



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

www.courts.ca.gov/auditcommittee.htm
auditcommittee@jud.ca.gov

ADVISORY COMMITTEE ON AUDITS AND FINANCIAL ACCOUNTABILITY FOR THE JUDICIAL BRANCH

MINUTES OF OPEN MEETING WITH CLOSED SESSION

November 25, 2024
12:15 p.m. - 1:15 p.m.
Conference Call

Advisory Body Members Present: Hon. Ann Moorman, Hon. Kimberly Merrifield, Hon. Kelly L. Neel, Mr. Charles Johnson, Mr. Kevin Harrigan, Mr. Michael Powell, Ms. Nocona Soboleski, Ms. Kristine Swensson (non-voting advisory member)

Advisory Body Members Absent:

Others Present: Mr. Robert Oyung (Chief Deputy Director, Judicial Council's Executive Office, Interim Audit Services Principal Manager), Ms. Deborah Brown (Chief Council, Judicial Council's Legal Services), Ms. Dawn Tomita (Manager, Judicial Council's Audit Services), Mr. Joe Meyer (Audit Supervisor, Judicial Council's Audit Services), Ms. Michelle O'Connor (Senior Auditor, Judicial Council's Audit Services), Ms. Sandra Gan (Senior Auditor, Judicial Council's Audit Services, Ms. Melanie Lewis (Director of Finance & Facilities, Alameda County Superior Court), Mr. Eddie Sanchez (Procurement and Contract Analyst, Alameda County Superior Court), Mr. Travis Andreas (Deputy Court Executive Officer, Kern County Superior Court), Ms. Sue Selegan-Dostal (Court Executive Officer, Plumas County Superior Court)

OPEN MEETING

Call to Order and Roll Call

Hon. Ann Moorman welcomed committee members and called the meeting to order at 12:17 p.m.

Mr. Oyung took roll call.

Approval of Minutes

Mr. Harrigan moved to approve the minutes of the June 26, 2024, meeting. Ms. Neel 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

Report from Audit Services

Mr. Oyung provided an overview of Audit Services' workload and staffing as well as status of internal and external audits.

Item 2

Draft Annual Audit Agenda

Mr. Oyung provided an overview of the draft annual agenda for the Advisory Committee on Audits and Financial Accountability (audit committee), which includes information on the audit committee's roles, responsibilities, and activities.

Action: Mr. Johnson moved to approve this proposed annual agenda (seconded by Ms. Soboleski). Committee members unanimously approved the annual agenda. Annual agenda will go for approval to the Executive and Planning committee.

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 12:25 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 Alameda 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 Alameda 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 Kern Superior Court, per Rule of Court 10.63(c)(1).

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

Item 3

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

Action: Mr. Johnson moved to approve this report for posting (seconded by Judge Neel). Committee members unanimously approved the audit of Plumas Superior Court for public posting on Judicial Council's website.

Adjourned closed session at 1:00 pm.



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

Meeting Date: 4/17/2025

Action Item #1 – (Action Required)

External Audit – State Controller’s Office

Requested Action:

- **Action Item #1** – Discuss and approve for public posting the State Controller’s audit of Modoc Superior Court.

Supporting Documents:

- ***Attachment A***—Audit report of Modoc Superior Court’s Revenues, Expenditures, and Fund Balance (Fiscal Year 2021-22)

Background:

Section 77206(h) of the Government Code requires the State Controller’s Office (SCO) to audit the revenues, expenditures, and fund balances of the superior courts. The annual budget act appropriates funding from the Trial Court Trust Fund for the costs of these audits.

Audit Summary:

Overall, the SCO concluded that the reported revenues, expenditures and fund balances complied with governing statutes, rules, and regulations and were recorded accurately in accordance with accounting principles (page 6 of the audit report).

The audit had no reportable audit findings.

Staff recommends the committee approve the audit for public posting.

SUPERIOR COURT OF CALIFORNIA, COUNTY OF MODOC

Audit Report

FISCAL COMPLIANCE AUDIT OF REVENUES, EXPENDITURES, AND FUND BALANCES

July 1, 2021, through June 30, 2022



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

November 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

November 13, 2024

Ms. Brandy Malcolm, Court Executive Officer
Superior Court of California, County of Modoc
205 South East Street
Alturas, CA 96101

Dear Court Executive Officer Malcolm:

The State Controller's Office audited the Superior Court of California, County of Modoc (the Court) to determine whether the Court complied with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances under the Court's administration and control that we determined were material and significant. The audit period was July 1, 2021, through June 30, 2022.

