



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 26, 2024
12:15 p.m. - 1:15 p.m.
Conference Call

Advisory Body Members Present: Hon. Salvatore T. Sirna, Mr. Kevin Harrigan, Mr. Michael Powell, Ms. Nocona Soboleski, Mr. Charles Johnson, Ms. Kristine Swensson (non-voting advisory member)

Advisory Body Members Absent: Hon. David Rosenberg

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), Kate Bieker (Court Executive Officer, Contra Costa Superior Court), Fae Li (Director of Finance, Contra Costa Superior Court), Mr. Oliver Cheng (Attorney, Judicial Council Legal Services), Jimmy Nguyen (Attorney, Judicial Council Legal Services)

OPEN MEETING

Call to Order and Roll Call

Hon. Salvatore Sirna welcomed committee members and called the meeting to order at 12:15 p.m.

Mr. Espenshade took roll call.

Approval of Minutes

Mr. Powell moved to approve the minutes of the April 15, 2024, meeting. Mr. Harrigan 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

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

Oliver Cheng from Judicial Council Legal Services Office shared that during the last meeting Audit Committee approved revisions to the Judicial Branch Contracting Manual (JBCM). The recommended revisions were posted for public comments. After two comments related to these changes were received, the Legal Services Office worked with Mr. Espenshade to make some additional revisions to the proposed edits to the JBCM. These

revisions are presented to the Audit Committee during this meeting. If approved, these JBCM revisions will go to review of the Executive and Planning Committee (E&P). Then, if approved by E&P Committee, the revisions will go for review to the Judicial Council meeting in September. If approved by the JC, the anticipated implementation date of the changes will be October 1st, 2024.

Action: Mr. Harrigan moved to approve placing of JBCM revisions on consent agenda for the Judicial Council meeting on September 20th, 2024 (seconded by Mr. Johnson). The motion passed by unanimous voice vote of the committee members present.

Mr. Johnson moved to approve placing draft Audit Committee's report on consent agenda for the Judicial Council meeting on September 20th, 2024 (seconded by Mr. Powell). The motion passed by unanimous voice vote of the committee members present.

Item 2

Annual Audit Plan – Fiscal Year 2024-25

Mr. Espenshade provided an overview of the proposed audit plan. Audit Services worked with the State Controller's Office to coordinate audits and avoid auditing the same court simultaneously. Audit Services' proposed FY 2024-25 audits include superior courts in the following counties: Lake, Yolo, Humboldt, Butte, Colusa, Solano, Siskiyou and Ventura.

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. Overall, fewer reportable findings in 2023-24 were identified, compared to the year prior. The most common areas for findings in 2023-24 were Cash Management, Procurement and Contracts. Most common findings in Cash Management were related to the lack of proper segregation of duties or safe combinations and contents not being properly secured. As for the Procurement and Contracts, lacking procurement requisitions to demonstrate management's approval to begin a solicitation was the most common finding in this area. Additionally, certain solicitations did not follow competitive bidding rules noted in the Judicial Branch Contracting Manual.

Audit Services proposes to 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. 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. Based on previous audit findings, Audit Services recommends adding back testing of travel expense claims and business meals.

Action: Mr. Johnson moved to approve the annual audit report and post it on Judicial Council's website (seconded by Ms. Soboleski). 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 12:40 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 Calaveras Superior Court, per Rule of Court 10.63(c)(1).

Action: Mr. Johnson moved to approve this report for posting (seconded by Mr. Powell). Committee members unanimously approved the audit of Calaveras 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 Contra Costa Superior Court, per Rule of Court 10.63(c)(1).

Action: MS. Soboleski moved to approve this report for posting (seconded by Mr. Harrigan). Committee members unanimously approved the audit of Contra Costa Superior Court for public posting on Judicial Council's website.

Adjourned closed session at 1:15 pm.



