

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

**Final Audit Report**

## **FISCAL COMPLIANCE AUDIT OF REVENUES, EXPENDITURES, AND FUND BALANCES**

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



**MALIA M. COHEN**

**CALIFORNIA STATE CONTROLLER**

**January 2026**



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MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

January 23, 2026

Mr. Brandon E. Riley, Court Executive Officer  
Superior Court of California, County of San Francisco  
Civic Center Courthouse  
400 McAllister Street, Room 205  
San Francisco, CA 94102

Dear Mr. Riley:

The State Controller's Office audited the Superior Court of California, County of San Francisco (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 did not comply with certain governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

Specifically, we found accounting-related errors and missing year-end accruals in the recording of both revenues and expenditures. For revenues, we found unbilled invoices and unaccrued revenues. For expenditures, we found unaccrued current-year expenditures and unadjusted prior-year expenditures. When reviewing payroll expenditures, we found accounting discrepancies that had not been reconciled.

We also found noncompliance with legal contracting requirements involving city and county services, grant reporting requirements, and the Court's internal control procedures. These exceptions warrant the attention of management.

Mr. Brandon E. Riley

January 23, 2026

Page 2 of 2

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 accounting errors, fiscal control deficiencies, compliance exceptions 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

Copy: Rally Catapang, Chief Financial Officer

Superior Court of California, County of San Francisco

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# CONTENTS

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SUMMARY	1
BACKGROUND	1
AUDIT AUTHORITY	3
OBJECTIVE, SCOPE, AND METHODOLOGY	3
CONCLUSION	9
FOLLOW-UP ON PRIOR AUDIT FINDINGS	10
VIEWS OF RESPONSIBLE OFFICIALS	10
RESTRICTED USE	11
SCHEDULE 1—SUMMARY OF REVENUES AND REVENUE TEST RESULTS	12
SCHEDULE 2—SUMMARY OF EXPENDITURES AND EXPENDITURE TEST RESULTS	14
SCHEDULE 3—SUMMARY OF FUND BALANCES AND FUND BALANCE TEST RESULTS	16
FINDINGS AND RECOMMENDATIONS	17
ATTACHMENT—SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN FRANCISCO’S RESPONSE TO DRAFT AUDIT REPORT	42

## SUMMARY

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The State Controller’s Office (SCO) audited the Superior Court of California, County of San Francisco (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 did not comply with certain governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

Specifically, we found accounting-related errors and missing year-end accruals in the recording of both revenues and expenditures. For revenues, we found unbilled invoices and unaccrued revenues. For expenditures, we found unaccrued current-year expenditures and unadjusted prior-year expenditures. When reviewing payroll expenditures, we found accounting discrepancies that had not been reconciled.

We also found noncompliance with legal requirements involving city and county services, grant reporting requirements, and the Court’s internal control procedures. These exceptions warrant the attention of management.

## BACKGROUND

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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 (FY) 2021-22, the Court reported revenues of \$79,500,448. The Court receives the majority of its revenue from state financing sources. The TCTF provided 72 percent of the Court's revenue. During the audit period, the Court incurred expenditures of \$77,976,928. Payroll-related expenditures (salaries and benefits) comprised 77 percent of total expenditures. The Court employed 483 staff members to serve the City and County of San Francisco's (CCSF) population of approximately 809,000 residents.

Funds under the Court’s control include a General Fund, a Special Revenue (Grant) Fund, a Special Revenue (Non-Grant) Fund, and a Fiduciary Fund. The General Fund and both Special Revenue Funds are operating funds. The General Fund and the Special Revenue (Non-Grant) Fund had revenue and expenditure accounts in excess of four percent of total revenues and expenditures, and were considered material and significant for testing. The Special Revenue (Grant) fund had expenditure accounts in excess of four percent of total expenditures, and was considered material and significant for testing. Fiduciary funds do not report operating revenue and expenditures; therefore, we did not perform audit procedures on the Fiduciary Fund.

## **AUDIT AUTHORITY**

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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**

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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 during the period of July 1, 2021, through June 30, 2022. 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.

To accomplish our objective, we performed the following procedures.

### **General Procedures**

- We reviewed the *Judicial Council Governance Policies* (November 2017), the FY 2021-22 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 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 seven revenue items and 41 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 31 non-payroll transactions and the payroll records of 10 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 (Non-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 four percent of total revenues, and determined that the TCTF, the Court Interpreter account, the Memorandum of Understanding (MOU) Reimbursements account, and the Other Miscellaneous account were material for testing. We tested accounts through sampling and analytical procedures.
- We expanded our testing to include the Court's reported County Program – Restricted account following the results from our preliminary analytical procedures.
- We performed analytical procedures to test TCTF distributed revenues.
- We tested \$71,579,015 of \$79,500,448, or 90 percent of total revenues.

We found \$126,434 in billable amounts due the Court at year-end (June 30, 2022) that were not invoiced for collection and accrual to the Court's recorded MOU Reimbursements account, and we found \$456,556 in unbilled amounts due the Court at year-end for its County Program – Restricted revenue. These unbilled costs caused the Court's revenue to be understated by \$582,990 in its FY 2021-22 financial statements.