We found that the Court complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

This report is for your information and use. We appreciate the Court's assistance and cooperation during the audit.

If you have any questions regarding this report, please contact Joel James, Chief, Financial Audits Bureau, by telephone at 916-323-1573. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/ac

Ms. Brandy Malcolm

November 13, 2024

Page 2 of 2

Copy: Rebekah Ingraham, Accounting Supervisor
Superior Court of California, County of Modoc
Shelley Curran, Administrative Director
Judicial Council of California
Robert Oyung, Chief Deputy Director
Judicial Council of California
Adam Dorsey, Chief Administrative Officer
Judicial Council of California
Jason Lopez, Director
Branch Accounting and Procurement
Judicial Council of California
Dawn Tomita, Audit Manager
Audit Services
Judicial Council of California
Aaron Edwards, Assistant Program Budget Manager
California Department of Finance
Emma Jungwirth, Principal Program Budget Analyst
California Department of Finance

Contents

Audit Report

Summary	1
Background	1
Audit Authority.....	2
Objective, Scope, and Methodology	2
Conclusion	6
Follow-up on Prior Audit Findings.....	6
Views of Responsible Officials.....	6
Restricted Use	6
Schedule 1—Summary of Revenues and Revenue Test Results	7
Schedule 2—Summary of Expenditures and Expenditure Test Results.....	8
Schedule 3—Summary of Fund Balances and Fund Balance Test Results	9

Audit Report

Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of Modoc (the Court) to determine whether the Court complied with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances under the Court's administration and control that we determined were material and significant. The audit period was July 1, 2021, through June 30, 2022.

We found that the Court complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

Background

Superior Courts (trial courts) are located in each of California's 58 counties and follow the California Rules of Court, established through Article IV of the California Constitution. The Constitution charges the Judicial Council of California (JCC) with authority to adopt rules for trial court administration, practices, and procedures. The *Judicial Council Governance Policies* are included in the California Rules of Court. Trial courts are also required to comply with various other state laws, rules, and regulations, much of which are codified in Title 8 of Government Code, "The Organization and Government of Courts."

Pursuant to California Rules of Court (CRC) rule 10.804, the JCC adopted the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), which provides guidance and directives for trial court fiscal management. As required by CRC rule 10.804(a), the FIN Manual contains regulations establishing budget procedures, recordkeeping practices, accounting standards, and other financial guidelines. The FIN Manual describes an internal control framework that enables trial courts to monitor their use of public funds, provide consistent and comparable financial statements, and demonstrate accountability. Procurement and contracting policies and procedures are addressed separately in the *Judicial Branch Contracting Manual*, adopted by the JCC under Public Contract Code section 19206.

With respect to trial court operations, CRC rule 10.810 provides cost definitions (inclusive of salaries and benefits, certain court-appointed counsel provisions, services and supplies, collective bargaining, and indirect costs), exclusions to court operations, budget appropriations for counties, and functional budget categories. Government Code (GC) section 77001 provides trial courts with the authority and responsibility for managing their own operations.

The JCC requires that trial courts prepare and submit Quarterly Financial Statements, Yearly Baseline Budgets, and Salary and Position Worksheets. Financial statement components form the core subject matter of our audit.

The Trial Court Trust Fund (TCTF) is the primary source of funding for trial court operations. The JCC allocates money in the TCTF to trial courts. The TCTF's two main revenue sources are the annual transfer of

appropriations from the State's General Fund and maintenance-of-effort payments by counties, derived from their collections of fines, fees, and forfeitures.

In fiscal year 2021-22, the Court reported revenues of \$1,900,639. The Court receives the majority of its revenue from state financing sources. The TCTF provided 63.8% of the Court's revenue. During the audit period, the Court incurred expenditures of \$1,904,384. Payroll-related expenditures (salaries and benefits) comprised 59.86% of total expenditures. The Court employed 11 staff members to serve Modoc County's population of approximately 8,610 residents.

Funds under the Court's control include a General Fund, a Special Revenue Grant Fund, and a Special Revenue Non-Grant Fund. All three funds had revenue and expenditure accounts in excess of 4% of total revenues and expenditures and were considered material and significant for testing.