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Meeting Date: 11/25/2024

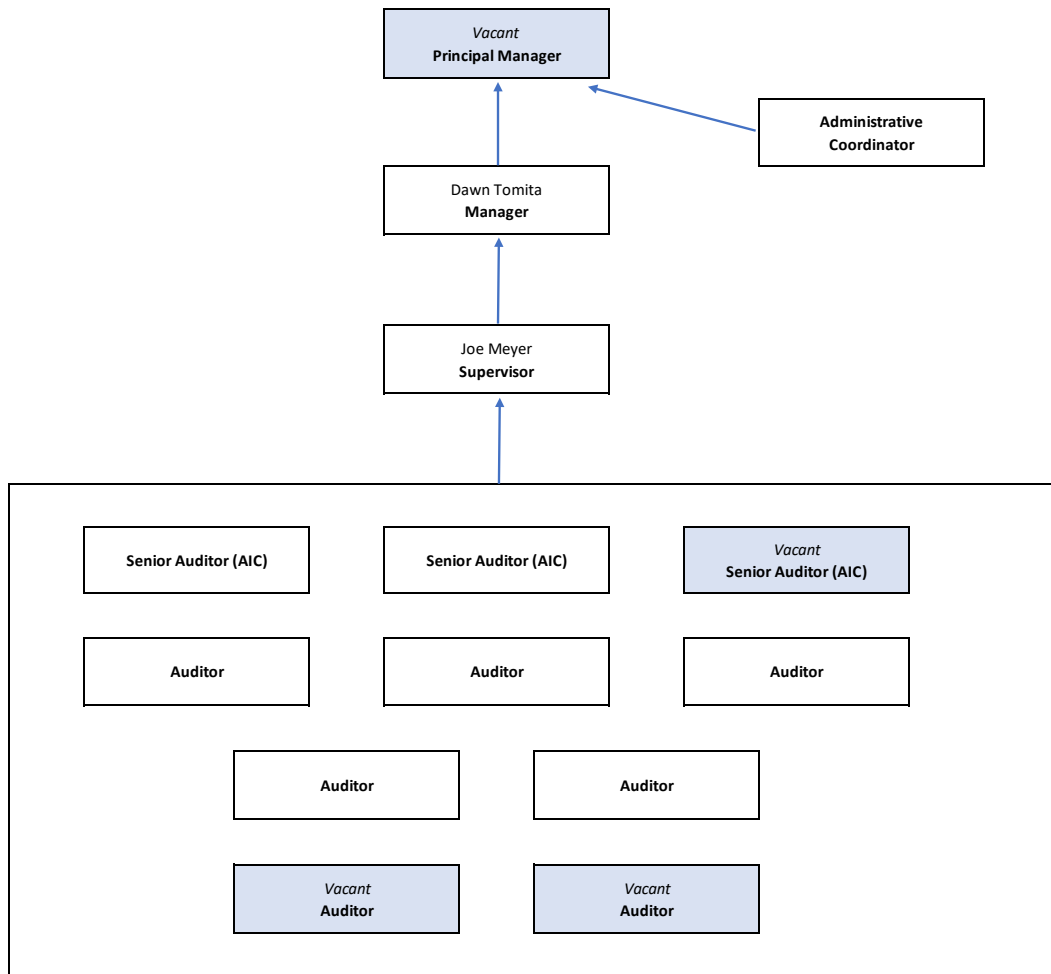
Informational Item #1 – (No Action Required)

Report from Audit Services

Status Update – Judicial Council’s Audit Services

Workload & Staffing

Audit Services has 7 audit staff who are all assigned to trial court audit work. Audit Services’ organizational chart as of November 25th is depicted below:



Judicial Council staff have audits in progress at the following courts:

- Merced
- Placer
- Siskiyou
- Butte
- Humboldt
- Lake (cash fieldwork scheduled for early December)

Status of External Audits

State Controller's Office (SCO)

Government Code, section 77206(h) requires the SCO to audit each court's revenues, expenditures, and fund balance on a recurring schedule. The SCO has not issued any audits performed under this statute since the last audit committee meeting.

State Auditor's Office (CSA)

This triennial audit is required per Public Contract Code, Section 19210(a)(1) and (a)(3), which focuses on five selected courts' compliance with the Judicial Branch Contract Law. The last audit performed under this statute was issued in January 2023.



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Informational Item #2 – (Action Not Required)

Committee's Annual Agenda

Summary:

The Executive and Planning Committee (E&P committee) oversees the Judicial Council's strategic planning process and ensures the activities of each advisory committee is consistent with the Judicial Council's goals and policies. California Rules of Court, Rule 10.11(i)(2) requires E&P to review each advisory committee's annual agenda to determine whether it is consistent with the advisory committee's charge and with the Judicial Council's priorities.

The E&P committee will review advisory committee agendas sometime in early 2025. A draft of the 2025 annual agenda for the audit committee is attached.