In our review of two Judicial Council grants, we also noted that the Court had not submitted required quarterly progress reports specified in the grant agreements to ensure continued program funding. 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 both of the Special Revenue Funds 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 four percent of total expenditures. The material accounts included two payroll-related accounts (Salaries – Permanent and Staff Benefits) and two non-payroll accounts (Contracted Services and Information Technology).
- For material payroll-related accounts, we selected two monthly bi-weekly pay periods in September 2021 and May 2022 to review. We reconciled the salary and benefit expenditures shown on the payroll registers to the general ledger (GL) and examined supporting records of benefit charges. We then selected 10 of 503 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 GL accurately; and
  - 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 GL to supporting documentation. We considered transactions in excess of \$140,000 to be individually significant. Our tests included the following expenditures:
  - Contracted Services – We tested 23 out of 12,615 transactions. Three transactions were considered individually significant.
  - Information Technology – We tested eight out of 331 transactions. There were no transactions considered individually significant.
- We tested \$1,669,552 of \$77,976,928, or 2.1 percent of total expenditures.

We found \$955,641 in unaccrued amounts due vendors at FY 2021-22 year-end that should have been recorded to the Court's Contracted Services account. Omitting the accrual understates the Court's expenditures in its FY 2021-22 financial statements. We also found account entry errors of \$1,018,790 in unadjusted prior-year expenditures. These expenditures should have been, but were not, accrued for payment in the previous fiscal year. These accounting errors resulted in a \$63,150 overstatement of the Court's current-year program operating costs, but do not affect the Court's overall reported expenditures. 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 processes, 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 selected the General Fund and both of the Special Revenue Funds because these funds had revenue and expenditure accounts or balances that were significant for testing.

- 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 the total fund balance was understated by \$646,140 due to missing accruals for revenue and expenditure accounts. 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**

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We found that the Court did not comply with certain governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

Specifically, we found accounting-related errors and missing year-end accruals in the recording of both revenues and expenditures. For revenues, we found unbilled invoices and unaccrued revenues. For expenditures, we found unaccrued current-year expenditures and

unadjusted prior-year expenditures. When reviewing payroll expenditures, we found accounting discrepancies that had not been reconciled.

We also found noncompliance with legal contracting requirements involving city and county services, grant reporting requirements, and the Court's internal control procedures. These exceptions warrant the attention of management.

## **FOLLOW-UP ON PRIOR AUDIT FINDINGS**

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

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We issued a draft audit report on June 30, 2025. The Court responded by email dated July 3, 2025, requesting our review of additional payroll records provided by the Court. On July 10, 2025, we advised the Court that as a result of our review of the documents provided, the audit finding about undocumented overtime approvals (formerly Finding 7) noted in the draft report is resolved.

The Court responded to the revised audit results by letter dated August 11, 2025, agreeing with the audit results. This final audit report includes the Court's response as an attachment.

## RESTRICTED USE

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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

January 23, 2026

## SCHEDULE 1—SUMMARY OF REVENUES AND REVENUE TEST RESULTS

July 1, 2021, through June 30, 2022

Revenue Accounts	Revenues Reported	Percentage of Total Revenues	Amount Tested	Percentage Tested	Error Amount
<u>State Financing Sources</u>					
Trial Court Trust Fund	\$57,420,621	72.2%	\$57,420,621	100.0%	\$0
Improvement and Modernization Fund	0	0.0%	0	0.0%	0
Judges' Compensation	488,456	0.6%	488,456	100.0%	0
Court Interpreter	3,778,593	4.8%	3,778,593	100.0%	0
TCTF-Civil Coordination	24,607	0.0%	0	0.0%	0
MOU Reimbursements	3,521,053	4.4%	3,508,014	99.6%	-126,434
Other Miscellaneous	5,926,775	7.5%	5,926,775	100.0%	0
Subtotal – State financing sources	71,160,104		71,122,458		-126,434
<u>Grants</u>					
Assembly Bill 1058 Commissioner/Facilitator	1,131,779	1.4%	0	0.0%	0
Other Judicial Council Grants	470,966	0.6%	0	0.0%	0
Non-Judicial Council Grants	923,086	1.2%	0	0.0%	0
Subtotal – Grants	2,525,831		0		0
<u>Other Financing Sources</u>					
Interest Income	57,619	0.1%	0	0.0%	0
Investment Income	0	0.0%	0	0.0%	0
Donations	0	0.0%	0	0.0%	0

Revenue Accounts	Revenues Reported	Percentage of Total Revenues	Amount Tested	Percentage Tested	Error Amount
Local Fees	78,448	0.1%	0	0.0%	0
Non-Fee Revenues	2,288	0.0%	0	0.0%	0
Enhanced Collections	2,804,048	3.5%	0	0.0%	0
Escheatment	850,997	1.1%	0	0.0%	0
Prior Year Revenue	1,065,272	1.3%	0	0.0%	0
County Program – Restricted	876,477	1.1%	456,556	52.1%	-456,556
Reimbursement Other	45,298	0.1%	0	0.0%	0
Sale of Fixed Assets	0	0.0%	0	0.0%	0
Other Miscellaneous	34,065	0.0%	0	0.0%	0
Subtotal – Other financing sources	<u>5,814,513</u>		<u>456,556</u>		<u>-456,556</u>
<b>Total revenues</b>	<b><u>\$79,500,448</u></b>	<b>100.0%</b>	<b><u>\$71,579,015</u></b>	<b>90.0%</b>	<b><u>-\$582,990</u></b>

Minor calculation differences are due to rounding.

We found errors in the MOU Reimbursements account. See Finding 1—Unaccrued Year-End Revenues and Reimbursements.

The following accounts are material revenue accounts: TCTF, Court Interpreter, MOU Reimbursements, and Other Miscellaneous.

Although it is not material, we also tested the Judges' Compensation account.