Audit Authority

We conducted this audit at the request of the JCC, pursuant to GC section 77206(j), which requires the JCC to contract with the SCO to perform trial court audits; and in accordance with Interagency Agreement Number 91393, dated November 1, 2023, between the SCO and the JCC, and with GC section 77206(h), which requires the SCO to audit every trial court at least once every four years, and to report the results of these audits to the California State Legislature, the JCC, and the Department of Finance no later than April 1 of each year.

In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objective, Scope, and Methodology

The objective of our audit was to determine whether the Court complied with governing statutes, rules, and regulations relating to the revenues, expenditures, and fund balances for any funds under the Court's administration and control that we determined were material and significant.

Specifically, we conducted this audit to determine whether:

- Revenues were consistent with Government Code, properly supported by documentation, and recorded accurately in the accounting records;
- Expenditures were incurred pursuant to Government Code, consistent with the funds' purposes, properly authorized, adequately supported, and recorded accurately in the accounting records; and
- Fund balances were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles.

The audit period was July 1, 2021, through June 30, 2022.

To accomplish our objective, we performed the following procedures.

General Procedures

We reviewed the *Judicial Council Governance Policies* (November 2017), the fiscal year 2021-22 Budget Act, the Manual of State Funds, Government Code, the California Rules of Court, the JCC's FIN Manual (11th Edition, June 2020), and internal policies and procedures to identify compliance requirements applicable to trial court revenues, expenditures, and fund balances.

Internal Control Procedures

- We reviewed the Court's current policies and procedures, organization, and website, and interviewed Court personnel to gain an understanding of the internal control environment for governance, operations, and fiscal management.
- We interviewed Court personnel and prepared internal control questionnaires to identify internal accounting controls.
- We assessed whether key internal controls, such as reviews and approvals, reconciliations, and segregation of duties were properly designed, implemented, and operating effectively by performing walk-throughs of revenue and expenditure transactions.
- We reviewed the Court's documentation and financial records supporting the validity of recorded revenues, expenditures, and fund balances.
- We assessed the reliability of financial data by (1) interviewing agency officials knowledgeable about the Court's financial and human resources systems; (2) reviewing Court policies; (3) agreeing accounting data files to published financial reports; (4) tracing data records to source documents to verify completeness and accuracy of recorded data; and (5) reviewing logical security and access controls for key court information systems. We determined that the data was sufficiently reliable for the purposes of achieving our objective.
- We selected revenue and expenditure ledger transactions to test the operating effectiveness of internal controls. Using non-statistical sampling, we selected nine revenue items and 21 expenditure items to evaluate key internal controls of transactions recorded in significant and material operating funds and the related fund accounts. For expenditure testing, our sample consisted of 21 non-payroll transactions and the payroll records of six employees. We expanded testing on accounts with transactions containing errors to determine the impact of the identified errors. Errors were not projected to the intended (total) population.

Revenue Testing Procedures

We designed our revenue testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions

were correctly recorded into the accounting system for financial reporting. Our procedures included tests of recorded transaction details and of accounting internal controls.

- We tested revenue transactions and account balances in the General Fund, the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund to determine whether revenue accounting was consistent with Government Code, properly supported by documentation, and recorded correctly in the accounting system.
- We selected all material revenue accounts that exceeded 4% of total revenues, and determined that the TCTF, the Memorandum of Understanding Reimbursements Account, and the Other Judicial Council Grants Account were material for testing. We tested accounts through sampling and analytical procedures.
- We also selected revenue accounts for additional testing although the accounts were not considered material. These accounts included the Improvement and Modernization Fund, the Court Interpreter Fund, and the Enhanced Collections Fund.
- We tested \$1,596,684 of \$1,900,639, or 84% of total revenues.

We found no errors in the recording of transactions. Schedule 1—Summary of Revenues and Revenue Test Results presents, by account, revenues and related amounts tested.

Expenditure Testing Procedures

We designed our expenditure testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our procedures included tests of recorded transaction details and of accounting internal controls.

