



# JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND  
FINANCIAL ACCOUNTABILITY FOR THE  
JUDICIAL BRANCH

[www.courts.ca.gov/auditcommittee.htm](http://www.courts.ca.gov/auditcommittee.htm)  
[auditcommittee@jud.ca.gov](mailto:auditcommittee@jud.ca.gov)

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

### MINUTES OF OPEN MEETING WITH CLOSED SESSION

June 24, 2025  
12:15 p.m. - 1:15 p.m.  
Conference Call

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**Advisory Body Members Present:** Hon. Ann Moorman, Hon. Kimberly Merrifield, Hon. Kelly L. Neel, Mr. Charles Johnson, Mr. Kevin Harrigan, Ms. Nocona Soboleski

**Advisory Body Members Absent:** Ms. Kristine Swensson (non-voting advisory member), Mr. Michael Powell

**Others Present:** Mr. Joe Meyer (Principal Manager, Judicial Council's Audit Services), Ms. Dawn Tomita (Manager, Judicial Council's Audit Services), Ms. Michelle O'Connor (Audit Supervisor, Judicial Council's Audit Services), Ms. Sandra Gan (Senior Auditor, Judicial Council's Audit Services), Ms. Clarissa Cheng (Attorney, Judicial Council's Legal Services), Mr. Michael Yakumithis (Attorney, Legal Services Office), Mr. Jarrod Orr (Assistant Court Executive Officer, Butte Superior Court), Ms. Tara Howard (Finance Manager, Humboldt Superior Court)

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#### OPEN MEETING

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##### Call to Order and Roll Call

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

Mr. Meyer took roll call.

##### Approval of Minutes

Judge Merrifield moved to approve the minutes of the April 17, 2025, meeting. Judge 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

##### Invitation to Comment regarding proposed revisions to the Judicial Branch Contracting Manual (Action Required)

Ms. Cheng and Mr. Yakumithis provided an overview of the proposed JBCM revisions and provisions regarding generative artificial intelligence.

**Action:** Mr. Harrigan moved to approve this Invitation to Comment for posting on the Judicial Council's website (seconded by Judge Neel). The motion passed by unanimous voice vote of the committee members present.

**Item 2**

**Annual Audit Plan – Fiscal Year 2025-26**

Mr. Meyer provided an overview of the proposed audit plan.

**Action:** Mr. Johnson moved to approve this report for posting on Judicial Council's website (seconded by Judge Neel). The motion passed by unanimous voice vote of the committee members present.

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**A D J O U R N M E N T**

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There being no further open meeting business, the meeting was adjourned to closed session at 12:25 p.m.

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**C L O S E D   S E S S I O N**

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**Item 1**

**Draft Audit Report – Rule of Court 10.75(d) (6), non-final audit reports or proposed responses to such reports (Action Required)**

Committee members discussed the draft audit report for Butte Superior Court, per Rule of Court 10.63(c)(1). Judge Merrifield abstained from discussion.

**Action:** Mr. Harrigan moved to approve this report for posting (seconded by Judge Neel). Judge Merrifield abstained from voting. Committee members unanimously approved the audit of Butte 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 (Action Required)**

Committee members discussed the draft audit report for Humboldt Superior Court, per Rule of Court 10.63(c)(1). Judge Neel abstained from discussion.

**Action:** Mr. Johnson moved to approve this report for posting (seconded by Judge Merrifield). Judge Neel abstained from voting. Committee members unanimously approved the audit of Humboldt 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: 9/17/2025

### **Action Item #1 – (Action Required)**

## **Proposed Changes to the Judicial Branch Contracting Manual**

#### Requested Action:

- **Action Item #1** – Discuss and approve proposed revisions to the *Judicial Branch Contracting Manual* and the draft report to the Judicial Council (Attachment A).

#### Supporting Documents:

- ***Attachment A***—Draft report to the Judicial Council from the audit committee, including the proposed changes to the *Judicial Branch Contracting Manual* and public comments received in response to the committee's prior proposed changes.

#### Summary:

##### **Proposed JBCM Revisions:**

The Judicial Branch Contract Law requires the policies and procedures in the Judicial Branch Contracting Manual (JBCM) to be substantially similar to the provisions contained in the State Administrative Manual (SAM) and the State Contracting Manual (SCM). The Department of General Services has updated the SCM and SAM with additional procurement and contracting provisions regarding generative artificial intelligence (GenAI). The current version of the JBCM does not have provisions on GenAI.

The proposed JBCM revisions would include new GenAI-related provisions on procurement and contracting. Key topics would include, for example:

- Requiring bidders to inform the procuring judicial branch entity during the procurement process if the bidders' goods or services contain or use GenAI;
- Conducting risk assessments before the procuring judicial branch entity proceeds with a GenAI purchase, posts a solicitation that includes the purchase of GenAI, or enters into a contract that includes GenAI;

- Obtaining written confirmation from the judicial branch entity's Chief Executive Officer or Chief Information Officer (or their equivalent, or their designee) that the GenAI-related procurement may proceed; and
- Monitoring and assessing GenAI contract deliverables for equitable outcomes, output inaccuracies, bias, and hallucinations to ensure that applicable laws and policies are followed.

**Public Comments**

At its meeting on June 24, 2025, the committee reviewed proposed JBCM revisions to add GenAI-related provisions and approved the posting of its proposed JBCM revisions for public comment. The public comment period began on June 25 and ended on July 15, 2025. The invitation to comment specifically sought input on whether the revisions were clear and understandable, appeared to work from a court operations perspective, and were user-friendly. The public comments that were received during the public comment period are set forth in the comment chart in this report.



# Judicial Council of California

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## REPORT TO THE JUDICIAL COUNCIL

Item No.: 25-158

For business meeting on December 11–12, 2025

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**Title**

Judicial Administration: *Judicial Branch Contracting Manual*

**Report Type**

Action Required

**Effective Date**

January 1, 2026

**Rules, Forms, Standards, or Statutes Affected**

None

**Date of Report**

September 17, 2025

**Recommended by**

Advisory Committee on Audits and Financial Accountability for the Judicial Branch  
Hon. Ann C. Moorman, Chair

**Contact**

Joe Meyer, 916-643-7039

[joe.meyer@jud.ca.gov](mailto:joe.meyer@jud.ca.gov)

Clarissa Cheng, 415-865-4616

[clarissa.cheng@jud.ca.gov](mailto:clarissa.cheng@jud.ca.gov)

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### Executive Summary

Under rule 10.63(c) of the California Rules of Court, the Advisory Committee on Audits and Financial Accountability for the Judicial Branch proposes revising the *Judicial Branch Contracting Manual (JBCM)* to add provisions regarding generative artificial intelligence so that the *JBCM* will remain substantially similar to the *State Contracting Manual* and *State Administrative Manual*, as required by the Judicial Branch Contract Law. In addition, the committee's proposal to revise the *JBCM* aligns with the judicial branch's efforts to address the emerging technology of generative artificial intelligence.

### Recommendation

The Advisory Committee on Audits and Financial Accountability for the Judicial Branch recommends that the Judicial Council, effective January 1, 2026, adopt proposed revisions to the *Judicial Branch Contracting Manual*.

The proposed revisions to the manual are attached at pages 7–10.

