



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

July 14, 2020
12:15 p.m. - 1:45 p.m.
Conference Call

Advisory Body Members Present: Hon. David Rosenberg, Hon. Peter Siggins, Hon. Mary Ann O'Malley, Hon. Arthur A. Wick, Mr. Kevin Lane, Mr. Neal Taniguchi, Mr. Phil Jelichich (non-voting advisory member)

Advisory Body Members Absent: 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. Charles Johnson (Court Executive Officer, California Court of Appeal, 1st Appellate District), Mr. Oliver Cheng (Attorney, Legal Services Office of the Judicial Council), John Prestianni Cheng (Attorney, Legal Services Office of the Judicial Council), Andrew Tran Cheng (Attorney, Legal Services Office of the Judicial Council), Jimmy Nguyen Cheng (Attorney, Legal Services Office of the Judicial Council)

OPEN MEETING

Call to Order and Roll Call

The chair welcomed committee members and called the meeting to order at 12:18 p.m. and took roll call.

Opening comments by the Chair and Vice-Chair

Judge Rosenberg informed that pursuant to the request of Chief Justice, due to the pandemic, the same Board Members will continue to serve on the Board for the next year. Judge Rosenberg and Justice Siggins thanked current members for agreeing to serve for the next year. Future meetings will be facilitated via Zoom or Teams application (to be announced after checking Judicial Council guidelines).

Approval of Minutes

Judge O'Malley moved to approve the minutes of the February 10, 2020 meeting. Judge Wick 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. In current Fiscal Year 2020-2021 Mr. Parks anticipates budget impacts which may affect ability to perform some work. This will be discussed in more detail when this committee discuss proposed audit plan for FY 2020-20201. There might be some challenges with budget available for travel, which will impact auditor's work in courts in this fiscal year.

As for external audits from the State Controller's Office, Governor took \$1 million to fund audits performed by SCO (which is required by statute). When budget act was passed by Legislature, they put that funding back. This was the budget change proposal that we developed with the direction of Audit Committee, to make sure that Courts didn't have to pay for these audits performed by SCO. Mr. Parks anticipates that in FY 20-21 there will be roughly \$1.5 million in appropriation to fund fourteen to fifteen SCO audits. These audits will investigate revenues, expenditures and fund balance. We are currently in contract with SCO to perform eight audits, one of which will be reviewed today. Mr. Parks will discuss with SCO regarding planning of the remaining fifteen audits.

State Controller's Office will be auditing the Judicial Council this year to review how JCC manages revenues, expenditures and fund balance. This audit will begin this fall and the report will probably be provided for review in spring. In addition, SCO is currently in process of selecting five trial courts to do biennial procurement audit of Judicial Branch contracting law. State Auditor's Office continues statewide audits of Mental Health under Lanterman-Petris-Short Act. That report will be issued July 29th. If there are any issues pertaining the Judicial Council or trial courts, committee members will be informed at our next meeting.

Info 2

General Discussion by Audit Committee Members

Mr. Taniguchi asked about ability to audit cash handling this year. Mr. Parks replied that a lot work during cash handling audits require auditors to physically visit courts to visually inspects controls in place. The areas of audit include cash handling, making deposits and making sure the right procedures are followed. That is not possible to audit this remotely or over the phone or through email. Therefore, it was proposed to temporarily suspend cash handling part of audit in audit plan for FY 20-21.

Action Item 1

Annual Audit Plan – Fiscal Year 2020-21 (Action Required)

Mr. Parks provided an overview of proposed audit plan for fiscal year 20-21 and courts that will be audited. This audit plan does not include cash handling audit. Audit team needs to visit courts in person to review daily deposit process, end of day balancing and closeout process, tracking of mail payments, voided transactions. Considering reduced travel budget and health concerns due to COVID-19, it was proposed to temporarily suspend audit of these areas.

Audit plan also excludes court interpreters' payments compliance to Judicial Council's court interpreters policies. Traditionally auditors reviewed these areas. Audit Committee temporarily suspended audit in this area pending revisions to the council's interpreter pay policies. Court Executives Advisory Committee (CEAC) is working on

revisions to the policy, and it is soon to be completed. When these changes are implemented, they will address the concerns we had in our prior audit findings. Until those proposed revisions become official, it was proposed not to include audit of court interpreters' payments in audit plan for fiscal year 20-21.