We tested internal controls for the following accounts: TCTF, Judges' Compensation, Court Interpreter, MOU Reimbursements, and Other Miscellaneous

## SCHEDULE 2—SUMMARY OF EXPENDITURES AND EXPENDITURE TEST RESULTS

July 1, 2021, through June 30, 2022

Expenditure Accounts	Expenditures Reported	Percentage of Total Expenditures	Amount Tested	Percentage Tested	Error Amount
<u>Personal Services</u>					
Salaries – Permanent	\$37,797,867	48.5%	\$66,312	0.2%	\$0
Temp Help	0	0.0%	0	0.0%	0
Overtime	77,247	0.1%	818	1.1%	0
Staff Benefits	22,218,454	28.5%	0	0.0%	0
Subtotal – Personal services	60,093,568		67,130		0
<u>Operating Expenses and Equipment</u>					
General Expense	1,276,819	1.6%	0	0.0%	0
Printing	59,880	0.1%	0	0.0%	0
Telecommunications	378,002	0.5%	0	0.0%	0
Postage	340,425	0.4%	0	0.0%	0
Insurance	28,461	0.0%	0	0.0%	0
In-State Travel	13,344	0.0%	0	0.0%	0
Out-of-State Travel	2,697	0.0%	0	0.0%	0
Training	33,924	0.0%	0	0.0%	0
Security Services	0	0.0%	0	0.0%	0
Facility Operations	1,149,267	1.5%	0	0.0%	0
Utilities	0	0.0%	0	0.0%	0
Contracted Services	8,570,189	11.0%	1,146,072	13.4%	955,641
Consulting and Professional Services	2,493,170	3.2%	0	0.0%	0
Information Technology	3,179,256	4.1%	456,350	14.4%	0

Expenditure Accounts	Expenditures Reported	Percentage of Total Expenditures	Amount Tested	Percentage Tested	Error Amount
Major Equipment	112,993	0.1%	0	0.0%	0
Other Items of Expense	247	0.0%	0	0.0%	0
Subtotal – Operating expenses and equipment	<u>17,638,673</u>		<u>1,602,422</u>		<u>955,641</u>
<b>Special Items of Expense</b>					
Grand Jury	0	0.0%	0	0.0%	0
Jury Costs	334,567	0.4%	0	0.0%	0
Judgements, Settlements and Claims	0	0.0%	0	0.0%	0
Debt Service	0	0.0%	0	0.0%	0
Other	0	0.0%	0	0.0%	0
Capital Costs	0	0.0%	0	0.0%	0
Internal Cost Recovery	0	0.0%	0	0.0%	0
Prior Year Expense Adjustment	-89,881	-0.1%	0	0.0%	-1,018,790
Subtotal – Special items of expense	<u>244,686</u>		<u>0</u>		<u>-1,018,790</u>
<b>Total expenditures</b>	<b><u>\$77,976,928</u></b>	<b>100.0%</b>	<b><u>\$1,669,552</u></b>	<b>2.1%</b>	<b><u>-\$63,150</u></b>

Minor calculation differences are due to rounding.

We found errors in the Contracted Services and the Prior Year Expense Adjustment accounts. See Finding 2—Unaccrued Year-End Non-Payroll Expenditures and Finding 3—Unadjusted Prior-Year Non-Payroll Expenditures.

The following accounts are material expenditure accounts: Salaries – Permanent, Staff Benefits, Contracted Services, and Information Technology. Although it is not material, we also tested the Overtime account.

We tested internal controls for the following accounts: Salaries – Permanent, Overtime, Staff Benefits, Contracted Services, and Information Technology.

## SCHEDULE 3—SUMMARY OF FUND BALANCES AND FUND BALANCE TEST RESULTS

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

Balance	General Fund	Special Revenue Fund Non-Grant	Special Revenue Fund Grant	Total
Beginning balance	\$1,152,999	\$1,938,564	\$0	\$3,091,563
Revenues	73,311,108	3,722,846	2,466,494	79,500,448
Expenditures	-72,201,348	-3,289,680	-2,485,899	-77,976,928
Transfers in	0	0	19,405	19,405
Transfers out	-19,405	0	0	-19,405
Ending balance	2,243,354	2,371,730	0	4,615,083
<b>Errors Noted</b>				
Revenues	-361,385	-221,605	0	-582,991
Expenditures	-63,150	0	0	-63,150
<b>Total errors noted</b>	<b>-\$424,535</b>	<b>-\$221,605</b>	<b>\$0</b>	<b>-\$646,140</b>

Minor calculation differences are due to rounding.

We found errors in various accounts. Refer to the findings noted in Schedules 1 and 2.

## FINDINGS AND RECOMMENDATIONS

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### Finding 1—Unaccrued Year-End Revenues and Reimbursements

During our review of revenue and reimbursement transactions, we identified accrual-related accounting errors affecting the Court's current-year (FY 2021-22) operating accounts. In all instances, the Court did not accrue for year-end revenues and reimbursements. These instances resulted in understated revenues in the amount of \$582,990.

#### Accrual-related Errors

We noted accrual-related errors affecting the following GL revenue and reimbursement accounts.

#### **GL Account Number 831010, General Fund AB 2695 Service of Process**

The Court did not accrue reimbursements due the Court at FY 2021-22 year-end for the AB 2695 Service of Process program. The Court receives quarterly reimbursements to help pay law enforcement for service of orders and injunctions. When reviewing the account's ledger activity, we saw no reimbursement for the third quarter (Q3) or the fourth quarter (Q4). The Court's representatives stated that accruals of \$6,670 for Q3 and of \$8,250 for Q4 may have been overlooked, as the Court had been understaffed. The Court's representatives confirmed that the Q3 and Q4 reimbursements were received in FY 2022-23. The missing accruals resulted in an understatement of \$14,920 to the current-year program revenue account.

