



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

June 28, 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, Mr. Kevin Lane, Mr. Kevin Harrigan, Ms. Tania Ugrin-Capobianco,

Advisory Body Members Absent: Ms. Sherri Carter, Mr. Phil Jelcich (non-voting advisory member)

Others Present: Mr. Grant Parks, Mr. Robert Cabral, Mr. Alex Calvo (CEO – Santa Cruz Superior Court), Ms. Sue Wong, (CFO – San Francisco Superior Court)

OPEN MEETING

Call to Order and Roll Call

The chair called the meeting to order at 12:16 p.m. and took roll call.

Approval of Minutes

Ms. Ugrin-Capobianco moved to approve the minutes of March 28, 2019 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 informed members that audit teams are currently performing audits at Modoc and Trinity superior courts. These audit reports will likely be presented to the committee in late September. Mr. Parks spoke with Ms. Carter yesterday regarding the Court Innovations Grant Program. Los Angeles Superior Court will be the next audited court under this program. Turning to staffing levels, Mr. Parks noted that Audit Services has one vacancy that it expects to fill soon, thus leaving two additional vacant positions that will remain unfilled due to budgetary restrictions.

Mr. Parks also informed the audit committee that the Judicial Council recently entered into an agreement with the State Controller's Office (SCO) to audit 8 more trial courts during FY 2019-20. These audits will focus on court compliance with the State's rules for the for revenues, expenditures and fund balances under each court's control. These audits are required under Government Code, Section 77206(h). The scope of work for these audits is basically the same scope as seen by the audit committee in previous meetings. To ensure funding for these audits continues in fiscal year 2020-21 and beyond, the committee had previously approved a budget change proposal (BCP) in March 2019 to fully fund the SCO's audits on an ongoing basis (i.e. 14-15 audits per year; each court on roughly a 4-year audit cycle). Mr. Parks concluded his comments by noting the Judicial Council had recently adopted its first set of data quality standards for JBSIS reporting, which was an issue the audit committee had first raised with the Court Executives Advisory Committee (CEAC) in April 2018. Mr. Parks also reminded committee members that its next meeting will take place on July 12th, which will be a special meeting to discuss proposed changes to the *Judicial Branch Contracting Manual*.

Judge O'Malley asked about the timing and sufficiency of the BCP request. Mr. Parks replied that the BCP is still working its way through the judicial branch's process, noting it will be submitted to the Department of Finance in September 2019 and—if approved by the Department of Finance—will become part of the Governor's FY 2020-21 budget. Judge O'Malley then asked if the budget allocation in FY 2019-20 is enough to cover the SCO's audit costs for the coming fiscal year. Mr. Parks confirmed enough spending authority exists to pay for the next round of SCO audits. Judge Rosenberg raised his concern about the number of vacant audit positions. Mr. Parks replied that Audit Services—just like any other state department or internal office within the Judicial Council—must manage its workload based on the financial resources it has available. Mr. Parks noted that many other offices within the Judicial Council are operating under similar budgetary constraints, and the audit plan that will be discussed later in this meeting reflects the audit staffing levels Audit Services expects to achieve.

Info Item 2.

General Discussion by Members of the Committee

No items discussed.

Action Item 1

Annual Audit Plan- Fiscal Year 2019-20 (Action Required)

Mr. Parks began the discussion, noting one of the primary tasks of this committee is to approve the annual audit plan. This plan outlines which courts get audited by Audit Services and defines the scope of those audits. To provide context for the audit committee's discussion of the plan, Mr. Parks provided an overview of the audit findings reported in fiscal year 2018-19. As shown in the materials, the audit committee has reviewed a total of 18 audit reports. For 87% of all audit findings, the courts agreed or partially agreed with the reported issues and recommendations. The materials also show the areas where courts have difficulties, most notably in their compliance with the Judicial Council's cash handling policies and their reporting of case filings data pursuant to the JBSIS manual. Given the Judicial Council's recent adoption of a tolerable error rate for JBSIS reporting, Audit Services is developing a new template to report JBSIS-related audit findings. This new template is intended to more easily allow a reader to see whether a court is above or below the 2% data quality threshold.

Reflecting on the cash handling findings, Mr. Parks reminded the committee that it had previously issued an audit advisory on this topic in November 2018. Mr. Parks recommended that cash handling and JBSIS reporting continue to be an area of focus in the audit plan. Committee members and staff then reviewed the proposed audit

schedule. Judge O'Malley and Ms. Ugrin-Capobianco thanked committee staff for the presentation. Mr. Harrigan noted the audit committee had previously suspended a portion of the audit plan regarding the payment practices for court interpreters. He recommended the committee reconsider this decision at its next regular meeting in September 2019. Without further discussion, the committee took the following actions.

Action: Mr. Harrigan moved to add an agenda item to our next audit committee meeting in September 2019 to consider reinstating the "court interpreter payments" component of the annual audit plan (seconded by Ms. Ugrin-Capobianco). The motion passed by unanimous voice vote of the committee members present.

Action: Ms. Ugrin-Capobianco moved to approve the FY 19-20 annual audit plan (seconded by Presiding 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 began the discussion on the audit of the Judicial Council by the State Controller's Office (SCO). Similar to how the SCO evaluates the superior courts' compliance with state rules, so too does it audit the Judicial Council per Government Code, Section 77206(i). The SCO's overall conclusion for this audit confirms the Judicial Council has complied with the State's rules regarding the revenues, expenditures and fund balances under its control for fiscal year 2017-18. Despite this positive outcome, the SCO's auditors did identify three issues and the Judicial Council is actively working towards taking corrective action. Mr. Parks summarized the three findings, which focused on the lack of segregation of duties for the reporting of employee leave balances to the State, and inadequate reconciliations for certain account receivable balances owed by the Judicial Council's employees. There was no further discussion by committee members.

Action: Judge Matcham moved to approve this report for posting (seconded by Mr. Harrigan). 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 12:45 p.m.

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

Item 3

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 of the Riverside Superior Court, per Rule of Court 10.63(c)(3).

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

Item 4

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 San Benito Superior Court's administration of Court Innovations Grant Program, per Rule of Court 10.63(c)(1).

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

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 San Francisco Superior Court, per Rule of Court 10.63(c)(1).

Action: Judge O'Malley moved to approve this report for posting (seconded by Ms. Ugrin-Capobianco). 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 Santa Cruz, per Rule of Court 10.63(c)(1).

Action: Ms. Ugrin-Capobianco moved to approve this report for posting (seconded by Mr. Harrigan). 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 July 12, 2019.