## Relevant Previous Council Action

At the Judicial Council’s regular business meeting on August 26, 2011, the council adopted the initial version of the *JBCM*, effective October 1, 2011, the operative date of substantive requirements of the Judicial Branch Contract Law.<sup>1</sup> Since the adoption of the initial *JBCM*, the council has adopted 14 sets of revisions. The version of the *JBCM* adopted by the council on September 20, 2024, effective October 1, 2024, remains in effect as of the date of this report.<sup>2</sup>

## Analysis/Rationale

### Statutory requirement and development of the *JBCM*

The Judicial Branch Contract Law was enacted on March 24, 2011,<sup>3</sup> and became effective on that date. With certain exceptions,<sup>4</sup> the law requires that superior and appellate courts, the Judicial Council, and the Habeas Corpus Resource Center (referred to as judicial branch entities, or JBEs) comply with provisions of the Public Contract Code applicable to state agencies and departments related to the procurement of goods and services.<sup>5</sup> The Judicial Branch Contract Law applies to all contracts initially entered into or amended by JBEs on or after October 1, 2011.<sup>6</sup>

The Judicial Branch Contract Law also requires the council to adopt a manual containing procurement and contracting policies and procedures that must be followed by all JBEs.<sup>7</sup> The policies and procedures in the manual must be “consistent with [the Public Contract Code] and substantially similar to the provisions contained in the State Administrative Manual [*SAM*] and the State Contracting Manual [*SCM*].”<sup>8</sup> Since the adoption of the initial *JBCM*, the council has adopted 14 sets of revisions.

This report is being submitted by the Advisory Committee on Audits and Financial Accountability for the Judicial Branch under rule 10.63 of the California Rules of Court. Under this rule, the duties of the committee include (1) advising and assisting the council in performing its responsibilities and exercising its authority under the Judicial Branch Contract Law, and (2) reviewing and recommending to the council proposed updates and revisions to the *JBCM*.<sup>9</sup>

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<sup>1</sup> Pub. Contract Code, §§ 19201–19210.

<sup>2</sup> The current version of the *JBCM* is available at [courts.ca.gov/documents/jbcl-manual.pdf](https://courts.ca.gov/documents/jbcl-manual.pdf).

<sup>3</sup> Sen. Bill 78 (Stats. 2011, ch. 10).

<sup>4</sup> Pub. Contract Code, §§ 19204(c), 19207, 19208.

<sup>5</sup> *Id.*, § 19204(a).

<sup>6</sup> *Id.*, § 19203.

<sup>7</sup> *Id.*, § 19206.

<sup>8</sup> *Ibid.*

<sup>9</sup> Cal. Rules of Court, rule 10.63(c)(2) & (3).

### **Generative artificial intelligence and the recommended revisions to the *JBCM***

Under rule 10.63(c), the committee recommends that the *JBCM* be revised to add provisions on generative artificial intelligence (GenAI) so that the *JBCM* will remain substantially similar to the provisions in the *SCM* and *SAM*, as required by the Judicial Branch Contract Law. The Department of General Services has updated the *SCM* and *SAM* with additional procurement and contracting provisions regarding GenAI. These provisions are in chapter 23 of the *SCM*, volume 2; *SAM* section 4986; and section 7.12 of the *SCM*, volume 1 (February 2025 updates to the *SCM* and *SAM*).<sup>10</sup> The current version of the *JBCM* does not have provisions on GenAI.

The committee's recommendation is consistent with a key priority of the California judicial branch: addressing the emerging technology of GenAI. In her 2024 State of the Judiciary address, Chief Justice Patricia Guerrero discussed the judicial branch strategic goal of modernization and management of administration: "Society, government, and, therefore, our court system must address the many issues and questions presented by the developing field of artificial intelligence." The committee's proposed revisions will enable the *JBCM* to align more closely with a strategic goal of the judicial branch.

The proposed GenAI revisions to the *JBCM* would add a new section 2.4 (Generative Artificial Intelligence) to chapter 2 (Procurement Planning).<sup>11</sup> The revisions would include new GenAI-related provisions on procurement and contracting. Key topics of section 2.4 would include, for example:

- Requiring bidders to inform the procuring judicial branch entity during the procurement process if the bidders' goods or services contain or use GenAI;
- Conducting risk assessments before the procuring judicial branch entity (1) proceeds with a GenAI purchase, (2) posts a solicitation that includes the purchase of GenAI, or (3) enters into a contract that includes GenAI;
- Obtaining written confirmation from the judicial branch entity's Chief Executive Officer or Chief Information Officer (or their equivalent, or their designee) that the GenAI-related procurement may proceed; and
- Monitoring and assessing GenAI contract deliverables for equitable outcomes, output inaccuracies, bias, and hallucinations<sup>12</sup> to ensure that applicable laws and policies are followed.

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<sup>10</sup> Please see Link C of this report.

<sup>11</sup> The Court Executives Advisory Committee, the *JBCM* Working Group, and Judicial Council staff from Legal Services, Audit Services, Information Technology, and Branch Accounting and Procurement provided input during the development of the proposed *JBCM* revisions.

<sup>12</sup> Hallucinations are false or misleading information produced by GenAI.

The field of artificial intelligence is rapidly evolving, and therefore, the *JBCM* should provide sufficient flexibility to adapt to new GenAI-related developments. The revised *JBCM* would provide core guidance, but detailed information on risk assessments, as well as sample GenAI-related contract provisions, would be provided in separate reference materials or links. For example, the revised *JBCM* would include a link to sample GenAI-related contract provisions to be drafted by Judicial Council Legal Services and updated from time to time as necessary.

The draft of the recommended *JBCM* revisions includes a reference to rule 10.430 on GenAI. The rule became effective on September 1, 2025. Under the rule, any California court that does not prohibit the use of GenAI by court staff or judicial officers must adopt a GenAI use policy by December 15, 2025.<sup>13</sup>

The Judicial Branch Contract Law requires the Judicial Council to adopt *JBCM* policies and procedures that are “substantially similar” to those in the *SCM* and *SAM*. The draft of the recommended *JBCM* revisions included at pages 7–10 is intended to incorporate policies and procedures that are substantially similar to those in the *SCM* and *SAM* while also taking into account the fundamental differences between the underlying assumptions of the *SCM* and *SAM* and the organization and operations of JBEs. As explained in the *JBCM*’s introduction, (section 2, Guiding Principles in the Development of this Manual):

Development of this Manual was complicated by the inapplicability of the *SAM* and *SCM* to the organization and operations of JBEs. The *SAM* and *SCM* were written for use by executive branch agencies, with the Department of General Services (DGS) as the entity charged with administering those agencies’ procurement and contracting activities. In contrast, management in the judicial branch is decentralized; for the superior courts, by way of example, the presiding judge of each court is responsible for approving procurements and contracts and the court executive officer is responsible for contract negotiations.<sup>[14]</sup> In addition, PCC 19207 acknowledges that neither DGS nor any other state entity is involved in approval or review of judicial branch procurement, except as specifically required by law.

### **Policy implications**

As mentioned above, the committee’s recommended revisions will enable the *JBCM* to align more closely with strategic goals and priorities of the judicial branch and address the emerging technology of GenAI.

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<sup>13</sup> Following the public comment period for rule 10.430, the Artificial Intelligence Task Force decided to revise the rule’s definition of GenAI to expand the description of the content produced by GenAI to include not only text, images, audio, and video but also code and data visualizations. The committee recommends that in the definition of GenAI in the proposed *JBCM* revisions, the description of content produced by GenAI should also be expanded to include code and data visualizations. These additional recommended revisions are reflected on page 8 of this report.

