

**ADVISORY COMMITTEE ON AUDITS AND FINANCIAL
ACCOUNTABILITY FOR THE JUDICIAL BRANCH**

MINUTES OF OPEN MEETING

July 11, 2023
12:15 pm – 1:15 pm
BlueJeans

Advisory Body Members Present: Hon. David Rosenberg, Hon. Salvatore T. Sirna, Mr. Neal Taniguchi, Mr. Michael Powell, Ms. Kate Bieker, Mr. Charles Johnson;

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

Others Present: Mr. Matt Espenshade (Principal Manager, Judicial Council's Audit Services); Mr. Oliver Cheng (Attorney, Judicial Council's Legal Services); Jimmy Nguyen (Attorney, Judicial Council's Legal Services); John Prestianni (Supervising Attorney, Judicial Council's Legal Services)

OPEN MEETING

Call to Order and Roll Call

The chair called the meeting to order at 12:17 pm and took roll call.

Approval of Minutes

Judge Sirna moved to approve the minutes of the November 8, 2022, and November 11, 2022, Advisory Body meetings. Mr. Taniguchi 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

Informational Item 1

Report from Audit Services

Mr. Espenshade provided an overview of Audit Services staffing and audits in progress. The office is working to fill vacancies, since two auditors recently left. In FY 2022-23 the committee reviewed four audits: Nevada, El Dorado, Mendocino, Tuolumne. Additionally, seven audit reports have been drafted: Marin, Monterey, San Luis Obispo, Yuba, Los Angeles, Tulare, San Joaquin. These reports will be discussed at upcoming meeting. Five audits are currently in progress: Madera, Plumas, San Bernardino, Sonoma, Fresno.

State Controller's Office continues audits on revenues, expenditures and fund balance. Four of their audit reports will be discussed at an upcoming meeting. State Auditor completed and published regular audit of court procurement practices, which will be discussed at the next meeting. State auditors will start audit of Judicial Council's procurement practices within the next few months.

Action Item 1

Revisions to the Judicial Branch Contracting Manual (Action Required)

Mr. Cheng presented updates to Judicial Branch Contracting Manual (JBCM). If proposed revisions are approved by this committee, updates will be presented to Judicial Council in September. Proposed changes are to chapters 1, 3 and 4 of JBCM. Chapter 1 was edited to comply with recent legislation SB 34, which created new public contract code section. This section provides voidability to certain contracts entered into because of criminal act of bribery.

Mr. Taniguchi inquired if, according to these revisions, contracts can be terminated without following other procedures (for example, giving 60 days' notice). Mr. Cheng replied that it will depend on terms of contract, and each contract will need to be reviewed on case-by-case basis.

Mr. Nguyen presented updates to JBCM Chapter 3. As a result of AB 661, changes were made regarding recycling requirements. California State Agency Buy Recycle Campaign program has been updated and promotes purchase of products which are environmentally efficient. JBCM was updated with more specific description what recycled products categories are going to be and what minimum recycled percentage is going to be. New recycled product purchasing threshold was updated. Recycled alternative should be selected if cost is not more than 10% expensive comparing with non-recycling products.

Chapter 4 contains edits regarding procedures for posting Request for Proposal (RFP) in State Contracts Register. Chapter 4 revisions were proposed by Branch Accounting and Procurement Office. They reflect updated procedures for when JC entities wish to oppose RFP and alternatives in California State Contracts Register.

Mr. Cheng asked committee members to approve draft report for the JC committee, as well as proposed JBCM changes.

Action: Ms. Bieker moved to approve draft report and proposed JBCM changes (seconded by Mr. Powell). The motion passed by unanimous voice vote of the committee members present.

Action Item 2

Annual Audit Plan. Mr. Espenshade presented audit plan (Action Required)

One of primary responsibilities of this committee is approving the annual audit plan. This plan includes a list of courts to be audited and the scope of those audits. In fiscal year 2022-23 this committee reviewed 4 audit reports, and 7 audit reports are to be reviewed at the next meeting. Cash handling was the area with more findings (65 findings in this area). Some other findings include lack of segregation of duties, not requiring periodic counts of change fund by someone other than the change fund custodian, not appointing change fund custodian for change funds of \$500 or more. Next area with most findings is contracts and procurement. Findings include courts not consistently requiring documents for purchase requisitions.

The FY 23-24 audit plan proposes to remove revenue distribution testing. This area showed lack of reportable findings. Since 2014 courts received regular guidance and training in this area. This area is also covered by the State Controller's Office in its audits.

Seven superior courts were selected for audits in FY 23-24: Alameda, Kings, Contra Costa, Kern, Placer, Merced, Calaveras. Mr. Johnson noticed that none of the appellate courts were included in new audit plan. Mr. Espenshade informed that it was partially caused by audit staffing issues. Additionally, appellate courts are not subject to FIN manual, so they lack criteria for audits.

Action: Mr. Taniguchi moved to approve FY 23-24 audit plan (seconded by Mr. Johnson). 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 business, the meeting was adjourned at 1:18pm.