- We tested expenditure transactions and account balances in the General Fund the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund to determine whether expenditures were incurred pursuant to Government Code, consistent with the funds' purposes, properly authorized, adequately supported, and accurately recorded in the accounting records.
- We tested all material expenditure accounts that exceeded 4% of total expenditures. Material accounts included payroll-related accounts (Salaries – Permanent; Staff Benefits) and non-payroll accounts (Contracted Services; Information Technology).
- We also selected and tested the Major Equipment account, although it is not material.
- For material payroll-related accounts, we selected one bi-weekly pay period in December 2021 and another bi-weekly pay period in May 2022 to review. We reconciled the salary and benefit expenditures shown on the payroll registers to the general ledger and

examined supporting records of benefit charges. We then selected six of 11 employees from the payroll registers and verified that:

- Employee timesheets included supervisory approval.
 - Regular earnings and supplemental pay were supported by salary schedules and personnel forms.
 - Employer retirement contributions and payroll taxes were entered into the general ledger accurately.
 - Health insurance premiums shown on the payroll register agreed to the employees' benefit election forms.
- For material non-payroll accounts, we selected samples to test key internal control activities and the accuracy of recorded transactions, and traced expenditures recorded in the general ledger to supporting documentation. We considered transactions in excess of \$6,667 as individually significant. Our tests included the following expenditures:
 - Contracted Services – We tested 13 out of 200 transactions. Of the 13 transactions, five were considered significant.
 - Information Technology – We tested six out of 18 transactions. Of the six transactions, five were considered significant.
 - We tested two out of 14 transactions in the Major Equipment account. Of the two transactions, one was considered significant.
 - We tested \$362,984 of \$1,904,384, or 19.1% of total expenditures.

We found no errors in the recording of transactions. Schedule 2—Summary of Expenditures and Expenditure Test Results presents, by account, expenditures and related amounts tested.

Fund Balance Testing Procedures

We designed our fund balance testing to verify the Court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our procedures included review of fund classifications and accounting internal controls.

- We judgmentally selected the General Fund, the Special Revenue Grant Fund, and the Special Revenue Non-Grant Fund because these funds had revenue and expenditure accounts with significant balances.
- We tested revenue and expenditure transactions in these funds to determine whether transactions were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles (see Schedules 1 and 2).
- We verified the accuracy of individual fund balances in the Court's financial supporting documentation.

- We recalculated the sampled funds to ensure that fund balances as of June 30, 2022, were accurate and in compliance with applicable criteria.

We found that fund balances for the tested funds were properly reported. Schedule 3—Summary of Fund Balances and Fund Balance Test Results presents, by Fund, total balances and changes in fund balances.

We limited our review of the court's internal controls to gaining an understanding of the significant internal controls within the context of the audit objective. We did not audit the court's financial statements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Conclusion

We found that the Court complied with statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

Follow-up on Prior Audit Findings

We have not previously conducted an audit of the Court's revenues, expenditures, or fund balances.

Views of Responsible Officials

We discussed our audit results with the Court's representatives during an exit conference conducted on July 15, 2024. At the exit conference, the Court's representatives agreed with the audit results.

Restricted Use

This report is solely intended for the information and use of the Court, the JCC, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

November 13, 2024

Schedule 1— Summary of Revenues and Revenue Test Results July 1, 2021, through June 30, 2022

Revenue Accounts	Revenues Reported ¹		Revenues Tested ¹		Error
	Total	Percentage	Amount	Percentage	Amount
<u>State Financing Sources</u>					
Trial Court Trust Fund ²	\$ 1,212,078	63.8%	\$ 1,212,078	100.0%	\$ -
Improvement and Modernization Fund ³	1,204	0.1%	1,204	100.0%	-
Judges' Compensation	-	0.0%	-	0.0%	-
Court Interpreter ³	2,716	0.1%	2,309	85.0%	-
TCTF-Civil Coordination	-	0.0%	-	0.0%	-
Memorandum of Understanding (MOU)	364,777	19.2%	201,192	55.2%	-
Reimbursements ²	-	-	-	-	-
Other Miscellaneous	89,216	4.7%	89,216	100.0%	-
Subtotal – State financing sources	1,669,991		1,505,999		-
<u>Grants</u>					
Assembly Bill (AB) 1058	71,818	3.8%	-	0.0%	-
Commissioner/Facilitator	-	-	-	-	-
Other Judicial Council Grants ²	84,023	4.4%	83,923	99.9%	-
Non-Judicial Council Grants	-	0.0%	-	0.0%	-
Subtotal – Grants	155,841		83,923		-
<u>Other Financing Sources</u>					
Interest Income	2,319	0.1%	-	0.0%	-
Investment Income	-	0.0%	-	0.0%	-
Donations	-	0.0%	-	0.0%	-
Local Fees	1,338	0.1%	-	0.0%	-
Non-Fee Revenues	752	0.0%	-	0.0%	-
Enhanced Collections ³	69,927	3.7%	6,762	9.7%	-
Escheatment	-	0.0%	-	0.0%	-
Prior Year Revenue	371	0.0%	-	0.0%	-
County Program - Restricted	100	0.0%	-	0.0%	-
Reimbursement Other	-	0.0%	-	0.0%	-
Sale of Fixed Assets	-	0.0%	-	0.0%	-
Other Miscellaneous	-	0.0%	-	0.0%	-
Subtotal – Other financing sources	74,807		6,762		-
Total Revenues	\$ 1,900,639	100.0%	\$ 1,596,684	84.0%	\$ -