<sup>14</sup> Cal. Rules of Court, rules 10.603(c)(6)(D) & 10.610(c)(3); Gov. Code, § 77009(e).



## Comments

At its meeting on June 24, 2025, the committee reviewed proposed *JBCM* revisions to add GenAI-related provisions and approved the posting of its proposed *JBCM* revisions for public comment.<sup>15</sup> The public comment period began on June 25 and ended on July 15, 2025. The invitation to comment specifically sought input on whether the revisions were clear and understandable, appeared to work from a court operations perspective, and were user-friendly.

The proposal received three comments: one from the Superior Court of Los Angeles County and two from Mr. Justin Howe, Judicial Council Information Technology. A chart with the full text of the comments received and the committee's responses is attached at pages 11–15.

In its comment, the court stated that it agreed with the proposal and did not have other comments.

In his public comments, Mr. Howe suggested making edits to the committee's proposed *JBCM* revisions. The committee is not recommending changes in response to Mr. Howe's suggested edits because they would result in GenAI provisions that are overly detailed and this could affect the *JBCM*'s ability to remain substantially similar to the *SCM* and *SAM*, in accordance with the Judicial Branch Contract Law. Due to the rapidly evolving nature of GenAI, the committee would like to keep the broader scope and flexibility of its recommended *JBCM* revisions.

## Alternatives considered

No alternatives were considered because the *JBCM* needs to be revised so that it remains substantially similar to the *SCM* and *SAM*, as required by the Judicial Branch Contract Law. GenAI provisions have been added to the *SCM* and *SAM*; the current *JBCM* does not have provisions on GenAI.

## Fiscal and Operational Impacts

The proposed *JBCM* revisions will add new GenAI-related procurement and contracting provisions. The committee anticipates that judicial branch entities may incur some costs in connection with implementation, such as conducting staff training on the new procedures or implementing additional procurement procedures to handle bidders' disclosure of GenAI to be included in goods or services, as well as conducting related risk assessments. However, it should be noted that regardless of the proposed *JBCM* revisions, judicial branch entities will most likely incur additional costs as they take additional measures to assess the impacts, benefits, and risks of GenAI and its evolving technology. Therefore, no significant additional costs or operational impacts are anticipated from implementing the recommendations in this report.

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<sup>15</sup> Based on input provided at the committee meeting on June 24, the committee recommends clarifying in the new *JBCM* section 2.4(B) that the completion of the privacy assessment (in connection with GenAI procurements) should also be documented in the JBE's procurement/contract file. These additional recommended revisions are reflected in pages 7–10.

## Attachments and Links

1. Proposed revisions to *JBCM*, at pages 7–10
2. Chart of comments, at pages 11–15
3. Link A: Judicial Branch Contract Law,  
[leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?lawCode=PCC&division=2.&title=&part=2.5.&chapter=&article=](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=2.5.&chapter=&article=)
4. Link B: Current version of *Judicial Branch Contracting Manual* (eff. Oct. 1, 2024),  
[courts.ca.gov/documents/jbcl-manual.pdf](http://courts.ca.gov/documents/jbcl-manual.pdf)
5. Link C: February 2025 updates to the *SCM* and *SAM*  
<https://courts.ca.gov/system/files/file/scm-vol2-2300-feb2025.pdf>  
<https://courts.ca.gov/system/files/file/sam-4986-genai.pdf>  
<https://courts.ca.gov/system/files/file/scm-v1-section-712-feb-2025-genai-update.pdf>

## 2.4 GENERATIVE ARTIFICIAL INTELLIGENCE (GenAI)

“**Artificial Intelligence**” or “**AI**” means technology that enables computers and machines to reason, learn, and act in a way that would typically require human intelligence.

“**Generative Artificial Intelligence**” or “**GenAI**” means an Artificial Intelligence system that can generate derived synthetic content, including text, images, video, audio, code, and data visualizations, that emulates the structure and characteristics of the system’s training data.

### A. GenAI Disclosures

All written solicitations by JBEs regardless of acquisition type (e.g., IT, non-IT, goods or services) should include language regarding the following:<sup>1</sup>

- In its Bid or offer, the Bidder or offeror must notify the JBE if the Bidder’s/offeror’s goods or services contain or utilize GenAI (or will contain or utilize GenAI), or if GenAI is or will be included in any services, goods, or deliverables that materially impact:
  - (i) *functionality of a JBE system* (i.e., the work using GenAI could have a significant, substantial effect on the system’s data integrity, availability, confidentiality, or security, and failure to perform such work in accordance with the contract could cause major disruptions to JBE operations);
  - (ii) *risk to the JBE* (i.e., the work using GenAI could have a significant, substantial effect on the JBE’s operations, finances, security, or reputation, and failure to perform such work in accordance with the contract would constitute a high likelihood of damage to the JBE); or
  - (iii) *contract performance* (i.e., when failure to conduct work that uses GenAI in accordance with the contract would constitute a material breach of contract).
- A Bidder’s/offeror’s failure to disclose GenAI to the JBE may result in disqualification, and the JBE reserves the right to seek any and all relief it may be entitled to as a result of such nondisclosure.
- The JBE reserves the right to incorporate GenAI-related provisions into the final contract or to reject bids/offers that present an unacceptable level of risk to the JBE, as determined by the JBE in its sole discretion.

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<sup>1</sup> Please note: If prior to commencing a solicitation, JBE staff is aware that the solicitation will include the purchase of GenAI or that GenAI will be used in the performance of a contract, then the solicitation should be conducted in writing.

Judicial Branch Contracting Manual	<b>Procurement Planning</b>	Chapter 2
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Non-competitively bid (NCB) procurements should also require disclosure of GenAI, consistent with the guidance above.

## **B. Assessment of GenAI**

Before proceeding with a GenAI purchase, releasing a solicitation that includes the purchase of GenAI, or approving a contract that includes GenAI (or if during the contract term, additional GenAI components are included or proposed to be included in the goods, services, or deliverables), a JBE should engage its Chief Executive Officer or Chief Information Officer (or their equivalent, or their designee) (collectively, “AI Officer”) to conduct a risk assessment. If the CIO or their department is both requesting the purchase and responsible for the GenAI procurement, the JBE must avoid even the appearance of impropriety by (i) ensuring the risk assessment is conducted or independently validated by a neutral party such as the JBE’s Approving Authority, Chief Executive Officer, or Chief Risk/Compliance Officer; and (ii) documenting the foregoing procedures in the procurement/contract file.

After conducting a risk assessment, the AI Officer should confirm in writing that the GenAI-related procurement may proceed. The confirmation should be kept in the procurement/contract file, and it can be an email or a form created by the JBE. For GenAI procurements that involve significant potential risks, the JBE may consider consulting with the Judicial Council’s Information Technology Office (JCIT) before proceeding. For more information on risk assessments, please see: *[NOTE: following the Judicial Council’s approval of this section 2.4, a link to the JCIT risk assessment document will be added here.]*

For all GenAI procurements, a JBE should conduct a privacy assessment to assess GenAI-related potential impacts and risks regarding privacy. After the privacy assessment has been completed, the JBE’s procurement/contract file should be updated to reflect the completion. The JBE must implement measures to ensure that the JBE’s use or procurement of GenAI complies with applicable laws, rules, and ethics guidelines. JBEs should maintain an inventory of high-risk uses of GenAI.