#### **GL Account Number 837011, TCTF Improvement and Modernization Fund Reimbursement, Self-Help**

The Court did not accrue reimbursements due the Court at FY 2021-22 year-end for the Self-Help program. When reviewing the Self-Help program ledger activities, we noted that the Court's expenditures were higher than recorded reimbursements. Upon review of supporting

documentation such as executed agreement and monthly distributions, we noted that no reimbursement had been recorded in GL Account Number 837011 (Improvement and Modernization Fund), which partly funds the program. The Court's representatives stated that the Court generally overspent for this program and that the accrual for the funding in the Improvement and Modernization Fund account was overlooked due, as the Court had been understaffed. The Court's representatives confirmed that the Improvement and Modernization Fund reimbursement was received in FY 2022-23. The missing accrual resulted in an understatement of \$111,514 to the current-year program revenue account.

### **GL Account Number 841015, County Program – Restricted**

The Court did not accrue revenues due the Court at FY 2021-22 year-end for the Indigent Defense Advisory (IDA) Program or the Civil Grand Jury Program. During our review of changes in revenues between the current year and the prior year, we noted a decrease in the current-year County Program – Restricted roll-up account. The Court's representatives stated that the decrease was partly due to unaccrued invoices to the CCSF for the IDA Program (\$234,951) and Civil Grand Jury (\$221,605) Program that were overlooked, as the Court had been understaffed. The Court's representatives confirmed that the invoices had been billed, and that revenues were received, in the following fiscal year of FY 2022-23. The missing accruals resulted in an understatement of \$456,556 to the current-year program revenue account.

### **Criteria**

Policy Number FIN 5.01, section 6.8, "Year-End Procedures," of the FIN Manual 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 [JCC] 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 GL. 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.

### **Finding 2—Unaccrued Year-End Non-Payroll Expenditures**

During our review of the Court's Contracted Services account, we identified three accrual-related accounting errors affecting various sub-accounts in the Court's current-year (FY 2021-22) operating accounts. In all instances, the Court did not accrue for year-end expenditures. These instances resulted in an understatement of \$63,150 in the Court's reported expenditures.

## **Accrual-related Errors**

We noted accrual-related errors affecting the following non-payroll expenditure accounts.

### **GL Account Number 938401, General Consultant and Professional Services**

When comparing the invoice to the purchase order related to the payment for one vendor, we noted a difference between the amounts. The Court's representatives stated that the difference represents the remaining amount from the purchase order reserved for a January to June services payment. Due to the delay in receiving an invoice from the vendor, the \$29,125 payment was not made until March 2023. In addition, the Court's representatives confirmed that an accrual should have been made at year-end. However, because the Court was understaffed, the accrual was overlooked. The missing accruals resulted in an understatement of \$29,125 to the current-year program expenditure account.

### **GL Account Number 938801, Dependency Counsel Charges for Children**

The Court did not accrue for Court Appointed Counsel Dependency Services for the month of June. The Court's representatives confirmed that the invoice was paid in July 2022. The missing accruals resulted in an understatement of \$20,414 to the current-year program expenditure account.

### **GL Account Number 938802, Dependency Counsel Charges for Parents**

The Court did not accrue for Court Appointed Counsel Dependency Services for the month of June. The Court's representatives confirmed that the invoice was paid in July 2022. The missing accrual resulted in an understatement of \$13,611 to the current-year program expenditure account.

## Criteria

Policy Number FIN 5.01, section 6.8, “Year-End Procedures,” of the FIN Manual states:

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 [JCC] may issue. . . .

### **6.8.2 Year-End Expenditure and Related Liability Accruals**

During year-end closing, the court must:

1. Accrue expenditures for all open encumbrances for goods and services that have been delivered or rendered, but not paid as of June 30;
2. Review all contracts, including contracts covering more than one fiscal year. Accrue expenditures for services rendered or goods received in the current fiscal year only;
3. Not accrue expenditures for contracts or [purchase orders] that have a valid, open balance, and the goods or services have not been received by June 30;
4. Accrue expenditures for all direct invoices, not supported through an encumbrance, for which goods or services have been received or rendered, but not paid as of June 30;
5. Prepare and maintain a detailed listing of accruals with actual invoice numbers and amounts noted; and
6. Reverse all expenditure 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 GL. Estimates should be used to accrue expenditures incurred but remained unpaid at year-end. Adjusting (true-up) entries may be necessary for differences between estimated and actual expenditures paid in the following accounting period of the new fiscal year.

## **Finding 3—Unadjusted Prior-Year Non-Payroll Expenditures**

During our review of the Court's expenditures, we found \$1,018,790 in disbursements for prior-year (FY 2020-21) transactions that were recorded in current-year operating accounts, and which had not been accrued at year-end of the prior fiscal year. Accounting policies require that disbursements for prior-year activities that were not accrued in the prior year be recorded in GL Account Number 999910 (Prior Year Expenditure Adjustment), instead of in current-year operating accounts.

### **Accrual-related errors**

The following expenditures for accounts and prior-year invoices were not accrued at FY 2020-21 year-end.

### **Various GL Accounts**

The Court paid \$47,394 to a vendor in the current year for various legal services rendered in the prior year (FY 2020-21). The Court did not accrue the expenditures and liability at year-end of FY 2020-21. In disbursing payments to the vendor for the prior-year services, the Court misclassified the expenditure entries by recording them to current-year operating accounts.

