



**JUDICIAL BRANCH
ANNUAL AUDIT PLAN
Fiscal Year 2026-27**



Judicial Council of California

BACKGROUND

The Audit Committee

Rule of Court, rule 10.63 establishes the “Advisory Committee on Audits and Financial Accountability for the Judicial Branch” (audit committee). The Judicial Council has tasked the audit committee with advising and assisting the Judicial Council in performing its responsibilities to ensure that the fiscal affairs of the judicial branch are managed efficiently, effectively, and transparently. The committee’s audit-specific responsibilities include:

- Reviewing and approving an annual audit plan for the judicial branch.
- Reviewing all audit reports of the judicial branch and recommending actions to the Judicial Council in response to any substantial issues identified.
- Approving the public posting of all audit reports of the judicial branch.
- Advising and assisting the Judicial Council in performing its responsibilities under:
 - Government Code, Section 77009(h) – the Judicial Council’s audits of the superior courts.
 - Government Code, Section 77206 – Responding to external audits of the Judicial Council and the superior courts by the State Controller, State Auditor, or Department of Finance.

The audit committee serves as a central clearinghouse for hearing all audit-related issues pertaining to the Judicial Council, Courts of Appeal, and the superior courts, regardless of whether the audit was performed by the Judicial Council of California’s (JCC) own audit staff (Audit Services) or by external audit organizations (such as the State Controller’s Office, State Auditor’s Office, or the Department of Finance). The audit committee communicates significant audit findings and issues to the entire Judicial Council and can also suggest policy changes or other proposed corrective actions in response to any significant audit finding.

Purpose of the Annual Audit Plan

The purpose of the annual audit plan is to explain which focus areas will be audited during the year. The annual audit plan also helps to establish expectations for audit committee members regarding which audits and topics will come before the committee for further discussion during the year.

Audit Services’ Role

Audit Services’ primary role is to establish an annual audit plan, which explains how significant risks and statutory audit requirements imposed on the judicial branch will be addressed in the coming year, and to perform audits of the Courts of Appeal and superior courts to ensure the Judicial Council’s rules and policies are followed in actual practice. An audit of a superior court often entails a review of its fiscal affairs such as, but not limited to, whether the court has: implemented certain mandatory internal controls over cash handling and has spent state-provided funding on allowable expenses for “court operations” as defined by Rule of Court, rule 10.810. Audits of the Courts of Appeal focus more heavily on procurement activity given the more

limited requirements imposed on their activities by the Judicial Council and state law. Generally, audits are scheduled based on the time elapsed since the prior audit. Finally, Audit Services periodically performs internal reviews of the Judicial Council as directed by executive management and coordinates with independent, external agencies that audit the Judicial Council's operations.

The Role of External Audit Agencies

External audit agencies, such as the State Auditor's Office (State Auditor) and the State Controller's Office (SCO), also perform recurring audits of the judicial branch as directed by statute. The statutory authorities for each external audit agency (as they currently pertain to the judicial branch) are summarized below:

State Auditor's Office:

- Financial statement audits of the State's annual comprehensive report, as prepared by the SCO in accordance with Generally Accepted Accounting Principles. [Govt. Code, Section 8546.3]
- Discretionary audits as directed by the Joint Legislative Audit Committee. [Govt. Code, Section 8546.1]
- Audits of the Judicial Council and other judicial branch entities' compliance with the Judicial Branch Contract Law. [Pub. Contract Code, Section 19210]

State Controller's Office:

- Audits of Judicial Council and superior courts' revenues, expenditures, and fund balance. [Govt. Code, Section 77206]
- Audits of criminal fine and fee revenue collection and distributions by the superior courts. [Govt. Code 68101- 68104]

Although the State Auditor and the SCO both perform financial-related audits, the purpose of each audit is different. The State Auditor's annual financial statement audit includes the financial information submitted by the judicial branch to the SCO. Separate from this statewide financial statement audit, the Government Code requires the SCO to evaluate the Judicial Council's and superior courts' compliance with state laws, rules, and regulations pertaining to significant revenues, expenditures, and fund balances under their control. These SCO audits focus on evaluating financial compliance with the State's unique rules, such as the State's legal/budgetary basis of accounting and civil filing fee collections and distributions. The Judicial Council is required to use the SCO to perform the audits mandated under Government Code, Section 77206, unless either the State Auditor or Department of Finance can perform the same scope of work as the SCO but at a lower cost.

ANNUAL AUDIT PLAN

Background on Audit Criteria

The Legislature has provided the Judicial Council with the responsibility for developing broad rules within which the superior courts exercise their discretion. For example, Government Code, Section 77206 authorizes the Judicial Council to regulate the budget and fiscal management of the trial courts, which has resulted in it promulgating the FIN Manual pursuant to Rules of Court, rule 10.804. The FIN Manual establishes a fundamental system of internal controls to enable trial courts to monitor their use of public funds, consistently report financial information, and demonstrate accountability. The FIN Manual contains both mandatory requirements that all trial courts must follow, as well as suggestive guidance that recognizes the need for flexibility given varying court size and resources. Similarly, the Legislature enacted section 19206 of the Public Contract Code, requiring the Judicial Council to adopt and publish a *Judicial Branch Contracting Manual (JBCM)* that all judicial branch entities must follow. When identifying risk areas that will be included in the scope of its audits, Audit Services considers the significant reporting and compliance risks based on the policies and directives issued by the Judicial Council, such as through the FIN Manual, JBCM, Rules of Court, and budgetary memos.