Please note: under CRC 10.430, if a superior court, Court of Appeal, or the Supreme Court does not prohibit the use of GenAI by court staff or judicial officers, that court must adopt a GenAI use policy in accordance with CRC 10.430. For Judicial Council staff, please see the Judicial Council’s GenAI use policy.

JBEs should establish internal procedures for the JBE’s evaluation of GenAI during the competitive bidding process so that the evaluation complies with procurement policy and procedures, including confidentiality compliance.

Judicial Branch Contracting Manual	<b>Procurement Planning</b>	Chapter 2
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### **C. GenAI Contract Provisions**

For JBE contracts (and amendments), regardless of acquisition types (IT, non-IT goods, non-IT services, etc.) or solicitation method, the JBE should include GenAI contract language when appropriate and feasible. Please see the following link regarding GenAI-related contract provisions: *[NOTE: following the Judicial Council's approval of this section 2.4, a link to sample contract language from Judicial Council Legal Services will be added here.]*

### **D. Purchases Exempt from GenAI Risk Assessment**

The following purchases are exempt from the GenAI risk assessment procedures in section 2.4(B) above:

- Mandatory IT services provided by the Judicial Council or the California Department of Technology.
- Intrabranch agreements (agreements between JBEs) that do not include third-party contracts.
- Procurement of commodity types that do not include a technology or service component. Examples include: (i) office, medical, and cleaning supplies; (ii) office furniture; and (iii) non-IT hardware.
- Licenses/subscriptions to access online content, including news, training, or digital publications, that do not include the ability to independently create content.

### **E. Contract Management**

JBEs must monitor, assess, and validate GenAI contract deliverables for equitable outcomes, output inaccuracies, fabricated content, hallucinations, biases, and the need for human action for all decision-making processes to ensure applicable laws and policies are followed. JBEs should work closely with their GenAI subject matter expert (or other JBE designee) to assess and validate contract deliverables. JBEs should enforce GenAI contract language by monitoring for any previously unreported GenAI, including any additions to or modifications of previously reported GenAI. Upon discovery and/or when contractors disclose previously unreported GenAI or an intent to provide or use new GenAI in the performance of the contract, JBEs should engage the AI Officer to determine how to proceed.

### **F. GenAI Training**

JBEs should consider requiring GenAI training for their procurement staff and staff involved with using or deploying GenAI.

**To be added regarding the new GenAI provisions in chapter 2, section 2.4:**

**The text below to be added as a:**

- new section 4.2(A)(3) in JBCM chapter 4 (Competitive Solicitation Overview);
- new section 5.15 to JBCM chapter 5 (Non-Competitively Bid Procurements);
- new section 8.3(D) to JBCM chapter 8 (Contracts); and
- new section 11.14 to JBCM chapter 11 (Contract Administration).

“Generative Artificial Intelligence: Please refer to chapter 2, section 2.4, of this Manual regarding additional procurement and contracting policies and procedures relating to Generative Artificial Intelligence.”

**The following to be added to the JBCM’s glossary:**

**Artificial Intelligence or AI** – See definition in chapter 2, section 2.4 of this Manual.

**Generative Artificial Intelligence or GenAI** - See definition in chapter 2, section 2.4 of this Manual.

## SP 25-02

### Judicial Administration: Revisions to Judicial Branch Contracting Manual

All comments are verbatim unless indicated by an asterisk (\*).

	Commenter	Position	Comment	Committee Response
1.	Superior Court of Los Angeles County	A	<p><b>Position on Proposal</b> Agree with proposed changes</p> <p><b>Comments</b> The following comments are representative of the Superior Court of California, County of Los Angeles (Court), and do not represent or promote the viewpoint of any particular judicial officer or employee.</p> <p>In response to the Judicial Council of California’s ITC, “SP25-02 Judicial Administration: Revisions to Judicial Branch Contracting Manual,” the Court agrees with the proposal and has no other comments.</p> <p><b>Name</b> Stephanie Kuo <b>Organization</b> Superior Court of Los Angeles County <b>Commenting on behalf of an organization</b> Yes <b>Address</b> 111 N. Hill Street, Room 105 <b>City</b> Los Angeles <b>State</b> CA <b>Zip Code</b> 90012 <b>Telephone Number</b> <a href="tel:2136330571">2136330571</a> <b>Email</b> <a href="mailto:skuo@lacourt.org">skuo@lacourt.org</a></p>	No response required.

Positions: A = Agree; AM = Agree if modified; N = Do not agree; N/I = Not indicated

## SP 25-02

### Judicial Administration: Revisions to Judicial Branch Contracting Manual

All comments are verbatim unless indicated by an asterisk (\*).

	Commenter	Position	Comment	Committee Response
			<b>Item number</b> SP25-02 <b>Deadline</b> July 15, 2025 <b>Proposal Title</b> Judicial Administration: Revisions to Judicial Branch Contracting Manual	
2.	Justin Howe	N/I	<b>Suggestions for Improvement to the JBE GenAI Procurement Policy</b> <ol style="list-style-type: none"><li>1. Your definition of GenAI is self-referential... it uses the words ‘artificial intelligence’ to explain what GenAI is.<ol style="list-style-type: none"><li>a. <i>““Generative Artificial Intelligence” or “GenAI” means an artificial intelligence system...”</i></li></ol></li><li>2. Your definition of both Artificial Intelligence and GenAI are so broad that they apply to technologies that pre-dated the Nov2022 launch of the first GenAI: ChatGPT. I strongly doubt this was intentional.</li><li>3. The specific names of the technologies that you are trying to focus this policy on, are known as diffusion models and LLM’s. I would suggest explicitly narrowing your scope to these.<ol style="list-style-type: none"><li>a. LLM: Large Language Model. These are the things that can talk and write like humans. i.e. ChatGPT, Gemini, Anthropic Claude, Deepseek.</li><li>b. Diffusion Models: Can generate imagery and video from a text prompt. Can imitate the style of other artists and copyrighted works.</li></ol></li><li>4. Deepfaked audio (i.e. imitating someone’s voice) is not accomplished by using LLMs nor Diffusion. The ability to deepfake audio (or someone’s voice) pre-dated the creation of these technologies.</li></ol>	<p>It is acceptable to use the term “artificial intelligence” in the definition of Generative Artificial Intelligence because the proposed JBCM revisions also include a new defined term for “artificial intelligence.”</p> <p>The committee does not recommend implementing the changes suggested by the commenter because the changes would result in JBCM definitions of Artificial Intelligence and Generative Artificial Intelligence that are overly detailed. In addition, implementing the commenter’s suggestions could affect the JBCM’s ability to remain substantially similar to the SCM and SAM, in accordance with the Judicial Branch Contract Law. The committee recommends keeping the broader definitions of Artificial Intelligence and Generative Artificial Intelligence, especially considering this rapidly evolving technology.</p>

Positions: A = Agree; AM = Agree if modified; N = Do not agree; N/I = Not indicated



## SP 25-02

### Judicial Administration: Revisions to Judicial Branch Contracting Manual

All comments are verbatim unless indicated by an asterisk (\*).