¹ Differences due to rounding² Material account³ Additionally tested account

Schedule 2— Summary of Expenditures and Expenditure Test Results July 1, 2021, through June 30, 2022

Expenditure Accounts	Expenditures Reported ¹		Expenditures Tested ¹		Error
	Total	Percentage	Amount	Percentage	Amount
<u>Payroll</u>					
Salaries - Permanent ²	\$ 699,253	36.7%	\$ 43,677	6.2%	\$ -
Temp Help	12,315	0.6%	-	0.0%	-
Overtime	-	0.0%	-	0.0%	-
Staff Benefits ²	439,862	23.1%	25,573	5.8%	-
Subtotal	1,151,430		69,250		-
<u>Operating Expenses and Equipment</u>					
General Expense	36,172	1.9%	-	0.0%	-
Printing	1,522	0.1%	-	0.0%	-
Telecommunications	15,608	0.8%	-	0.0%	-
Postage	3,351	0.2%	-	0.0%	-
Insurance	4,409	0.2%	-	0.0%	-
In-State Travel	2,589	0.1%	-	0.0%	-
Out-of-State Travel	-	0.0%	-	0.0%	-
Training	-	0.0%	-	0.0%	-
Security Services	-	0.0%	-	0.0%	-
Facility Operations	11,903	0.6%	-	0.0%	-
Utilities	-	0.0%	-	0.0%	-
Contracted Services ²	464,432	24.4%	143,869	31.0%	-
Consulting and Professional Services	1,109	0.1%	-	0.0%	-
Information Technology ²	149,268	7.8%	119,934	80.3%	-
Major Equipment	69,148	3.6%	29,931	43.3%	-
Other Items of Expense	-	0.0%	-	0.0%	-
Subtotal	759,512		293,734		-
<u>Special Items of Expense</u>					
Grand Jury	-	0.0%	-	0.0%	-
Jury Costs	-	0.0%	-	0.0%	-
Judgments, Settlements and Claims	-	0.0%	-	0.0%	-
Debt Service	-	0.0%	-	0.0%	-
Other	-	0.0%	-	0.0%	-
Capital Costs	-	0.0%	-	0.0%	-
Internal Cost Recovery	-	0.0%	-	0.0%	-
Prior Year Expense Adjustment	(6,558)	-0.3%	-	0.0%	-
Subtotal	(6,558)		-		-
Total Expenditures	<u>\$ 1,904,384</u>	100.0%	<u>\$ 362,984</u>	19.1%	<u>\$ -</u>

¹ Differences due to rounding² Material account

Schedule 3—
Summary of Fund Balances and Fund Balance Test Results
July 1, 2021, through June 30, 2022

Balance	General Fund¹	Special Revenue Fund Non-Grant¹	Special Revenue Fund Grant¹	Total¹
Beginning Balance	\$ 103,537	\$ 31,232	\$ -	\$ 134,769
Revenues	1,406,245	338,553	155,841	1,900,639
Expenditures	(1,413,234)	(334,884)	(156,265)	(1,904,384)
Tranfers In	-	-	-	-
Transfers Out	(3,324)	2,900	424	-
Ending Balance	<u>\$ 93,224</u>	<u>\$ 37,801</u>	<u>\$ -</u>	<u>\$ 131,024</u>
Errors Noted				
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

¹ Differences due to rounding

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

www.sco.ca.gov



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

Meeting Date: 4/17/2025

Action Item #2 – (Action Required)

External Audit – State Controller’s Office

Requested Action:

- **Action Item #2** – Discuss and approve for public posting the State Controller’s audit of the Judicial Council.