Although superior courts generally have broad authority to operate under their own locally developed rules and strategic goals, many of these policies were issued with the intent of establishing a minimum level of internal controls at each court to prevent or detect theft or fraud by court employees and to promote financial accountability.

Risk Areas

Audit Services uses professional judgment when identifying areas of risk, which informs the scope of its audits. Specifically, Audit Services considered the significance of each risk area in terms of the likely needs and interests of an objective third party with knowledge of the relevant information, as well as a risk area's relevance or potential impact on judicial branch operations or public reputation. The risk areas assessed are shown in Table 1 on the next page. The table also reflects statutorily mandated audits performed by the State Auditor and the State Controller's Office, which further contribute to accountability and public transparency for the judicial branch. Audit Services generally considered the complexity of the requirements in each risk area and its likely level of importance or significance to court professionals, the public, or the Legislature. Audit Services also considered those areas where the internal control requirements may be complex or the incentives to circumvent those controls or to rationalize not having them in the first place is high (e.g., cash handling), as well as those risk areas where the complexity of the requirements were low to moderate, but the reputational risk resulting from any significant audit findings would be moderate to high.

Table 1 – Risk Areas and Responsible Audit Organizations

Risk Area	Description of Risk	Audit Organization
Financial Reporting	Financial statements not prepared in accordance with Generally Accepted Accounting Principles.	State Auditor's Office
Financial Compliance	Revenues, expenditures, and fund balance are not recorded in accordance with state rules.	State Controller's Office
Cash Handling	JCC internal control policies on handling cash and other forms of payment are not being followed.	JCC Audit Services
Procurement Activity	Judicial Branch Contract Law and related JCC policies to maximize best value through competitive procurements are not being followed.	JCC Audit Services and State Auditor's Office
Payments & Authorization	Payments are being made for unallowable activities and/or lack authorization from the appropriate level of court management.	JCC Audit Services
Criminal Fine & Fee Revenue	Criminal fines and fees are not being properly calculated and reported to the county.	State Controller's Office
Travel & Business Meal Expenses	Employees are being reimbursed for unallowable travel and/or business meal expenses.	JCC Audit Services
Budgetary Accountability	Year-end encumbrances are being improperly reported and courts are retaining more fund balance than allowed under statute and JCC policy. Inaccurate case filing data are being submitted to JBSIS, which impact trial court budget allocations.	JCC Audit Services

Prior-Year Findings

To the extent that Audit Services notes systemic and recurring issues at multiple courts, this too is considered as part of the risk-assessment process. Of the five audits reviewed by the audit committee in fiscal year (FY) 25-26 and two draft audits pending approval by the audit committee, there were a total of 39 findings. The review of cash handling controls has historically been an area with the largest number of audit findings. This was the case again for our FY 25-26 audits. As noted in Table 2 on the next page, the most frequent categories of audit findings for FY 25-26 were cash handling-related findings (17 findings or 44%). The area with the second highest number of findings was payment processing (11 findings or 28%), such as courts not consistently requiring payments to be approved by authorized approvers. The procurement and contracts area had 6 findings—or 15%—because courts did not consistently document or require purchase requisitions.

Table 2 – Recap of FY 2025-26 Audit Findings at Superior Courts

Areas and Sub-Areas Reviewed	Number of Findings	Common Compliance Issues
Cash Handling: Bank Deposits	5	Courts often miss the required two-person deposit verification and signatures on a court copy of the deposit slip for cash deposits over \$100, which weakens accountability when shortages occur. They also delay deposits beyond FIN Manual thresholds without an approved alternative procedure, increasing theft/loss risk.
Cash Handling: Change Fund	3	Courts frequently fail to safeguard the change fund by commingling it with other cash, such as starting cash bags or daily collections, which obscures accountability and increases the risk of shortages or overages. Additionally, many courts do not perform required daily counts, verifications, and reconciliations in the presence of a supervisor, instead performing them weekly, at the wrong time of day, or with only a single staff member—contrary to FIN 10.02 requirements.
Cash Handling: Other Internal Controls	3	A common internal control issue involves insufficient segregation of duties—for example, when the same staff member verifies cashier closeouts, prepares deposits, delivers deposits, and performs electronic deposits. This concentration of responsibility potentially allows a single individual to initiate and conceal errors or irregularities, increasing the risk of undetected shortages or theft.
Cash Handling: Manual Receipts	3	Common compliance issues with manual receipts include courts not maintaining required logs to track receipt book issuance, use, and return, resulting in inadequate oversight and accountability for manual receipts. Several courts lacked complete documentation—such as receipt number sequences, dates issued/returned, and staff responsible—which increases the risk of inappropriate or untraceable use of manual receipts.
Cash Handling: End-of-Day Closeout Process	2	N/A
Cash Handling: Mail Payments	1	N/A
Cash Handling: Daily Opening Process, Voided Transactions, Internet Payments	0 each	N/A
Procurement and Contracts: Procurement Initiation	4	A recurring issue is starting procurements without an approved purchase requisition that documents justification, budget availability, and an authorized approver’s signature—especially for recurring services or routine invoices—potentially creating the appearance of inappropriate or unapproved purchases.
Procurement and Contracts: Non-Competitive Procurements, Contract Terms	1 each	N/A
Procurement and Contracts: Authorization & Authority Levels, Competitive Procurements, Leveraged Purchase Agreements, Other Internal Controls	0 each	N/A
Payment Processing: Approval & Authority Levels, In-Court Service Providers, Court Interpreters, Travel Expense Claims	2 each	N/A
Payment Processing: Three-Point Match Process, Business-Related Meals, Allowable Costs	1 each	N/A
Payment Processing: Jury Expenses, Other Items of Expense, Other Internal Controls	0 each	N/A
Fund Balance: Year-End Encumbrances, Use of “Held on Behalf” Funds	0 each	N/A
JBSIS: Validity of JBSIS Data	5	Common JBSIS problems include error rates above the 2% threshold for case categories, misclassification of filings, and limitations that prevent a court’s case management system from producing case-level support, all of which trigger the need for amended reports and targeted staff training.