	Commenter	Position	Comment	Committee Response
			<p>5. You would probably avoid a world of confusion (and a ton of unnecessary paperwork) if you explicitly declare the following to be excluded from your definition of GenAI:</p> <ul style="list-style-type: none"> <li>a. Deep Learning: CNN, RNN, Reinforcement Learning, GAN</li> <li>b. Statistical Learning: regression, GBM, random forests and clustering</li> <li>c. Transcription and translation software</li> </ul> <p>Best,  <b>Justin Xavier Howe</b>, CRISC, CISM, CISA, SSCP, CySA+, Security+, Network+  Information Security Services   Information Technology  Judicial Council of California  455 Golden Gate Ave, 5<sup>th</sup> Floor, San Francisco, CA 94102  Office: 415.865.7596   Mobile: 631.255.3655  <a href="mailto:justin.howe@jud.ca.gov">justin.howe@jud.ca.gov</a>   <a href="http://www.courts.ca.gov">www.courts.ca.gov</a></p>	
3.	Justin Howe	N/I	<p>Below I have,</p> <ul style="list-style-type: none"> <li>(1) a proposed revision to the JBE policy GenAI Procurement Policy draft</li> <li>(2) two simple additions to the policy to explicitly define an achievable metric of performance <ul style="list-style-type: none"> <li>• I am unaware of any government policy that uses the suggested accommodation for ‘achievableness’ that I have described below.</li> </ul> </li> </ul> <p><b>Proposals</b></p> <p><i>A. Revision 1: “JBEs must monitor, assess and validate GenAI contract deliverables for equitable outcomes, output inaccuracies, fabricated content, hallucinations, biases and the need for <u>human action</u> for all decision-making processes to ensure applicable laws and policies are followed.”</i></p>	<p>The committee does not recommend implementing the suggested changes because they would result in JBCM revisions that would be overly detailed, especially considering the rapidly evolving nature of GenAI. Adding the commenter’s suggested language (“at parity with human judgment or better”) would be too limiting. In addition, implementing the commenter’s suggestions could affect the JBCM’s ability to remain substantially similar to the SCM and SAM, in accordance with the Judicial Branch Contract Law.</p>

Positions: A = Agree; AM = Agree if modified; N = Do not agree; N/I = Not indicated

## SP 25-02

### Judicial Administration: Revisions to Judicial Branch Contracting Manual

All comments are verbatim unless indicated by an asterisk (\*).

	Commenter	Position	Comment	Committee Response
			<p>a. The term-of-art here is ‘human-in-the-loop’ instead of ‘human action’.</p> <p>B. <i>Addition 1: “Monitoring and assessing GenAI contract deliverables for equitable outcomes, output inaccuracies, bias, and hallucinations <b>(at parity with human judgment or better)</b> to ensure that applicable laws and policies are followed.”</i></p> <p>C. <i>Addition 2: “JBEs must monitor, assess and validate GenAI contract deliverables for equitable outcomes, output inaccuracies, fabricated content, hallucinations, biases <b>(at parity with human judgment or better)</b> and the need for human action for all decision-making processes to ensure applicable laws and policies are followed.”</i></p> <p>There are several motivations behind these ‘parity’ suggestions:</p> <ol style="list-style-type: none"> <li>1. A large number of equity/bias efforts I have read about are pursuing <u>infallibility</u>. Not many success stories stand up to scrutiny. <ol style="list-style-type: none"> <li>a. <a href="https://www.technologyreview.com/2025/06/11/1118233/amsterdam-fair-welfare-ai-discriminatory-algorithms-failure/">https://www.technologyreview.com/2025/06/11/1118233/amsterdam-fair-welfare-ai-discriminatory-algorithms-failure/</a></li> </ol> </li> <li>2. There is no mathematical definition of equitable/equity/bias that is widely-accepted at present by politicians, lawyers, and special interest groups. Many alternative definitions are possible, and any solution to this in-definition will be political.</li> <li>3. Any time a GenAI is trained on human-generated-data, it is going to mirror all the same biases.</li> <li>4. Mirroring human performance is immediately achievable, while at the same time generating large labor savings.</li> </ol>	<p>The committee notes that the use of the term “human action” in the committee’s proposed JBCM revisions is consistent with SCM Vol. 2, section 2304, which states:</p> <p><i>“Contract managers shall continuously monitor, assess, and validate GenAI contract deliverables for equitable outcomes, output inaccuracies, fabricated content, hallucinations, biases, and the need for <b>human action</b> for all decision-making processes to ensure applicable state laws and policies are followed.”</i> (emphasis added.)</p>

Positions: A = Agree; AM = Agree if modified; N = Do not agree; N/I = Not indicated

## SP 25-02

### Judicial Administration: Revisions to Judicial Branch Contracting Manual

All comments are verbatim unless indicated by an asterisk (\*).

	Commenter	Position	Comment	Committee Response
			<p>a. Let's grab the productivity savings before embarking on the pursuit of infallible AI.</p> <p><b>Justin Xavier Howe</b>, CRISC, CISM, CISA, SSCP, CySA+, Security+, Network+ Information Security Services   Information Technology Judicial Council of California 455 Golden Gate Ave, 5<sup>th</sup> Floor, San Francisco, CA 94102 Office: 415.865.7596   Mobile: 631.255.3655 <a href="mailto:justin.howe@jud.ca.gov">justin.howe@jud.ca.gov</a>   <a href="http://www.courts.ca.gov">www.courts.ca.gov</a></p>	

Positions: A = Agree; AM = Agree if modified; N = Do not agree; N/I = Not indicated



## JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND  
FINANCIAL ACCOUNTABILITY FOR THE  
JUDICIAL BRANCH

Meeting Date: 9/17/2025

### **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 San Diego Superior Court.

##### Supporting Documents:

- ***Attachment B***—Audit report of San Diego 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 substantially complied with governing statutes, rules, and regulations and were recorded accurately in accordance with accounting principles. However, the SCO identified accounting errors and internal control deficiencies that warrant the attention of management. In all, the SCO reported 2 audit findings, noted below:

- 1) **Unaccrued year-end revenue** – Reimbursable jury fee revenues were not accrued at year-end. Civil jury fees that became uncollectible and waived by a judge were reimbursed by JCC in August 2022, after the year-end accruals were recorded. Because the reimbursement amount was anticipated and measurable, \$42,123 in jury reimbursement expenses should have been accrued at fiscal year-end. The Court noted that JCC staff did the accruals for the Court at the time, but the SCO noted that the Court is ultimately responsible for its accounting and financial statements. Beginning with FY 2023-24, the JCC has provided instructions to the courts for self-recording year-end accruals.

- 2) Controls For Accessing Information Systems – The audit team noted that four former court employees were still listed as system users with access to the court’s network and software systems. The Court agreed with the finding and indicated it would implement the SCO’s recommendation and develop a policy to strengthen its internal controls over information system access.

Staff recommends the committee approve the audit for public posting.

# **SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO**

Audit Report

## **VALIDITY OF RECORDED REVENUES, EXPENDITURES, AND FUND BALANCES**

*July 1, 2021, through June 30, 2022*



**MALIA M. COHEN**  
CALIFORNIA STATE CONTROLLER

June 2025



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

June 30, 2025

Mr. Michael Roddy, Court Executive Officer  
Superior Court of California, County of San Diego  
1100 Union Street  
San Diego, CA 92101

Dear Mr. Roddy:

The State Controller's Office audited the Superior Court of California, County of San Diego (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 substantially complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances. However, we identified an accounting error and an internal control deficiency that warrants the attention of management. Specifically, we found reimbursable jury fee revenues that were not accrued at year-end. We also found a deficiency of internal control regarding inconsistencies in the deactivation of employee access to information technology systems on employment separation and termination.