The following table shows transaction recordation:

GL Account Number	GL Description	Amount
938401	General Consultant and Professional Services	\$22,084
938801	Dependency Counsel Charges for Children	15,214
938802	Dependency Counsel Charges for Parents	10,044
938803	Court Appointed Counsel Charges – Family Code Section 3150	52
<b>Total Payment</b>		<b><u>\$47,394</u></b>

The Court should have recorded the expenditures in GL Account Number 999910 (Prior Year Expenditure Adjustment). As a result, the current-year operating expenditure accounts were overstated by \$47,394.

**GL Account Number 938801 Dependency Counsel Charges for Children**

During our review of GL Account Number 938801 transactions, we noted multiple payments with a document date of June 30, 2021, and a posting date in the current year (FY 2021-22). The Court’s representatives confirmed that these payments were for services received in FY 2020-21. Due to the delay in receiving invoices from vendors, the Court was unable to make a year-end accrual in anticipation of these services in the prior year. Invoices were received and paid in the current year. These entries resulted in an overstatement of \$358,103 to the current-year expenditure account.

**GL Account Number 938802 Dependency Counsel Charges for Parents**

During our review of GL Account Number 938802 transactions, we noted multiple payments with a document date of June 30, 2021, and a posting date in the current year (FY 2021-22). The Court’s representatives confirmed that these payments were for services received in FY 2020-21. Due to the delay in receiving invoices from vendors, the Court was unable to make a year-end accrual in anticipation of these services in the prior year. Invoices were received and paid in the current year. These entries resulted in an overstatement of \$233,283 to the current-year expenditure account.

### **GL Account Number 938899 Court Appointed Counsel Charges**

During our review of GL Account Number 938899 transactions, we noted the Court made a reclassification entry in the amount of \$380,011. The Court's representatives stated that the reclassification was to move FY 2020-21 foster care-related program expenditures from GL Account Number 938801 (Dependency Counsel Charges for Children; \$240,855) and GL Account Number 938802 (Dependency Counsel Charges for Parents; \$139,155) to GL Account Number 938899 (Court Appointed Counsel Charges). As the transactions were for prior-year services, the auditor informed the Court that the reclassification should have been made to GL Account Number 999910 (Prior Year Expenditure Adjustment); the Court concurred with this advice. This entry resulted in an overstatement of \$380,010 to the current-year expenditure account.

### ***Prior Year Adjustment Accounts***

The JCC's uniform Trial Court Chart of Accounts establishes adjustment accounts in the trial court GL. Expenditures are reclassified by using GL Account Number 999910 (Prior Year Expenditure Adjustment) to record adjustments of accrual-related accounting differences; and to record expenditures that were incurred, but not accrued in the prior year, and subsequently paid in the current year. Revenues are reclassified in a similar way by using GL Account Number 899910 (Prior Year Revenue Adjustment).

The Prior Year Adjustment accounts reclassify accounting information for financial and budgetary reporting, and isolate differences in prior-year accrued transactions to prevent them from being commingled with current-year transactions and reported in current-year operating accounts. Failure to adjust accounts may lead to material financial misstatements.

The JCC's Administrative Division staff provides guidance to courts for using the Prior Year Expenditure Adjustment account in its annual *Year-End Close Training Manual–General Ledger*.

## Criteria

Section 7.1, “Automated Accrual Reversal Process,” of the FY 2021-22 *Year-End Close Training Manual–General Ledger* states, in part:

As previously discussed, most expenditure and revenue accruals are automatically reversed in the new fiscal year by placing Z2 and 07/01/2021 in the last two columns of the ZREVERSAL Journal Entry template. Once period 13 is closed, these adjusting entries will automatically be reversed with a posting date of 07/01/2021.

**Note:** If an accrual was not recorded at year-end or the difference between the accrual amount and the actual amount received/paid is deemed material, then prior-year accounts are to be used in the subsequent fiscal year.

## Recommendation

We recommend that the Court:

- Record any unaccrued prior-year disbursements in GL Account Number 999910 (Prior Year Expenditure Adjustment); and
- Periodically review expenditure accounts for any transactions paid in the current year but for goods and/or services incurred in the prior year, and make appropriate recordation to GL Account Number 999910 (Prior Year Expenditure Adjustment).

## Finding 4—Noncompliance with Program Reporting

### Requirements

During our review of the reimbursement in GL Account Number 832010, TCTF MOU Reimbursement, specifically pertaining to the Sargent Shriver Civil Counsel Program, we noted a reporting requirement stipulated in the agreement between the JCC and the Court. The

Court's representatives indicated that no reports were made or submitted to the JCC. According to the Court's grant manager, the Court had no knowledge of the reporting requirement.

Paragraph A of Section 5, "Reporting," in Exhibit A, "Project to Be Funded," of *Judicial Council Intra-Branch Agreement (IBA) Grant Number 73054 with Superior Court of California, County of San Francisco* states:

The Court will submit periodic reports to the [JCC's] Program Manager as set forth in Table A-2. The purpose of the periodic reports is to provide the Court and the [JCC] with an evaluation of [the] Project in relation to this Agreement. Failure to supply a periodic report will result in a delay of payment under this Agreement.

Description/Period of Performance	Due Date
Report July 1, 2021, through December 31, 2021	<b>January 31, 2022</b>
Report January 1, 2022, through June 30, 2022	<b>June 30, 2022</b>

## Recommendation

We recommend that the Court:

- Periodically review agreements and/or contracts for compliance such as adherence to reporting requirements; and
- Contact the JCC's program manager to discuss any deviations from the agreement and/or contract requirements.

