cash Handling	JCC internal control policies on handling cash and other forms of payment not followed.	N/A	High	X		
Procurement Activity	Judicial Branch Contract Law and related JCC policies not followed to maximize best value through competitive procurements.	Medium	Medium	X		X
Payments & Authorization	Payments are for unallowable activities and/or lack authorization from the designated level of court management.	N/A	Medium	X		
Criminal Fine & Fee Revenue	Criminal fines and fees not properly calculated and reported to the county.	Medium	Medium		X	
Travel & Business Meal Expenses	Courts reimbursing employees for unallowable travel and business meal expenses.	N/A	Medium	X		
Budgetary Accountability	Court submits inaccurate case filing data to JBSIS, impacting trial court budget allocations. Court retains more fund balance than allowed under statute and JCC policy.	Medium	Medium	X		
JCC Grant Requirements	Court does not follow JCC policy or grant rules regarding how funds are to be spent, accounted for, and/or reported on with respect to performance or outcomes.	Low	Low	X		
Appellate Courts						
Financial Reporting	Financial statements are not prepared in accordance with GAAP.	Medium	Medium			X
Procurement Activity	Judicial Branch Contract Law and related JCC policies not followed to maximize best value through competitive procurements.	Medium	Medium	X		X
Judicial Council						
Financial Reporting	Financial statements are not prepared in accordance with GAAP.	Medium	Medium			X
Financial Compliance	Revenues, expenditures, and fund balance not recorded in accordance with state rules.	N/A	Medium		X	
Procurement Activity	Judicial Branch Contract Law and related JCC policies not followed to maximize best value through competitive procurements.	Medium	Medium			X
Non-Audit, Internal Reviews	The Judicial Council's offices and programs are reviewed for financial and/or operational performance as directed by executive management.	Medium	Medium	X		

To the extent that Audit Services notes systemic and recurring issues at multiple courts, this too is considered as part of the risk-assessment process. Of the 12 audits reviewed by the audit committee in fiscal year (FY) 23-24 and two draft audits pending approval by the audit committee, there were a total of 25 findings. Our FY 22-23 audit plan reinstated the review of cash handling controls. This has historically been an area with the largest number of audit findings. This was the case again for our FY 23-24 audits. The most frequent categories of audit findings for FY 23-24 were cash handling-related findings (15 findings or 60%) such as lacking proper segregation of duties or not requiring periodic counts of the change fund by someone other than the change fund custodian. The area with the second highest number of findings was procurements and contracts (7 findings or 28%), such as courts not consistently documenting or requiring purchase requisitions.

Table 2 – Recap of FY 23-24 Audit Findings

Standard Audit Scope - Superior Courts

Areas and Sub-Areas Subject to Review		In Scope for FY 24-25?	Audit Findings from Prior Year	
			# of Findings in FY 23-24	Common Compliance Issues
Cash Handling				
1	Daily Opening Process	Yes	0	
2	Voided Transactions	Yes	0	
3	Handwritten Receipts	Yes	2	
4	Mail Payments	Yes	4	Courts do not always restrictively endorse mail payments, maintain a mail payments receipt log, safeguard mail payments, or identify and track mail payments not processed in 5, 15, or 30 days.
5	Internet Payments	Yes	0	
6	Change Fund	Yes	3	Courts do not always require someone to count and verify the change fund at the end of each day while in the presence of a manager or supervisor, or require periodic counts of the change fund by someone other than the change fund custodian.
7	End-Of-Day Balancing and Closeout	Yes	2	
8	Bank Deposits	Yes	1	
9	Other Internal Controls	Yes	3	Courts do not always maintain a log of the date the safe combinations are changed or of individuals knowing the safe combination, change the safe combination when required, or ensure safe combinations and contents are properly secured.
Procurement and Contracts				
10	Procurement Initiation	Yes	2	
11	Authorization & Authority Levels	Yes	0	
12	Competitive Procurements	Yes	1	
13	Non-Competitive Procurements	Yes	1	
14	Leveraged Purchase Agreements	Yes	0	
15	Contract Terms	Yes	1	
16	Other Internal Controls	Yes	2	
Payment Processing				
17	3-Point Match Process	Yes	1	
18	Payment Approval & Authority Levels	Yes	1	
19	Special Rules - In-Court Service Providers	Yes	0	
20	Special Rules - Court Interpreters	Yes	0	
21	Other Items of Expense	Yes	0	
22	Jury Expenses	Yes	0	
23	Allowable Costs	Yes	0	
24	Other Internal Controls	Yes	0	
3% Fund Balance Cap				
25	Calculation of the 3% Cap	Yes	0	
26	Use of "Held on Behalf" Funds	Yes	0	
JBSIS Case Filing Data				
27	Validity of JBSIS Data	Yes	1	
Collections				
28	Enhanced Collections	No	0	

In Audit Services' view, cash handling continues to be a high-risk area given that courts do not consistently follow the FIN Manual's processes for maintaining and tracking accountability over the change fund with periodic change fund counts and appointed change fund custodians. Additionally, courts do not always properly secure the contents of their safes, leaving collections and monies unsecured and at risk for loss or theft. Finally, we believe procurement processing continues to be an inherently medium-risk process given the lack of use or documentation of purchase requisitions, as well as the complexity of the rules and requirements for the various procurement types and their processing.