This report is for your information and use. The Court's responses to the findings are incorporated into this final report. The Court agreed with our observations and provided a Corrective Action Plan to address the fiscal control deficiencies and recommendations. We appreciate the Court's assistance and cooperation during the audit, and its willingness to implement corrective actions.

If you have any questions regarding this report, please contact Joel James, Chief, Financial Audits Bureau, by telephone at 916-323-1573, or email at [jjames@sco.ca.gov](mailto:jjames@sco.ca.gov). Thank you.

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

Mr. Michael Roddy

June 30, 2025

Page 2 of 2

KAT/ac

Copy: Lyn Bell, Chief Financial Officer

Superior Court of California, County of San Diego

Michelle Curran, Administrative Director

Judicial Council of California

Jason Lopez, Director

Branch Accounting and Procurement

Judicial Council of California

Joe Meyer, Principal Manager

Audit Services

Judicial Council of California

Aaron Edwards, Assistant Program Budget Manager

California Department of Finance

Justin Adelman, Principal Program Budget Analyst

California Department of Finance



# Contents

## Audit Report

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Audit Authority.....</b>	<b>2</b>
<b>Objective, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>6</b>
<b>Follow-up on Prior Audit Findings.....</b>	<b>6</b>
<b>Views of Responsible Officials.....</b>	<b>6</b>
<b>Restricted Use .....</b>	<b>7</b>
<b>Schedule 1—Summary of Revenues and Revenue Test Results .....</b>	<b>8</b>
<b>Schedule 2—Summary of Expenditures and Expenditure Test Results.....</b>	<b>9</b>
<b>Schedule 3—Summary of Fund Balances and Fund Balance Test Results .....</b>	<b>10</b>
<b>Findings and Recommendations.....</b>	<b>11</b>
<b>Attachment—Superior Court’s Comments Regarding Audit Results</b>	

# Audit Report

## Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of San Diego (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 substantially complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances. However, we identified an accounting error and an internal control deficiency that warrants the attention of management. Specifically, we found reimbursable jury fee revenues that were not accrued at year-end. We also found a deficiency of internal control regarding inconsistencies in the deactivation of employee access to information technology systems on employment separation and termination.

## 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, "The Organization and Government of Courts," of Government Code.

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 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 (FY) 2021-2022, the Court reported revenues of \$195,568,114. The Court receives most of its revenue from state financing sources. The TCTF provided 84.5% of the Court's revenue. During the audit period, the Court incurred expenditures of \$191,900,231. Payroll-related expenditures (salaries and benefits) comprised 83.9% of total expenditures. The Court employed 1,353 staff members to serve San Diego County's population of approximately 8,610 residents.

Funds under the Court's control include a General Fund and a Special Revenue (Grant and Non-Grant) Fund (hereafter referred to as the "Special Revenue Fund"). The General Fund and the Special Revenue Fund 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 FY 2021-2022 Budget Act, the Manual of State Funds, Government Code, the California Rules of Court, the FIN Manual (11<sup>th</sup> 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 and implemented 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 15 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 and the Special Revenue 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 (MOU) Reimbursements Account, and the Other Judicial Council Grants Account were material for testing. We tested accounts through sampling and analytical procedures.
- Although they were not material, we selected various revenue accounts for additional testing. These accounts included:
  - The Court Interpreter Account;
  - The Other Miscellaneous Account;
  - The Enhanced Collections Account;
  - The County Program – Restricted Account; and
  - The Reimbursement Other Account.
- We tested \$178,230,376 of \$195,568,114, or 91% of total revenues.

We found one accrual-related error in the recording of a Jury Fee reimbursement transaction, for the amount of \$42,123, recorded in the MOU Reimbursements Account. 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 and the Special Revenue 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 two payroll-related accounts (the Salaries – Permanent Account and the Staff Benefits Account) and the non-payroll Contracted Services Account.

- Although they are not material, we selected the Consulting and Professional Services Account and the Information Technology Account for additional testing.
- For material payroll-related accounts, we selected two monthly bi-weekly pay periods in November 2021 and 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 15 of 1,353 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; and
  - Health insurance premiums shown on the payroll register agreed to the employees' benefit election forms.
- For selected 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 \$300,000 as individually significant. Our test included the following expenditures:
  - Contracted services – We tested 12 of 7,483 transactions. No recorded transactions were considered individually significant.
  - Consulting and professional services – We tested six of 495 transactions. Of the six transactions, two were considered individually significant.
  - Information technology – We tested eight of 93 transactions. Of the eight transactions, one was considered individually significant.
- We tested \$3,228,914 of \$191,900,231, or 1.7% 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 and the Special Revenue 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 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 substantially complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances. However, we identified an accounting error and an internal control deficiency that warrants the attention of management. Specifically, we found reimbursable jury fee revenues that were not accrued at year-end. We also found a deficiency of internal control regarding inconsistencies in the deactivation of employee access to information technology systems on employment separation and termination.

## **Follow-up on Prior Audit Finding**

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

## **Views of Responsible Officials**

We issued a draft report on January 10, 2025. The Court's representative responded by letter dated January 24, 2025. The Court agreed with the audit results. This final audit report includes the Court's response as an attachment.

## **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](http://www.sco.ca.gov).

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

June 30, 2025



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

Revenue Accounts	Revenues Reported <sup>1</sup>		Revenues Tested <sup>1</sup>		Error
	Total	Percentage	Amount	Percentage	Amount <sup>2</sup>
<u>State Financing Sources</u>					
Trial Court Trust Fund <sup>3,4</sup>	\$ 165,278,010	84.5%	\$ 165,278,010	100.0%	\$ -
Improvement and Modernization Fund	739,225	0.4%	-	0.0%	-
Court Interpreter <sup>4,5</sup>	6,108,915	3.1%	6,108,915	100.0%	-
Civil Coordination Reimbursements	14,170	0.0%	-	0.0%	-
Memorandum of Understanding					
Reimbursements <sup>4,5</sup>	3,836,574	2.0%	2,573,505	67.1%	42,123
Other Miscellaneous <sup>5</sup>	3,096,933	1.6%	3,096,933	100.0%	-
Subtotal – State financing sources	179,073,827		177,057,363		42,123
<u>Grants</u>					
Assembly Bill 1058					
Commissioner/Facilitator	3,969,712	2.0%	-	0.0%	-
Other Judicial Council Grants <sup>4,5</sup>	419,081	0.2%	197,108	47.0%	-
Non-Judicial Council Grants	-	0.0%	-	0.0%	-
Subtotal – Grants	4,388,793		197,108		-
<u>Other Financing Sources</u>					
Interest Income	220,784	0.1%	-	0.0%	-
Local Fees	2,296,977	1.2%	-	0.0%	-
Non-Fee Revenues	82,973	0.0%	-	0.0%	-
Enhanced Collections <sup>4,5</sup>	6,464,979	3.3%	204,355	3.2%	-
Escheatment	15,168	0.0%	-	0.0%	-
Prior Year Revenue	(226,308)	-0.1%	-	0.0%	-
County Program - Restricted <sup>4,5</sup>	2,695,383	1.4%	708,356	26.3%	-
Reimbursement Other <sup>4,5</sup>	500,520	0.3%	63,194	0.0%	-
Other Miscellaneous	55,017	0.0%	-	0.0%	-
Subtotal – Other financing sources	12,105,494		975,905		-
Total Revenues	\$ 195,568,114	100.0%	\$ 178,230,376	91.1%	\$ 42,123