## **Finding 5—Noncompliance with Program Reporting**

### **Requirements**

The Court has weak or non-existent controls over its contracting process with the CCSF. We reviewed both revenue receipt and expenditure disbursement transactions associated with the CCSF. We found that, in one of two transactions reviewed, the Court did not comply with legal requirements for contracting for services provided to the Court.

We also reviewed 31 transactions related to contracts and agreements between the Court and various vendors. We noted that 15 of the 31 transactions were for goods and services. We found that eight of the contracts related to these 31 transactions did not include an execution date with the signatures.

### **Court Payroll and Retirement Plan Costs**

We reviewed expenditures related to processing biweekly payroll activities and annual employee retirement plan costs and found that the Court paid the CCSF \$2,372,838 in FY 2021-22 to provide those services. There is no contract between the Court and the CCSF for such services. Subparagraphs (1) and (2) of GC section 77212 require that courts contract with counties, or cities and counties, for services.

The CCSF provides these services through its Controller's Office and its Health Service System. The Court determines its annual payment amounts according to the CCSF County-Wide Cost Allocation Plan (COWCAP) for each department. The payroll costs are based on an allocation of CCSF departmental indirect costs in the COWCAP for the Court's share of the CCSF Controller's Payroll and Personnel Division costs. Retirement costs for employees who retired after 2001 appear in the CCSF COWCAP as a direct charge for the Court's share of Health Service System retirement plan costs. These formerly county employees became state employees as a result of the statewide consolidation of county municipal courts with county superior courts. Employees who retired before 2001 remained county employees and are retained in the CCSF retirement system.

We relied on information presented in the CCSF's FY 2021-22 COWCAP to verify the costs associated with payroll and personnel processing fees for employees who retired after 2001. We matched the COWCAP costs to the payment disbursements and expenditures recorded in the Court's FY 2021-22 GL. The Court's representatives explained that the CCSF continues to allocate costs and bill the Court as if the Court were still a department of the CCSF. The Court's representatives also noted that arrangements were merely verbal, and no contract was ever established between the Court and the CCSF after the trial court consolidation in 2001.

Furthermore, when reviewing the CCSF COWCAP, we also noted costs that appear to be unallowable, and which are factored into the Court's cost allocation. Examples include allocations made by the CCSF to the Mayor's Office and the Board of Supervisors, along with other CCSF departmental or agency costs. The Court's costs—both allowable and unallowable—are described in GC section 77003 and in CRC rule 10.810. Certain costs are specifically unallowable.

Because of the lack of a contract, the payment of \$2,372,838 to the CCSF for FY 2021-22 and payments for prior years were not identifiable as vendor payments to the CCSF. Therefore, these payments were not properly reported to the State Auditor as required by Public Contract Code section 19204(a).

### **Indigent Defense Advisory Program**

We reviewed expenditures related to foster care and found that the Court has an MOU with the CCSF for administration of the IDA Program. The Court entered into this MOU with the CCSF to cooperatively manage expenditures related to the Court's IDA Program costs and reimbursements. The MOU is with the Mayor's Budget Office, which annually allocates funding from the CCSF's general fund for this program. When reviewing the MOU, we noted the following exceptions:

- The MOU does not state when it was executed and/or signed by both parties.

- The MOU does not state the amount of funding to be allocated to the IDA Program; instead, it states that the funding amount will be based on the CCSF annual budget.
- The MOU does not outline specifics of work allowed under the IDA Program. The Court's representatives indicated that foster care is covered under the IDA Program; however, the MOU does not include a description of, or reference to, funding for foster care.

## Criteria

GC section 77212(d)(1) states:

If a trial court desires to receive or continue to receive a specific service from a county or city and county as provided in subdivision (c), and the county or city and county desires to provide or continue to provide that service as provided in subdivision (b), the presiding judge of that court and the county or city and county shall enter into a contract for that service. The contract shall identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service. The court and the county or city and county shall cooperate in developing and implementing the contract.

For any contract entered into after January 1, 2002, the amount of any indirect or overhead costs shall be individually stated in any contract together with the method of calculation of the indirect or overhead costs. This amount shall not contain items that are not otherwise allowable court operations. The [JCC] may audit the county figures to ensure compliance with this section and to determine the reasonableness of the figures.

GC section 77003(a) states, in part:

As used in this chapter, "court operations" means all of the following . . .

- (7) Subject to paragraph (1) of subdivision (d) of Section 77212, actual indirect costs for county and city and county general services attributable to court operations, but specifically excluding, but not limited to, law library operations conducted by a trust pursuant to statute; courthouse construction; district attorney services; probation

services; indigent criminal defense; grand jury expenses and operations; and pretrial release services.

(8) Except as provided in subdivision (b), and subject to Article 8.5 (commencing with Section 69920) of Chapter 5, other matters listed as court operations in Rule 10.810 of the California Rules of Court as it read on January 1, 2007.

CRC rule 10.810, "Court Operations," states, in part:

**(a) Definition**

Except as provided in subdivision (b) and subject to the requirements of subdivisions (c) and (d), "court operations" as defined in Government Code section 77003 includes the following costs . . .

(7) (*indirect costs*) a share of county general services as defined in subdivision (d), Function 11, and used by the superior and municipal courts. . . .

**(b) Exclusions**

Excluded from the definition of "court operations" are the following . . .

(9) county costs as provided in subdivision (d) as unallowable. . . .