Audit Scope and Adjustments for Fiscal Year 24-25

Additions, deletions, and modifications to the audit plan for FY 24-25 are described below.

- ***Remove Enhanced Collections from the audit plan and add Travel and Business Meal Expenses*** –Audit Services added testing of Enhanced Collections to its audit plan beginning in FY 21-22. At the time, the potential areas of risk included the courts improperly keeping revenues obtained from delinquent debtors in excess of the court's actual costs of collecting debt. Since adding this testing to the audit program, Audit Services has not found this to be an issue at the courts we have reviewed over the past three fiscal years. Therefore, Audit Services proposes removing testing of enhanced collections from the FY 24-25 Audit Plan and adding back testing of travel expense claims and business meals.

In previous audits related to travel expense claims, we observed court employees not providing sufficient information on travel expense claims to demonstrate the travel charges are allowable and consistent with judicial branch travel policies. For example, court employees did not always specify the beginning and end dates/times of travel which is needed to evaluate whether a traveler's reimbursement claim for a particular meal was appropriate. When such information was provided, we found instances where courts approved reimbursements for unallowable business meals. On some occasions, the mileage claimed was not the lesser distance between home or headquarters to the business destination. We also found instances where court staff inappropriately approved the travel expense claims of judicial officers. Additionally, our review of business meals found that the business meal rules were not always followed, and some business meals may not have been a prudent use of trial court funds. Some examples included exceeding the per meal limits specified in the FIN Manual, not keeping a list of attendees which prevents the court from demonstrating the event's per-person cost, and spending trial court funds to pay for expenses that were not related to court operations.

Available Staff Resources and Audit Scheduling

Audit Services has two audit teams assigned to court audit work. Staffing currently consists of 1 manager, 1 supervisor, 2 team leaders and 5 audit staff (total of 9 auditors). On an as-needed basis, audit staff are pulled to support other projects focusing on the Judicial Council’s internal operations or projects requested by the courts. Based on the available staff resources, Audit Services estimates that it will be able to complete five audits currently in progress and begin an additional eight audits. Staff from the internal review team will work on trial court audits as time permits.

When scheduling court audits, Audit Services will provide each court with a reasonable time—up to 30 days—to provide its official response and corrective action plan before finalizing the draft report for the audit committee. The audit schedule includes assumptions about the required time to complete each audit based on the revisions to the audit plan (discussed previously) and other factors such as the number of anticipated locations where cash handling activities take place.

Schedule of Future Court Audits

Courts that are not scheduled for an audit this fiscal year may appear in next year’s annual audit plan. Table 3 shows all 58 superior courts, ranked by the time elapsing since its previous audit. Elapsed time will always be a significant consideration for Audit Services when scheduling audits. To minimize the risk of a single court being audited by multiple entities during the same year, audit scheduling is also influenced by—and to the extent possible coordinated with—the work of external audit organizations.

Table 3 –Audit Services’ Previous and Planned Appellate and Superior Court Audits (Current Year and Anticipated Next Year)

Appellate / Superior Court	Date of Last Audit Report	(Current Plan) (Next Year)		Appellate / Superior Court	Date of Last Audit Report
		FY 2024-25	FY 2025-26		
Plumas	January-11	IP		Del Norte	February-22
Alameda	March-13	IP		Inyo	February-22
Lake	August-14	X		Santa Clara	February-22
Yolo	February-15	X		Shasta	February-22
Humboldt	December-15	X		Sutter	February-22
Kern	August-16	IP		Orange	June-22
Placer	October-17	IP		Santa Barbara	June-22
Merced	January-18	IP		Stanislaus	June-22
Butte	April-18	X		Nevada	July-22
Colusa	June-18	X		El Dorado	November-22
Solano	June-18	X		Mendocino	November-22
Siskiyou	October-18	X		Tuolumne	November-22
Sacramento	December-18		Y	Marin	October-23
Ventura	December-18	X		Monterey	October-23
Glenn	February-19		Y	San Luis Obispo	October-23
San Benito	June-19		Y	Yuba	October-23
San Francisco	June-19		Y	Los Angeles	October-23
Santa Cruz	June-19		Y	Tulare	October-23
Modoc	October-19		Y	San Joaquin	October-23
Trinity	October-19		Y	Fresno	April-24
Lassen	February-20		Y	Kings	April-24
San Mateo	February-20		Y	Madera	April-24
Sierra	February-20			San Bernardino	April-24
Tehama	February-20			Sonoma	April-24
San Diego	July-20			Calaveras	*June-24
Imperial	March-21			Contra Costa	*June-24
Napa	March-21			3rd DCA	^May-18
Mariposa	July-21			5th DCA	^February-19
Mono	July-21			4th DCA	^March-19
Riverside	July-21			1st DCA	^July-20
Alpine	February-22			2nd DCA	^July-20
Amador	February-22			6th DCA	^March-21

Notes:

"IP" = In progress

"X" = Scheduled for audit in current year's audit plan

"Y" = Tentative for audit in next year's audit plan

* = Pending audit committee approval

^ = The appellate courts are not scheduled for audits at this time