



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

February 8, 2019
12:15 p.m. - 1:15 p.m.
Conference Call

Advisory Body Members Present: Hon. David Rosenberg, Hon. Peter Siggins, Hon. Susan Matcham, Hon. Mary Ann O'Malley, Ms. Sherri Carter, Mr. Kevin Lane,

Advisory Body Members Absent: Mr. Kevin Harrigan, Ms. Tania Ugrin-Capobianco, Mr. Phil Jelcich (non-voting advisory member)

Others Present: Mr. Grant Parks, Mr. Robert Cabral, Mr. Brian Cotta (CEO - 5th DCA), Cindia Martinez (CEO – Glenn Superior Court)

OPEN MEETING

Call to Order and Roll Call

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

Approval of Minutes

Judge O'Malley moved to approve the minutes of the December 5, 2018 meeting. Justice Siggins seconded the motion. There was no further discussion of the minutes. Motion to approve passed by unanimous voice vote of the committee members present.

DISCUSSION AND ACTION ITEMS

Info Item 1

Report from Audit Services

Mr. Parks informed the committee that audit staff performed work at San Benito Superior Court and the 4th District Court of Appeal during the months of December and January. On a separate project, auditors have substantially completed their review of Merced Superior Court's video conferencing grant (funded through Court Innovations Grant (CIG) Program). Auditors will be sharing the draft CIG report with Merced for its review and comments. Mr. Parks expects the CIG audit report to be ready for the audit committee at its next meeting. In terms of staffing, Audit Services expects to have an additional vacancy, which will reduce the number of audit staff down to six individuals who work on appellate and superior court audits.

As for the external audits, the State Controller's Office (SCO) is currently interviewing accounting staff and testing transactions at the Judicial Council's offices in San Francisco. The SCO's review is part of its biennial audit of the

revenues, expenditures and fund balances under the Judicial Council's control (pursuant to Govt Code, Section 77206(i)). Mr. Parks expects the report to come before the audit committee sometime in the spring.

Finally, in response to prior actions taken by the audit committee, Judicial Council staff met with Susan Miller (CEO-6th DCA) to discuss possible approaches to developing a branch-wide policies and procedures manual for the appellate courts. Also, in response to the audit committee's April 2018 letter regarding JBSIS data quality, on February 1st CEAC approved data quality standards for JBSIS reporting. CEAC has established a 2% tolerable error threshold, beyond which courts are expected to report corrected data within 60 days of discovering the errors.

Info Item 2.

General Discussion by Members of the Committee

Judge David Rosenberg asked approximately how long it could take to fill a vacant auditor position. Mr. Parks shared that it will depend on a variety of factors, such as: the available candidate pool; competitiveness in the job market; and budget considerations.

Mr. Lane (CEO - 4th DCA) reported that the Courts of Appeal intend to submit a letter responding to the audit committee's request that it develop branch-wide policies and procedures. Mr. Lane expected the letter to be sent to the audit committee before its next meeting.

Action Item 1

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

Mr. Parks presented this item, noting the audit is required pursuant to Public Contract Code, Section 19210. The State Auditor's procurement audit of the superior courts evaluates whether select courts followed procurement rules that are "*substantially similar to*" the State's contracting requirements. This year, the State Auditor evaluated the superior courts for the counties of:

- Imperial
- Los Angeles
- Monterey
- Santa Barbara
- Santa Clara

Overall, Mr. Parks characterized the State Auditor's overall conclusions as positive, while providing some recommendations on how these courts can improve. Specifically, the State Auditor's report outlined various issues, including: weaknesses in how courts justify using "sole-source" vendors; inconsistent application of the "3-point match" process when paying vendor invoices; and instances of non-compliance with the Judicial Council's daily and transactional limits over purchase card transactions. Most of the courts agreed with the State Auditor's findings and recommendations, while Los Angeles disputed some of the report's conclusions.