Supporting Document:

- Draft 2025 annual agenda document

Advisory Committee on Audits and Financial Accountability for the Judicial Branch
Annual Agenda¹—2025

Approved by Executive and Planning Committee: [Date]

I. COMMITTEE INFORMATION

Chair:	Hon. Ann C. Moorman
Lead Staff:	Ms. Dawn Tomita, Manager, Audit Services; Mr. Joe Meyer, Supervisor, Audit Services
<p>Committee’s Charge/Membership:</p> <p>Rule 10.63 of the California Rules of Court states the charge of the Advisory Committee on Audits and Financial Accountability for the Judicial Branch (audit committee), which is charged with advising and assisting the council in performing its responsibilities to ensure that the fiscal affairs of the judicial branch are managed efficiently, effectively, and transparently, and in performing its specific responsibilities relating to audits and contracting, as required by law and good public policy. Rule 10.63(c) sets forth additional duties of the committee, such as to:</p> <ul style="list-style-type: none">• Review and approve of a yearly audit plan for the judicial branch,• Advise and assist the council in performing its responsibilities under the Judicial Branch Contract Law,• Review and recommend to the council proposed updates and revisions to the Judicial Branch Contracting Manual, and• Make recommendations concerning any proposed changes to the annual compensation plan for Judicial Council staff. <p>Rule 10.63(d) sets forth the membership position of the committee. The audit committee currently has seven members and one non-voting advisor. The current committee roster is available on the committee’s web page.</p>	
<p>Subgroups of the Advisory Committee²:</p> <p>1. There are no subcommittees or working groups operating under this advisory committee.</p>	

¹ The annual agenda outlines the work a committee will focus on in the coming year or cycle and identifies areas of collaboration with other advisory bodies and the Judicial Council staff resources.

²For the definition of “subcommittee” see Cal. Rules of Court, rule 10.30(c); “working group” see rule 10.70, “workstream,” see rule 10.53(c); and “education curriculum committee,” see rule 10.50(c)(6).

Meetings Planned for 2025³ (Advisory body and all subgroups listed above.)

As needed based on the availability of audit reports, generally quarterly.

Check here if in-person meeting is approved by the internal committee oversight chair.

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³ Refer to section IV. 2. of the [Operating Standards for Judicial Council Advisory Bodies](#) for governance on in-person meetings.

Note: Because of the current budget and staffing constraints, advisory body chairs and staff must first consider meeting remotely. The chair of the Executive and Planning Committee is suspending advisory body in-person meetings for the 2024–2025 annual agenda cycle. If an in-person meeting is needed, the responsible Judicial Council office head must seek final approval from the advisory body’s internal oversight committee chair. Please see the prioritization memo dated July 1, 2024, for additional details.

II. COMMITTEE PROJECTS

#	New or One-Time Projects ⁴ [Group projects by priority number.]	
1.	<p>Project Title: Short and descriptive. Indicate whether “New” or “One-Time” project. A one-time project is a project that has a defined timeline and only needs to be completed once.</p>	<p>Priority X⁵</p>
<p>Project Summary: A key objective is a strategic aim, purpose, or “end of action” to be achieved for the coming year. Provide a brief summary of the project and its key objective(s). Be specific about what the project entails and what it is expected to accomplish. If the proposal is for rules or forms, describe the problem to be addressed, or what the new law is and why it requires new/revised forms and/or new or amended rules of court. Origin of project may also be included [for example, is it required by statute or Judicial Council direction, did it result from a suggestion from a court, judge, or attorney; etc.].</p> <p>Status/Timeline: Include status and projected completion date.</p> <p>Fiscal Impact/Staff Resources: Include fiscal impact to trial courts or JCC (e.g., new IT contract or additional staffing); also include committee staff and all JCC office staff collaboration and contracted consultants/contractors, involved with the project (e.g., CJER, Information Technology, and Budget Services staff, NCSC consultant).</p> <p><input type="checkbox"/> This project may result in an allocation or distribution of funds to the courts. We will coordinate with Budget Services to ensure their review of relevant materials.</p> <p>Internal/External Stakeholders: Include any specific internal stakeholders (i.e., trial courts), external stakeholders (i.e., Legislature), and justice partners (i.e., NCSC, DCSS).</p> <p>AC Collaboration: Note any committee, task force, or subcommittee/working group involvement.</p>		<p>Strategic Plan Goal⁶</p>

⁴ All proposed projects for the year must be included on the Annual Agenda. If a project implements policy or is a program, identify it as *implementation* or a *program* in the project description and attach the Judicial Council authorization/assignment or prior approved Annual Agenda to this Annual Agenda.