Mr. Taniguchi suggested that if benefit of cash handling audit outweighs the small costs of travel expenses, this audit plan can be updated, if Judicial Council approves budget for this travel. He also suggested that it may be beneficial to perform comprehensive audits, even if it causes that audit team will perform fewer audits.

Judge Wick agreed with these comments. Mr. Parks agreed and proposed that he will discuss travel budget with Budget Services. Another topic Mr. Parks will discuss is advisability of travel, since majority of JCC staff is on emergency telework program due to COVID-19. He will inform of the results of this discussion with committee members via email. In addition, JCC just recently implemented one day per month of Furlough days to accommodate budget cuts. To accommodate this cut in work hours, auditors from Internal Review Team will assist Superior and Appellate Courts Review team to conduct audits.

Action: Mr. Taniguchi moved to approve draft audit plan with understanding that Mr. Parks will discuss with Executive Office travel budget and advisability of travel in current situation. The motion was seconded by Judge O'Malley.

Action Item 2

Annual Audit Plan – Discussion State Controller's Recent Audit of Sutter Superior Court's Revenues, Expenditures, and Fund Balance for Fiscal Year 2017-18 (Action Required)

Mr. Parks provided a review of State Controller's recent audit of Sutter Superior Court's revenues, expenditures, and fund balance for fiscal year 2017-18. Government Code, Section 77206(h) requires the State Controller to periodically audit the trial courts and how they account for the funds under their control. Judicial Council is currently in contract with SCO to have eight audits done. Audit of Sutter Superior Court is the first audit. The overall conclusion of this audit is positive. Revenues, expenditures and fund balance reported by this court complied with governing statutes, regulations and Judicial Council's policies. Nevertheless, audits usually point out the issues that need to be improved. This audit did note some issues with how revenues and expenditures are being reported. Sutter Superior Court agreed with those findings and having discussions with Branch Accounting and Procurement Office of the Judicial Council regarding corrective action for these findings.

Action: Justice Siggins moved to approve posting of this audit report on Judicial Council's website. The motion seconded by Judge Wick. Motion approved unanimously.

Action Item 3

Revisions to the Judicial Branch Contracting Manual (Action Required)

Oliver Cheng from Judicial Council Legal Services Office provided an overview of proposed changes to the Judicial Branch Contracting Manual (JBCM). Under Rule of Court 10.63, Audit Committee reviews proposed revisions to JBCM. If this committee finds the proposed revisions acceptable, they will be provided to Executive Committee. Then these changes will be placed on consent agenda for Judicial Council's meeting on October 1, 2020. The proposed revisions are for chapters 3, 4 and 5 of the JBCM. All of the proposed changes were posted for public comments for two weeks in June 2020, and no public comments were received.

Mr. Nguyen, Attorney with Legal Services Office of the Judicial Council, provided an overview of proposed changes to Chapter 3 of JBCM related to disabled veterans' business enterprise requirements.

Mr. Tran, Attorney with Legal Services Office of the Judicial Council, provided an overview of proposed administrative and ministerial changes to Chapter 4 and 4c of JBCM.

Mr. Cheng provided an overview of changes to Chapter 5 of JBCM. It was proposed to add an exception to competitive bidding for the procurement of non-IT training. This will provide Judicial Branch a greater flexibility to procure training while also remaining similar to State Contracting Manual and in accordance with Judicial Branch contract law.

Approved these changes to be placed on consent agenda for the September meeting.

Action: Judge O'Malley moved to approve the motion to approve these changes and the report and to place it on consent agenda for the next Judicial Council meeting. Motion seconded by Justice Siggins. Motion approved unanimously.

ADJOURNMENT

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

CLOSED SESSION

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 Diego Superior Court and its various projects funded through the Court Innovations, per Rule of Court 10.63(c)(1).

Action: Mr. Taniguchi moved to approve this report for posting (seconded by Judge Wick). 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 Court of Appeal, First Appellate District, per Rule of Court 10.63(c)(1).

Action: Judge Wick moved to approve this report for posting (seconded by Mr. Lane). 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 Court of Appeal, Second Appellate District, per Rule of Court 10.63(c)(1).

Action: 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.

Adjourned closed session at 1:15pm.