<sup>1</sup> Differences due to rounding<sup>2</sup> See Findings and Recommendations: Finding 1, Unaccrued year-end revenues<sup>3</sup> Material account<sup>4</sup> Tested internal controls<sup>5</sup> Additional tested account

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

Expenditure Accounts	Expenditures Reported <sup>1</sup>		Expenditures Tested <sup>1</sup>		Error
	Total	Percentage	Amount	Percentage	Amount
<u>Payroll</u>					
Salaries - Permanent <sup>2,3</sup>	\$ 87,583,242	45.6%	\$ 95,679	0.1%	\$ -
Temp Help	547,101	0.3%	-	0.0%	-
Overtime <sup>3</sup>	857,917	0.4%	1,937	0.0%	-
Staff Benefits <sup>2,3</sup>	71,960,091	37.5%	40,790	0.1%	-
Subtotal	160,948,350		138,406		-
<u>Operating Expenses and Equipment</u>					
General Expense	3,706,886	1.9%	-	0.0%	-
Printing	595,029	0.3%	-	0.0%	-
Telecommunications	527,323	0.3%	-	0.0%	-
Postage	1,210,113	0.6%	-	0.0%	-
Insurance	127,181	0.1%	-	0.0%	-
In-State Travel	53,337	0.0%	-	0.0%	-
Out-of-State Travel	6,989	0.0%	-	0.0%	-
Training	149,187	0.1%	-	0.0%	-
Security Services	616,325	0.3%	-	0.0%	-
Facility Operations	71,995	0.0%	-	0.0%	-
Contracted Services <sup>2,3</sup>	9,816,467	5.1%	578,552	5.9%	-
Consulting and Professional Services <sup>2,3</sup>	6,216,791	3.2%	843,915	13.6%	-
Information Technology <sup>2,3</sup>	6,637,224	3.5%	1,668,041	25.1%	-
Major Equipment	472,846	0.2%	-	0.0%	-
Other Items of Expense	133,439	0.1%	-	0.0%	-
Subtotal	30,341,132		3,090,508		-
<u>Special Items of Expense</u>					
Grand Jury	652,860	0.3%	-	0.0%	-
Judgments, Settlements, and Claims	2,441	0.0%	-	0.0%	-
Other	84,120	0.0%	-	0.0%	-
Internal Cost Recovery	-	0.0%	-	0.0%	-
Prior Year Expense Adjustment	(128,672)	-0.1%	-	0.0%	-
Subtotal	610,749		-		-
Total Expenditures	<u>\$ 191,900,231</u>	100.0%	<u>\$ 3,228,914</u>	1.7%	<u>\$ -</u>

<sup>1</sup> Differences due to rounding<sup>2</sup> Material account<sup>3</sup> Tested internal controls

### Schedule 3—

## Summary of Fund Balances and Fund Balance Test Results

### July 1, 2021, through June 30, 2022

<b>Balance</b>	<b>General Fund <sup>1</sup></b>	<b>Special Revenue Fund Non-Grant<sup>1</sup></b>	<b>Special Revenue Fund Grant <sup>1</sup></b>	<b>Total <sup>1</sup></b>
Beginning Balance	\$ 6,546,006	\$ 10,886,871	\$ -	\$ 17,432,877
Revenues	180,328,861	10,850,460	4,388,793	195,568,114
Expenditures	(176,014,077)	(10,601,145)	(5,285,009)	(191,900,231)
Transfers In	-	-	-	-
Transfers Out	(1,653,192)	756,976	896,216	-
Ending Balance	<u>\$ 9,207,598</u>	<u>\$ 11,893,162</u>	<u>\$ -</u>	<u>\$ 21,100,760</u>
 Errors Noted <sup>2</sup>				
Revenues	\$ 42,123	\$ -	\$ -	\$ 42,123
Expenditures	-	-	-	-
Total	<u>\$ 42,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,123</u>

<sup>1</sup> Differences due to rounding

<sup>2</sup> See Findings and Recommendations: Finding 1, Unaccrued year-end revenues

# Findings and Recommendations

## **FINDING 1— Unaccrued year- end revenue**

Our audit found \$42,123 in FY 2021-22 reimbursements for civil jury expenses that were not accrued at year-end. The reimbursements were received and recorded as an adjustment to prior year revenues in FY 2022-2023.

Our procedures included comparing TCTF distributions with the Court's general ledger revenue accounts during the course of the fiscal year. While conducting the comparison, we noted a distribution of \$42,123 for MOU Jury Reimbursements into general ledger Account Number 832011, which was received in the final distribution to courts, Distribution Number 14. This annual distribution occurs every August after the courts record their year-end accruals.

The Court clarified that this variance was the result of civil jury expenditures that become uncollectible from parties to a case and may be waived by a judge. The Court also explained that waived fees are reimbursed by the JCC and recorded for accrual in the Court's revenue account at year-end. The corresponding jury-related expenditure accounts that are subject to reimbursement showed entries for waived fees recorded on a monthly basis. Given that the Court anticipated reimbursement for these expenditures and recorded them each month during the fiscal year, the amounts were measurable and should have been accrued at year-end. As a result, the Court's fiscal year revenues from reimbursements, reported as of June 30, 2022, were understated by \$42,123.

We confirmed the recordation process with staff members in the JCC's Branch Accounting and Procurement Unit; they stated that the accrual had been overlooked in FY 2022-23. Staff members also informed us that, beginning with FY 2023-24, the JCC provided instructions to the courts for self-recording year-end accruals.

Policy Number FIN 5.01, section 6.8 "Year-End Procedures," of the JCC's FIN Manual (11th edition, June 2020) states, in part:

Trial courts are required to adjust their financial statements at year-end to account for revenues not yet received or expenditures not yet paid as of the last day of the fiscal year (June 30). Trial courts must follow the procedures outlined in this section and additional year-end instructions that the Judicial Council of California may issue.

### 6.8.1 Year-End Revenue and Reimbursement Accruals

During year-end closing, the court must:

1. Review all revenue accounts, including entitlements and local revenues, and accrue revenues that may not have been received, but which are both measurable and available;
2. Review all reimbursement accounts including state, local, and federal grants; MOUs with state and local entities; and other reimbursable items and accrue reimbursements for expenditures incurred, but not invoiced as of June 30; and

3. Reverse all revenue and reimbursement accruals in the first month of the new fiscal year. . . .

### Recommendation

We recommend that the Court review its accounting practices pertaining to year-end closing to ensure that all year-end accruals are accurately reflected in the general ledger. Estimates should be used to accrue unbilled transactions remaining at year-end. Adjusting (true-up) entries may be necessary for differences between estimated and actual revenues received in the following accounting period of the new fiscal year.