⁵ For non-rules and forms projects, select priority level 1 (must be done) or 2 (should be done). For rules and forms proposals, select one of the following priority levels: 1(a) Urgently needed to conform to or accurately reflect the law; 1(b) Council has directed the committee to consider new or amended rules and forms; 1(c) Change is urgently needed to remedy a problem that is causing significant cost or inconvenience to the courts or the public; or 1(d) Proposal is otherwise urgent and necessary, such as a proposal that would mitigate exposure to immediate or severe financial or legal risk. *For each priority level 1 proposal, the advisory body must provide a specific reason why it should be done this year and how it fits within the identified category.* 2(a) Useful, but not necessary, to implement changes in law; 2(b) Responsive to identified concerns or problems; or 2(c) Helpful in otherwise advancing Judicial Council goals and objectives. *If an advisory committee is interested in pursuing any Priority Level 2 proposals, please include justification as to why the proposal should be approved at this time.*

⁶ Indicate which goal number of The Strategic Plan for California’s Judicial Branch the project most closely aligns.

#	New or One-Time Projects [Group projects by priority number.]	
2.	<p>Project Title: Short and descriptive. Indicate whether “New” or “One-Time” project. A one-time project is a project that has a defined timeline and only needs to be completed once.</p>	<p>Priority X</p>
	<p>Strategic Plan Goal</p> <p>Project Summary: A key objective is a strategic aim, purpose, or “end of action” to be achieved for the coming year. Provide a brief summary of the project and its key objective(s). Be specific about what the project entails and what it is expected to accomplish. If the proposal is for rules or forms, describe the problem to be addressed, or what the new law is and why it requires new/revised forms and/or new or amended rules of court. Origin of project may also be included [for example, is it required by statute or Judicial Council direction, did it result from a suggestion from a court, judge, or attorney; etc.].</p> <p>Status/Timeline: Include status and projected completion date.</p> <p>Fiscal Impact/Staff Resources: Include fiscal impact to trial courts or JCC (e.g., new IT contract or additional staffing); also include committee staff and all JCC office staff collaboration, consultants, contractors, involved with the project (e.g., CJER, Information Technology, Budget Services staff, NCSC consultant).</p> <p><input type="checkbox"/> This project may result in an allocation or distribution of funds to the courts. We will coordinate with Budget Services to ensure their review of relevant materials.</p> <p>Internal/External Stakeholders: Include any specific internal stakeholders (i.e., trial courts), external stakeholders (i.e., Legislature), and justice partners (i.e., NCSC, DCSS).</p> <p>AC Collaboration: Note any committee, task force, or subcommittee/working group involvement.</p>	

#	Ongoing Projects and Activities	
1.	Project Title: Review Audit Reports and Recommend Policy Changes, As Appropriate	Priority 1
	Strategic Plan Goal II	
<p>Project Summary: The audit committee reviews audit reports issued by external entities (i.e., the State Controller’s Office and State Auditor’s Office) and periodically issues public audit advisories or internal memoranda to highlight systemic and important issues for trial court management. Some of the audit reports presented to the audit committee are required by law. Section 77206(h) of the Government Code requires the State Controller’s Office (SCO) to audit the revenues, expenditures, and fund balances of each trial court on a cyclical basis. The annual budget act appropriates \$540,000 for these audits each year. Similarly, section 19210 of the Public Contract Code requires the California State Auditor’s Office (CSA) to audit the procurement practices of at least five trial courts and the Judicial Council on an alternating biennial schedule. The annual budget act appropriates \$325,000 to reimburse CSA each year. Audit reports issued by both the SCO and the CSA are discussed by the committee in public session for transparency.</p> <p>Section 77206(g) of the Government Code authorizes the Judicial Council to inspect, review, and perform comprehensive oversight and analysis of court financial records wherever they may be located. State law also authorizes council staff to investigate allegations of financial impropriety or mismanagement. The Judicial Council’s audit staff often review court compliance with key financial, operational, and procurement-related policies in high-risk areas, such as: cash handling procedures, the reporting of case filings data to the Judicial Branch Statistical Information System (JBSIS); and vendor payment practices. Trial court management may address the audit committee in closed session to share their perspectives on any draft audit findings. To promote transparency, the final audit reports (along with those from the SCO and CSA) are posted publicly on the judicial branch’s website following the audit committee’s approval.</p> <p>Status/Timeline: Ongoing</p> <p>Fiscal Impact/Staff Resources: There are no direct fiscal impacts. However, the periodic recommendations made by the audit committee may result in fiscal impacts that must be evaluated by those committees designated with oversight responsibilities in the given policy area (e.g., Trial Court Budget Advisory Committee, Court Executives Advisory Committee, etc.).</p> <p><input type="checkbox"/> <i>This project may result in an allocation or distribution of funds to the courts. We will coordinate with Budget Services to ensure their review of relevant materials.</i></p> <p>Internal/External Stakeholders: The courts we audit are external stakeholders, particularly court executive officers and financial staff.</p> <p>AC Collaboration: No direct collaboration with other advisory committees or working groups. Limited collaboration with external audit agencies (such as the State Auditor’s Office and State Controller’s Office), who periodically audit judicial branch entities.</p>		