Function 11, "County General Services ('Indirect Costs')," of CRC rule 10.810(d) states:

General county services are defined as all eligible accounting, payroll, budgeting, personnel, purchasing, and county administrator costs rendered in support of court

operations. Costs for included services are allowable to the extent the service is provided to the court. . . .

#### Unallowable costs

Unallowable court-related costs are those

- (a) in support of county operations,
- (b) expressly prohibited by statute,
- (c) facility-related, or
- (d) exceptions of the nature referenced in Functions 1–11.

Unallowable cost items, including any related data processing costs, are not reported in Functions 1–11 and may include, for example,

#### Communications

central communication control and maintenance for county emergency and general government radio equipment

#### Central Collections

processing accounts receivable for county departments (not courts)

#### County Administrator

legislative analysis and activities

preparation and operation of general directives and operating procedures

responses to questions from the Board, outside agencies, and the public

executive functions: Board of Supervisors

county advisory councils

#### Treasurer/Tax Collector

property tax determination, collection, etc.

#### General Services

rental and utilities support

coordinate county's emergency services

#### Property Management

negotiations for the acquisition, sale, or lease of property, except for space rented for storage of court records

making appraisals

negotiating utility relocations

assisting County Counsel in condemnation actions

preparing deeds, leases, licenses, easements

collecting rents

building lease management services (except for storage of court records)

#### Facility-related

construction services

right-of-way and easement services

purchase of land and buildings

construction

depreciation of buildings/use allowance

space rental/building rent (except for storage of court records)

building maintenance and repairs (except interior painting and to replace/repair flooring)

purchase, installation, and maintenance of H/V/A/C equipment

maintenance and repair of utilities

utility use charges (e.g., heat, light, water)

elevator purchase and maintenance

alterations/remodeling

landscaping and grounds maintenance services

exterior lighting and security

insurance on building damages (e.g., fire, earthquake, flood, boiler and machinery)

grounds' liability insurance

parking lot or facility maintenance

juror parking

Public Contract Code section 19204(a) states, in part:

All judicial branch entities shall comply with the provisions of this code that are applicable to state agencies and departments related to the procurement of goods and services, including information technology goods and services. All contracts with total cost estimated at more than one million dollars (\$1,000,000), except contracts covered by Section 68511.9 of the Government Code, shall be subject to the review and recommendations of the

Bureau of State Audits to ensure compliance with this part. All judicial branch entities shall notify the State Auditor, in writing, of the existence of any such contracts within 10 business days of entering the contract. . . .

## **Recommendation**

We recommend that the Court comply with GC section 77212(d)(1) by establishing contracts with the CCSF for payroll, personnel, retirement service processing and the IDA Program, including foster care. The contracts should identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service, and be reported to the State Auditor as necessary. We recommend that all contracts include execution dates with signatories.

We further recommend that the JCC's Office of Audit Services review the CCSF's cost allocations to ensure and verify that no unallowable CCSF costs are charged to the Court through its contracting and reimbursements.

## **Finding 6—Internal Control Deficiency – Inadequate Payroll Documentation and Reconciliation Discrepancies**

We reviewed the Court's fiscal procedures to verify that account entries were checked for accuracy and completeness. Our payroll audit procedures included reviewing and reperforming calculations for pay, retirement, and health benefits.

We inquired with the Court's representatives about the Court's routine reconciling procedures for ensuring that payroll is fully accounted for and properly entered in the Court's GL. Checking for accuracy and completeness usually involves reconciling the payroll register with the GL to identify errors or irregularities that may have occurred when calculating and processing payroll for employees. The Court's representatives indicated its payroll is processed externally by the CCSF and that payroll reconciliations are not prepared on a pay-period basis (bi-weekly) but are prepared annually at year end. The annual reconciliation the Court provided for

FY 2021-22 showed an unreconciled discrepancy of \$40,634. The Court's representatives informed us that, although periodic payroll reconciliations are not prepared, the Court is aware of these differences; and that they are most likely a reflection of health benefit cost variations from other pay periods. The Court provided us with a payroll register data file, sorted by employee, for each of the two pay periods in our test. We reconciled each of the two data files with the GL, confirming that differences were present and agreed with health benefit costs. Although differences can be traced to individual employees, we were unable to reconcile the total year-end balances. The Court's representatives indicated that they are not provided with enough information or access to the CCSF data to perform reconciling procedures.

When performing the audit procedures, we also verified the source documents for employee compensation. Of the 10 employees whose records we reviewed, three received additional compensation for longevity and qualification premiums. However, the Court could not provide proof of the employees' eligibility.

Policy Number FIN 2.01, section 3.0, "Policy Statement," of the FIN Manual states, in part:

1. It is the policy of the trial court to employ sound business, financial, and accounting practices to conduct its fiscal operations. The court shall be responsible for monitoring and controlling its fiscal operations and accounting publicly for its financial performance through . . .
  - d. The institution of a system of internal controls;
  - e. The retention of financial and accounting records for appropriate periods . . .

Policy Number FIN 2.01, section 6.3, "Accounting System," of the FIN Manual states, in part:

1. The trial court shall utilize the Phoenix Financial System to ensure the efficient, organized, and accurate reporting of all transactions. The court is responsible for assuring that the transactions recorded in the Phoenix Financial System are supported by documentation and evidential matter that can withstand internal or external financial audits.

2. The key elements of an efficient and organized accounting system include:
  - a. An organized and efficient method of accumulating, recording, and reporting all transactions;
  - b. An effective assignment of authority and responsibility;
  - c. An effective approach to segregation of duties; and
  - d. An efficient method of detecting errors and irregularities. . . .