### Court's Response

During the audit scope period (FY 2021-22) and at the time of the booking entry, accrual responsibility fell on the Judicial Council. The court was not responsible for the entry until FY 2023-24, after the audited period. In accordance with longstanding policy and practice, the court relied upon the expertise of the JCC for certain booking entries. This specific finding was acknowledged by the JCC to be an error in their closing process.

### SCO Comment

Although the Court recognizes the error and did not disagree, the Court is ultimately responsible for its accounting and financial statements.

## **FINDING 2— Internal control deficiency – Access control policies**

During our audit of the Court's management of computer access, we observed inconsistencies in the deactivation of user account access. We found that employees' access was not immediately deactivated after employees' termination, reassignment, or transfer.

We analyzed 13 user accounts that suggested a change in status, and identified four accounts belonging to individuals who had left court employment. Our review of employee files, Computer Services Registration Forms, Phoenix Access Request Forms, and email correspondence between Court management and its IT Department revealed inconsistencies regarding when network and software access was revoked. The records revealed that two employees' accounts were not deactivated until approximately a week after the employees' separation dates, and another two employee accounts that were not deactivated until one to three months after the employees' separation dates.

When we inquired, Court representatives could not explain the two shorter delays; however, they explained that the longer delays resulted because one employee worked on an intermittent schedule before retiring from state service, and the other employee's separation involved personnel issues. We inquired with the Court's representatives regarding the Court's policies and procedures on computer access management, and learned that no such policies and procedures are in place.

Policy Number FIN 1.03, subsection 6.3.3, “Control Activities,” of the JCC’s FIN Manual states, in part:

1. In implementing appropriate controls, courts must incorporate internal control concepts in establishing policies and procedures that help ensure that management directives are carried out. Control activities can be categorized as the establishment, preparation, completion, or performance of the following . . .
  - d. Safeguarding—Limiting access to and controlling the use of assets and records are ways to safeguard those assets and records. . . .
3. From an overall perspective, the trial court’s control activities are affected by . . .
  - f. The establishment of adequate safeguards to prevent unauthorized access to or destruction of documents, records, and assets.
  - g. The establishment of policies for controlling access to programs and data files. If access security software, operating system software, and/or application software is used to control access to system programs and data, an information security function must be in place and responsible for monitoring compliance within formation security policies and procedures. . . .

Policy Number 1.1, “Scope,” of the JCC’s *Information Systems Controls Framework* (version 2.0, December 1, 2018 [*Controls Framework*]) states, in part:

This framework of information systems controls has been developed for the establishment of a standard security approach within the Judicial Branch of California. In order to produce this framework, input was solicited from multiple courts ranging from small to large in size so that a comprehensive framework could be developed that is suitable to all entities within the judicial branch. This framework is designed to set a direction, identify and address areas of concern expressed by entities within the judicial branch, and to document policies and practices that can assist judicial branch entities with their concerns by providing a framework for creating entity-specific information security policies and procedures. . . .

Policy Number 5.1, “Access Control Policies and Procedures,” of the JCC’s *Controls Framework* states:

Control: The judicial branch entity:

- a. Develops, documents, and disseminates to all workforce members:
  1. An access control policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and
  2. Procedures to facilitate the implementation of the access control policy and associated access controls; and
- b. Reviews and updates the current:
  1. Access control policy on an annual basis; and
  2. Access control procedures on an annual basis.

Recommendations: This control addresses the establishment of policy and procedures for the effective implementation of selected security controls in the AC [Access Control] family. Policy and procedures reflect applicable federal and state laws, Executive Orders, directives, regulations, policies, standards, and guidance. Security program policies and procedures at the judicial branch entity level may make the need for system-specific policies and procedures unnecessary. The policy can be included as part of the general information security policy for judicial branch entities or, conversely, can be represented by multiple policies reflecting the complex nature of certain judicial branch entities. The procedures can be established for the security program in general and for particular information systems, if needed. The organizational risk management strategy is a key factor in establishing policy and procedures.

Policy Number 17.4, “Personnel Termination,” of the JCC’s *Controls Framework* states, in part:

Control: The judicial branch entity, upon termination of individual employment:

- a. Disables information system access immediately/within 24 hours;
- b. Terminates/revokes any authenticators/credentials associated with the individual;
- c. Conducts exit interviews that include a discussion of judicial branch entity-defined information security topics;
- d. Retrieves all security-related organizational information system-related property;
- e. Retains access to organizational information and information systems formerly controlled by [the] terminated individual; and
- f. Notifies judicial branch entity-defined personnel or roles within judicial branch entity-defined time period. . . .

Policy Number 17.5, “Personnel Transfer,” of the JCC’s *Controls Framework* states, in part:

Control: The judicial branch entity:

- a. Reviews and confirms ongoing operational need for current logical and physical access authorizations to information systems/facilities when individuals are reassigned or transferred to other positions within the judicial branch entity;
- b. Initiates judicial branch entity-defined transfer or reassignment actions within judicial branch entity-defined time period following the formal transfer action;
- c. Modifies access authorization as needed to correspond with any changes in operational need due to reassignment or transfer; and
- d. Notifies judicial branch entity-defined personnel or roles within judicial branch entity-defined time period. . . .

Recommendation

We recommend that the Court:

- Strengthen internal controls over information system access by establishing access policies based on intended usage;
- Align account management processes with personnel termination and transfer processes; and
- Model its policies and procedures on guidance provided in the JCC's *Controls Framework*.

Court's Response

The Court agrees with the finding and is in the process of developing a policy.

SCO Comment

The SCO concurs with Court's response to the finding.



**Attachment—  
Superior Court of California, County of San Diego's  
Response to Draft Audit Report**

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# The Superior Court of California

COUNTY OF SAN DIEGO

EXECUTIVE OFFICE OF THE COURT

MICHAEL M. RODDY  
Executive Officer and Clerk  
Jury Commissioner

Post Office Box 122724  
San Diego, California 92112-2724  
(619) 844-2500

January 24, 2025

Joel James, Chief  
Office of State Controller Malia M. Cohen  
Division of Audits | Financial Audits Bureau  
Post Office Box 942850  
Sacramento, CA 94250

Re: Superior Court of California, County of San Diego  
SCO ID S25-TCA-0001: Draft Report

Dear Mr. James:

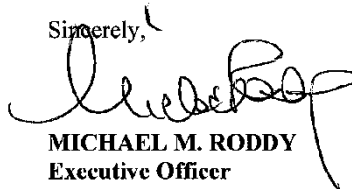
This letter is in response to the State Controller's Office audit of the Superior Court of California, County of San Diego ("Court") for period of July 1, 2021, through June 20, 2022. Below is the Court's response to each finding.

Finding 1 - Unaccrued Year End Revenue: During the audit scope period (FY 2021-22) and at the time of the booking entry, accrual responsibility fell on the Judicial Council ("JCC"). The court was not responsible for the entry until FY 2023-24, after the audited period. In accordance with longstanding policy and practice, the court relied upon the expertise of the JCC for certain booking entries. This specific finding was acknowledged by the JCC to be an error in their closing process.

Finding 2 - Access Control Policies: The Court agrees with this finding and is in the process of developing a policy.

If you have any questions, please do not hesitate to contact our office.

Sincerely,



MICHAEL M. RODDY  
Executive Officer

cc: John Mellas, CPA, Audit Manager  
Office of State Controller Malia M. Cohen  
Division of Audits | Financial Audits Bureau

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

**[www.sco.ca.gov](http://www.sco.ca.gov)**