#	Ongoing Projects and Activities	
2.	Project Title: Recommend Updates to the Judicial Branch Contracting Manual	Priority 2
	Strategic Plan Goal II	
<p>Project Summary: The Judicial Branch Contract Law (Pub. Contract Code, §§ 19201–19210) requires the Judicial Council to adopt a contracting manual that is consistent with the Public Contract Code and substantially similar to the State Contracting Manual and State Administrative Manual. The manual contains procurement and contracting policies and procedures that must be followed by all judicial branch entities. To the extent that there are legislative amendments to the Public Contract Code that are applicable to judicial branch entities, the Judicial Council must update the Judicial Branch Contracting Manual so that the manual remains consistent with the Public Contract Code.</p> <p>Status/Timeline: Ongoing, (Generally, the audit committee holds a special meeting in July to discuss and approve suggested revisions before forwarding the changes to the council for final approval and adoption).</p> <p>Fiscal Impact/Staff Resources: Staff from the Judicial Council’s Legal Services office monitor changes to state procurement laws and developing proposed changes for the audit committee’s consideration at its July meeting. Legal Services absorbs the cost of this work within its existing budget.</p> <p><input type="checkbox"/> <i>This project may result in an allocation or distribution of funds to the courts. We will coordinate with Budget Services to ensure their review of relevant materials.</i></p> <p>Internal/External Stakeholders: Attorneys within Legal Services are critical to ensuring appropriate updates are made to the Judicial Branch Contracting Manual in a timely manner.</p> <p>AC Collaboration: Attorneys within Legal Services periodically communicate with a group of court procurement officials, known as the Judicial Branch Contracting Manual Working Group. This group was originally established to help create the original version of the contracting manual; however, this working group is not formally established under the audit committee and is not an official working group created by any other advisory committee.</p>		

#	Ongoing Projects and Activities	
3	Project Title: Issue Audit Advisories, as Necessary, to Proactively Address Areas of Risk	Priority 2 Strategic Plan Goal II
<p>Project Summary: Since the creation of the audit committee in October 2017, audit staff and the committee have issued audit advisories on topics such as: cash handling procedures, grant administration, court procurement practices, and data quality standards for court reporting to the Judicial Branch Statistical Information System (JBSIS). As the audit committee discusses audit findings and sees systemic and important issues that require action, it may direct committee staff to draft audit advisories that explain to the courts the given problem, risks, and suggested recommendations for corrective action. Doing so provides each court with an opportunity to review their own practices and make changes—prior to an audit—to improve judicial administration.</p> <p>Status/Timeline: Ongoing.</p> <p>Fiscal Impact/Resources: None.</p> <p><input type="checkbox"/> <i>This project may result in an allocation or distribution of funds to the courts. We will coordinate with Budget Services to ensure their review of relevant materials.</i></p> <p>Internal/External Stakeholders: None. AC Collaboration: Court Executive Advisory Committee and Data Analytics Advisory Committee.</p>		

LIST OF 2024 PROJECT ACCOMPLISHMENTS

#	Project Highlights and Achievements <i>[Provide brief, broad outcome(s) and completed date.]</i>
1.	During 2024, the audit committee reviewed 7 audit reports focusing on procurement and financial activities of the courts. The reports contained over 25 recommendations where the courts agreed, partially agreed, or disagreed with the audit report's conclusions.
2.	
3.	
4.	
5.	

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