Supporting Documents:

- ***Attachment B***—Audit report of the Judicial Council’s Fiscal Compliance (Fiscal Year 2021-22)

Background:

Section 77206(i) of the Government Code requires the State Controller’s Office to audit biennially the revenues, expenditures, and fund balances of the Judicial Council.

Audit Summary:

The State Controller concluded that the Judicial Council complied with the governing statutes, rules, regulations, and policies for the revenues, expenditures, and fund balances under the council’s control.

The audit had no reportable audit findings.

Staff recommends the committee approve the audit for public posting.

JUDICIAL COUNCIL OF CALIFORNIA

Audit Report

FISCAL COMPLIANCE AUDIT

July 1, 2021, through June 30, 2022



MALIA M. COHEN
California State Controller

May 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

May 14, 2024

The Honorable Patricia Guerrero, Chief Justice
Judicial Council of California
455 Golden Gate Avenue
San Francisco, CA 94102

Dear Chief Justice Guerrero:

The State Controller's Office audited the revenues, expenditures, and fund balances of the Judicial Council of California (JCC). We conducted this audit to assess the JCC's compliance with governing statutes, rules, regulations, and policies for all significant funds under the jurisdiction of the JCC for the period of July 1, 2021 through June 30, 2022.

Our audit found that the JCC complied with statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

This report is for your information and use. We appreciate the JCC's willingness to implement corrective actions for the findings contained in our prior audit report dated January 20, 2022. This report will be posted on our website.

If you have any questions regarding this report, please contact Joel James, Chief, Financial Audits Bureau, at (916) 323-1573.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/ac

Chief Justice Patricia Guerrero
May 14, 2024
Page 2 of 2

Copy: Shelley Curran, Administrative Director
Judicial Council of California
Robert Oyung, Chief Deputy Director
Judicial Council of California
Adam Dorsey, Chief Administrative Officer
Judicial Council of California
Jason Lopez, Director
Branch Accounting and Procurement
Judicial Council of California
Matt Espenshade, Principal Manager
Audit Services
Judicial Council of California
Erika Contreras, Secretary of the Senate
California State Senate
Sue Parker, Chief Clerk
California State Assembly
Indexing Unit
Office of Legislative Counsel
Amy Jarvis, Program Budget Manager
Corrections and Rehabilitation, Justice, and General Government
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Audit Authority.....	1
Objectives, Scope, and Methodology	1
Conclusion	4
Follow-up on Prior Audit Findings.....	4
Views of Responsible Officials.....	4
Restricted Use	4
Appendix—Status of Prior Audit Findings	A1

Audit Report

Summary

The State Controller's Office (SCO) audited the revenues, expenditures, and fund balances of the Judicial Council of California (JCC). We conducted this audit to determine the JCC's compliance with governing statutes, rules, regulations, and policies for all material and significant funds under the JCC's jurisdiction.

We found that the JCC complied with statutes, rules, regulations, and policies for revenues, expenditures, and fund balances for the period of July 1, 2021, through June 30, 2022.

Background

The JCC sets policies and priorities for California's judicial branch of government, which includes superior courts in 58 counties, six state appellate courts, the Habeas Corpus Resource Center, and the California Supreme Court. Led by the Chief Justice of California and in accordance with the California Constitution, the JCC is responsible for ensuring the consistent, independent, impartial, and accessible administration of justice.

The JCC's non-judicial staff, led by the JCC's Administrative Director, provide accounting, auditing, budgeting, contracting, human resources, procurement, and information technology services. These non-judicial staff members are also responsible for facilitating court construction, issuing and renewing court interpreter licenses, providing training and education services to new judicial officers, and performing budgeting and administrative services for the courts.

Audit Authority

We conducted this audit at the request of the JCC, in accordance with an interagency agreement between the SCO and the JCC, and with Government Code sections 77206(i)(1) and (j). In addition, Government Code section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objectives, Scope, and Methodology

Our audit objectives were to determine the JCC's compliance with governing statutes, rules, regulations, and policies relating to revenues, expenditures, and fund balances for all material and significant funds under the administration, jurisdiction, or control of the JCC for the period of July 1, 2021, through June 30, 2022.

To achieve the objectives, we determined whether:

- Revenues and expenditures were accurately recorded, properly supported, and complied with applicable laws, regulations, and policies.
- Fund balances were accurately recorded, contained sufficient documentation, and complied with applicable laws, regulations, and policies.