Policy Number FIN 2.01, section 6.4, "Accounting Records," of the FIN Manual states, in part:

1. Each trial court shall document its financial activities and maintain sufficient accounting records to:
  - a. Ensure that all transactions are properly and accurately recorded.
  - b. Provide sufficient evidence and justification for all transactions.
  - c. Maintain accountability for trial court assets and resources.
  - d. Document accountability of trial court employees who execute and process financial transactions.
  - e. Permit preparation of accurate, informative, and reliable reports that conform to applicable criteria.
  - f. Support management during internal reviews and external audits. . . .

Policy Number FIN 12.01, item 4 of section 6.1, "General Guidelines," of the FIN Manual states:

. . . The [JCC] has established a five-year (current year plus four) retention period as the standard for retention of a wide range of court financial documents. The trial court must

comply with this standard in the absence of a specific retention period required by statute or the [JCC]. . . .

Policy Number FIN 12.01, section 6.2.1, “Claims and Warrants,” of the FIN Manual states:

Claims and warrants documents/documentation shall be retained for five years. The trial court may destroy any claim, warrant, or other paper issued as a warrant voucher that is more than five years old. Any index or warrant register may also be destroyed after five years. These records may be destroyed at any time if they have been permanently reproduced and the copies are retained for five years after the date of the document. Any index or warrant register that is more than five years old may be destroyed without being reproduced.

## **Recommendation**

We recommend that the Court implement and document a reconciliation procedure to be performed and/or maintained by the Court’s staff. The CCSF should either perform reconciliation procedures or provide sufficient data records for the Court to perform periodic reconciliations. We recommend that the Court reconcile the \$40,634 to ascertain its effect on the Court.

We also recommend that the Court enforce a records-retention policy and a system of procedural controls to ensure that employee records are maintained for the period of time specified by the JCC’s FIN manual.

## **Finding 7—Internal Control Deficiency – Inadequate Controls over Computer Access**

We noted delays in deactivating user access to the Court’s computer network for three employees who had separated from Court employment during the audit period. The Court provided separation dates in FY 2021-22 for the three employees, but a network list provided

by the JCC indicates that none of the employees' access was deactivated until January 2024. For one of the employees, a final log-in was recorded on August 25, 2021, after the employee's separation date of August 10, 2021.

We also inquired about the Court's policy for user permissions in the SAP Phoenix financial system. We found that the Court has no documented policy for administering access to either the computer network or the SAP Phoenix financial system. The Court was not able to provide documentation showing removal of SAP Phoenix user permissions for the three employees whose records we reviewed.

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 information security policies and procedures. . . .

The JCC's standards for systems administration, published in its *Information Systems Controls Framework* (version 2.0, December 1, 2018; *Controls Framework*) provides procedural guidance, including the directive to deactivate access within 24 hours of separation.

Policy Number 1.1, "Scope," of the JCC's *Controls Framework* begins:

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 Policy and Procedures," of the JCC's *Controls Framework* begins:

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. . . .

Policy Number 17.4, "Personnel Termination," of the JCC's *Controls Framework* begins:

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 [the] judicial branch entity-defined time period. . . .

Policy Number 17.5, "Personnel Transfer," of the JCC's *Controls Framework* begins:

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 [the] 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 [the] judicial branch entity-defined time period. . . .

## Recommendation

We recommend that the Court:

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

January 2026

# ATTACHMENT—SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN FRANCISCO'S RESPONSE TO DRAFT AUDIT REPORT

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Superior Court of California

COUNTY OF SAN FRANCISCO

400 McAllister Street, Room 205  
San Francisco, CA 94102-4512



**BRANDON E. RILEY**  
COURT EXECUTIVE OFFICER

August 11, 2025

Joel James  
Chief, Financial Audits Bureau  
State Controller's Office  
3301 C Street, Suite 700  
Sacramento, CA 95816

Dear Joel James,

In connection with the State Auditor's Office draft audit report on fiscal compliance for July 1, 2021, through June 30, 2022 received on June 30, 2025, the Superior Court of California, County of San Francisco (the 'Court') concurs with the audit findings.

Per the Audit Recommendations, the Court will make the following corrective actions:

1. Finding 1 - To ensure proper accrual of revenues and reimbursements we will implement year-end review of balances and transactions and use estimates if necessary.
2. Finding 2 - To ensure proper accrual of expenditures we will implement year-end review of transactions and use estimates if necessary.
3. Finding 3 - To ensure proper recording of prior year expenditures we will accrue expenses in GL account 999910 and review transactions in the following year to make appropriate recordation.
4. Finding 4 - To ensure compliance with program reporting requirements we will periodically review contracts on a quarterly basis beginning December 2025.
5. Finding 5 - We aim to establish a written MOU with the City and County of San Francisco for services provided by June 2026. We will consult with JCC's Office of Audit Services to ensure cost are allowable.
6. Finding 6 - To ensure that payroll is properly documented and reconciled the Court will aim to transfer the payroll unit from Human Resources to the Office of Fiscal Services by December 2026. Our goal is to have the fiscal unit take over payroll management including establishing procedures for bi-weekly reconciliation.
7. Finding 7 – Removed.
8. Finding 8 - To ensure proper control over SAP computer access, we will request access removal on the last day of employment.

Sincerely,

A handwritten signature in cursive script that reads "Brandon E. Riley".

Brandon E. Riley  
Court Executive Officer

CC: Rally Catapang, Chief Financial Officer  
Faye Chin, Fiscal Systems and Services Manager