Audit Scope Adjustments for FY 2026-27

Audit Services does not propose any modifications to the audit scope for its FY 2026-27 Audit Plan.

Available Staff Resources and Audit Scheduling

Audit Services' staffing currently consists of 1 manager, 1 supervisor, 2 team leaders, and 5 audit staff (total of 9 auditors). Audit Services is not currently recruiting to fill any vacant positions. On an as-needed basis, audit staff are pulled to support other projects focusing on the Judicial Council's internal operations or projects requested by the courts. Based on the available staff resources, Audit Services estimates that it will be able to complete the seven audits currently in progress and begin an additional seven audits in FY 2026-27. The audit schedule includes assumptions about the required time to complete each audit and other factors such as the number of anticipated locations where cash handling activities take place.

Schedule of Future Court Audits

Courts that are not scheduled for an audit this fiscal year may appear in next year's annual audit plan. Table 3 on the next page shows all 58 superior courts, ranked by the time elapsing since its previous audit. Elapsed time will always be a significant consideration for Audit Services when scheduling audits. To minimize the risk of a single court being audited by multiple entities at the same time, audit scheduling is also influenced by—and to the extent possible coordinated with—the work of external audit organizations.

Table 3 – Audit Services’ Audit Schedule

Court	Date of Last JCC Audit Report	Next JCC audit
Sacramento	December 2018	In progress
Glenn	February 2019	In progress
San Benito	June 2019	In progress
San Francisco	June 2019	In progress
Santa Cruz	June 2019	In progress
Trinity	October 2019	In progress
San Mateo	February 2020	In progress
Sierra	February 2020	FY 26-27
Tehama	February 2020	FY 26-27
San Diego	July 2020	FY 26-27
Imperial	March 2021	FY 26-27
Napa	March 2021	FY 26-27
Mariposa	July 2021	FY 26-27
Mono	July 2021	FY 26-27
Riverside	July 2021	FY 27-28*
Alpine	February 2022	FY 27-28*
Amador	February 2022	FY 27-28*
Del Norte	February 2022	FY 27-28*
Inyo	February 2022	FY 27-28*
Santa Clara	February 2022	FY 27-28*
Shasta	February 2022	FY 27-28*
Sutter	February 2022	FY 27-28*
Orange	June 2022	FY 27-28*

Notes:

* = Tentative

** = Pending audit committee approval

TBD = To Be Determined

Court	Date of Last JCC Audit Report	Next JCC audit
Santa Barbara	June 2022	TBD
Stanislaus	June 2022	TBD
Nevada	July 2022	TBD
El Dorado	November 2022	TBD
Mendocino	November 2022	TBD
Tuolumne	November 2022	TBD
Marin	October 2023	TBD
Monterey	October 2023	TBD
San Luis Obispo	October 2023	TBD
Yuba	October 2023	TBD
Los Angeles	October 2023	TBD
Tulare	October 2023	TBD
San Joaquin	October 2023	TBD
Fresno	April 2024	TBD
Kings	April 2024	TBD
Madera	April 2024	TBD
San Bernardino	April 2024	TBD
Sonoma	April 2024	TBD
Calaveras	June 2024	TBD
Contra Costa	June 2024	TBD
Alameda	November 2024	TBD
Kern	November 2024	TBD
Plumas	November 2024	TBD
Merced	April 2025	TBD
Placer	April 2025	TBD
Siskiyou	April 2025	TBD
Butte	June 2025	TBD
Humboldt	June 2025	TBD
Lake	September 2025	TBD
Yolo	September 2025	TBD
Colusa	March 2026	TBD
Solano	March 2026	TBD
Ventura	March 2026	TBD
Lassen	**June 2026	TBD
Modoc	**June 2026	TBD