To accomplish our objectives, we performed the following procedures.

Audit Planning

To plan the audit, we performed general preliminary procedures, evaluated internal controls, and assessed the reliability of data significant to our audit objectives.

General preliminary procedures

- We reviewed the *Judicial Council Governance Policies*, the Budget Act, the Manual of State Funds, Government Code, the California Rules of Court, and relevant internal policies and procedures to identify compliance requirements applicable to JCC for material and significant revenues, expenditures, and fund balances.
- We followed up on the status of prior findings identified in our prior audit report, issued on January 20, 2022.

Internal control evaluation

- We reviewed current policies and procedures, organization charts, and the JCC's website.
- We interviewed key JCC employees to gain an understanding of the internal control system.
- We determined which controls were significant to the audit objectives.
- We assessed whether key internal controls, such as reviews and approvals, reconciliations, and segregation of duties were properly designed, implemented, and operating effectively.
- We determined the effect of the identified internal control weaknesses on the audit objectives.

Data reliability assessment

- We identified the information systems used to process and account for revenues, expenditures, and fund balance transactions.
- We interviewed staff members and reviewed policies and procedures regarding security, data entry, processing, and reporting to gain an understanding of the information technology systems and the data significant to the audit objectives.
- We compared the data to other sources to determine the completeness and accuracy of the data in the FI\$Cal financial system.
- We evaluated electronic access controls over the FI\$Cal financial system.
- We determined that the system data was sufficiently reliable for conducting the audit.

Fieldwork Substantive Testing

Based on the results of our planning procedures and assessments, we designed substantive test procedures to address specific audit objectives.

Audit Objective 1

Determine whether revenues and expenditures are consistent with governing statutes, rules, regulations, and the policies and procedures of the JCC and the *State Administrative Manual*; properly supported by documentation; and recorded accurately in the accounting records. We performed the following procedures:

- We identified the total revenue and expenditure amounts recorded in each fund under the JCC's administration, jurisdiction, or control.
- We determined which funds were significant (i.e., funds with revenue and expenditure account totals in excess of 2% of aggregated total revenues and expenditures within the fund).
- We selected representative samples of transactions to test from the significant revenue and expenditure accounts. We selected non-statistical samples on a judgmental basis and did not project the results of testing to the intended (total) population.
- We examined the sampled transactions to verify that revenue and expenditure amounts were accounted for in accordance with Government Code, were properly supported with adequate documentation, and were accurately reported in the accounting records.

Audit Objective 2

Determine whether fund balances are recorded on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles. We performed the following procedures:

- We judgmentally selected a sample of funds with fund balances over \$100 million, as of June 30, 2022, or with balances that fluctuated by more than 25% from the prior period.
- We recalculated the sampled fund balances to verify that reported amounts were accurate.
- We considered the results of revenue and expenditure testing to assess whether transactions were reported on the Legal/Budgetary basis of accounting and recorded in accordance with fund accounting principles.

We limited our audit to evaluating the compliance of revenues, expenditures, and fund balances for material and significant funds under the JCC's administration, jurisdiction, or control. We did not audit the accounting records of the Supreme Court, the appellate courts, or the Habeas Corpus Resource Center, as the review and approval authority for these transactions remains with those entities.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Conclusion

We found that the JCC complied with statutes, rules, regulations, and policies for revenues, expenditures, and fund balances for the period of July 1, 2021 through June 30, 2022.

**Follow-up on
Prior Audit
Findings**

The JCC has satisfactorily resolved the findings noted in our prior audit report for the period of July 1, 2019, through June 30, 2020, issued on January 20, 2022.

**Views of
Responsible
Officials**

We discussed our audit results with the JCC's representatives during an exit conference conducted on January 30, 2024. At the exit conference, the JCC's representatives agreed with the audit results.

Restricted Use

This report is solely for the information and use of the JCC, the California State Legislature, the Department of Finance, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

Sacramento, California

May 14, 2024

Appendix— Status of Prior Audit Findings

The following table shows the implementation status of the Judicial Council of California's corrective actions related to the findings contained in our prior audit report dated January 20, 2022.

Prior Audit Finding Number	Prior Audit Finding Title	Status
1	Misstated year-end fund financial reporting	Fully implemented
2	Account coding error	Fully implemented
3	Deficiency in collection of outstanding employee accounts receivable (repeat finding)	Fully implemented

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