Judge Matcham asked if audits performed by the Judicial Council's Audit Services overlap with the State Auditor's procurement audit, and if so what is the relationship between these two audits. Mr. Parks replied that both audits look at procurement. However, Mr. Parks explained that Audit Services will curtail or eliminate its review of a specific court's procurement practices if the State Auditor had recently audited that same court.

Judge Rosenberg asked if there is anything arising from the State Auditor's review that should be communicated to the superior courts through an audit advisory. Mr. Parks commented that recent changes to the Judicial Branch Contracting Manual (JBCM) revised the definition of a "sole-source" vendor, and that it may be helpful to remind courts of the revised definition. Mr. Parks also offered to develop an audit advisory that address potential risks in the court procurement process overall, based on both the State Auditor's report and Audit Services' prior audit experience at the courts. Judge Rosenberg asked committee members if they had thoughts on whether to issue an audit advisory on court procurement practices. Ms. Sherri Carter suggested it was a good idea to remind CEOs of the judicial branch's procurement requirements. Judge O'Malley also supported the idea and suggested the advisory be sent to presiding judges (as a cc) as well. Mr. Parks said he would draft the audit advisory and share it with audit committee members prior to release.

Presiding Justice Siggins asked Mr. Parks whether he agreed with the State Auditor's conclusion in areas of the report where the State Auditor and Los Angeles Superior Court had disagreed. Specifically, the State Auditor had criticized Los Angeles for not comparing vendors' prices, even though both vendors were on a pre-approved vendor list that the court had created through a competitive process. Los Angeles had argued that all vendors on the pre-approved list were already deemed cost effective, and courts need not compare prices again. Mr. Parks stated he believes Los Angeles' approach was correct from a technical standpoint and doesn't see where the court failed to follow judicial branch procurement rules. Nevertheless, Mr. Parks believed the State Auditor's finding is trying to highlight a best practice of always comparing prices (even when doing so is not required).

Sherri Carter (CEO – Los Angeles) and Judge Matcham (Monterey) asked that any motion to approve the State Auditor's report for public posting be split so they can abstain from voting on matters pertaining to their respective courts. Judge Rosenberg agreed to the request.

Action: Ms. Carter moved to approve the portion of the State Auditor's report concerning Imperial, Monterey, Santa Barbara and Santa Clara counties for public posting (seconded by Presiding Justice Siggins). The motion passed by unanimous voice vote of the committee members present (Judge Matcham from Monterey abstained).

Action: Judge O'Malley moved to approve the portion of the State Auditor's report concerning Los Angeles for public posting (seconded by Judge Matcham). The motion passed by unanimous voice vote of the committee members present (Ms. Carter from Los Angeles abstained).

Action Item 2

External Audit Report – Department of Child Support Services

Mr. Parks presented this item and reminded audit committee members that they had previously approved audits performed by the Department of Child Support Services (DCSS) concerning the AB 1058 program. This audit of San Luis Obispo's AB 1058 program is consistent with those prior audits. Specifically, DCSS auditors found problems with court recordkeeping (i.e. timesheets), but DCSS is not seeking recovery of the questioned costs. Further, the Judicial Council's staff from the Center for Families, Children and the Courts (CFCC) is working with DCSS to develop alternative time keeping methods for courts to use when charging personnel costs to the AB 1058 program.

Action: Ms. Carter moved to approve this report for posting (seconded by Judge Matcham). The motion passed by unanimous voice vote of the committee members present.

ADJOURNMENT

There being no further open meeting business, the meeting was adjourned to closed session at 12:45 p.m.

CLOSED SESSION

Item 3

Draft Audit Report of the Superior Court of California, County of Glenn– Rule of Court 10.75(d) (6) *Non-final audit reports or proposed responses to such reports*

The committee's members discussed the draft audit of Glenn Superior Court.

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 4

Draft Audit Report of the of the 5th District of the Courts of Appeal– Rule of Court 10.75(d) (6) (Action Required) *Non-final audit reports or proposed responses to such reports*

The committee's members discussed the draft audit report for Ventura Superior Court.

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

Adjourned closed session at 1:15 p.m.

Approved by the advisory body on March 28, 2019.