



JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

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ADVISORY COMMITTEE ON AUDITS AND FINANCIAL ACCOUNTABILITY FOR THE JUDICIAL BRANCH

MINUTES OF OPEN MEETING

August 23, 2018

12:15 pm - 1:00 pm

Conference Call

Advisory Body Members Present: Hon. David Rosenberg, Hon. Mary Ann O'Malley, Hon. Susan Matcham, Mr. Kevin Harrigan, Ms. Tania Ugrin-Capobianco

Advisory Body Members Absent: Hon. Peter Siggins, Ms. Sherri Carter, Mr. Kevin Lane

Others Present: Mr. Phil Jelicich, Mr. Grant Parks

OPEN MEETING

Call to Order and Roll Call

The chair called the meeting to order at 12:18pm, and took roll call.

Approval of Minutes

Ms. Tania Ugrin-Capobianco moved to approve the minutes of June 19th, 2018 meeting, Hon. Mary Ann O'Malley seconded the motion. There was no further discussion of the minutes. Motion to approve passed by unanimous voice vote of the committee members present.

Mr. Grant Parks informed the audit committee that no public comments were received for this meeting.

DISCUSSION AND ACTION ITEMS (ITEMS X-X)

Info Item 1

Report from Audit Services. Mr. Parks reported that the Siskiyou audit should be ready for the audit committee's review in September. Since the last Audit Committee meeting, Audit Services team visited Ventura and Sacramento courts twice, during the weeks of July 14th and August 13th, and performed onsite audit fieldwork. Mr. Parks anticipates having these two audit reports completed in late October or early November. Also, Audit Services is in the process of filling a vacancy for its last vacant auditor position. Mr. Parks anticipates having a full staff of seven auditors by early September. Audit Services continues monitoring spending under Court Innovations Grant Program, which is a key area included in Audit Services audit plan. Courts have about 22 months left to spend the money under Court Innovations Grant Program, and the

amount spent by Courts is roughly 33%. The Administrative Director asked that Audit Services issue an audit advisory to the superior courts to remind them of the deadline to complete their grant-funded projects. Audit Services has been working with Court Executive Advisory Committee (CEAC) to provide additional perspective on some of the findings issued in the past on payments to court interpreters. As far as external audits, State Controller's Office is working on audits of Amador, San Mateo, Sonoma and Tehama, and Mr. Parks is hoping to see the final audit reports in October. Finally, the Administrative Director has informed all presiding judges and CEOs that the Department of Child Support Services will not be asking for \$2.2 million in questioned costs resulting from their audits under the AB 1058 program. DCSS has decided to suspend further audits for the rest of this fiscal year. It remains unclear whether they plan to resume AB 1058 audits during the next fiscal year.

Info Item 2.

General Discussion by Members of the Committee. No items were discussed.

Action Item 1

Annual Audit Plan for FY 2018-19 — Review, Discussion & Potential Approval

Mr. Parks informed the committee that Ms. Sherri Carter asked Audit Services to temporarily suspend reviews of the superior courts' payments to interpreters. Previous audit findings reveal that courts did not document authorized agreements with interpreters prior to the commencement of work, which makes it difficult for courts to adhere to the required invoice matching processes per the FIN Manual. Further, the limited documentation prevents courts from demonstrating that they've at least attempted to adhere to the court interpreter payment rates established by the Judicial Council. According to Ms. Carter, CEAC is considering changing interpreter pay policies and believes it best to suspend audit work in this area until any policy revisions are finalized. Judge O'Malley and Ms. Ugrin-Capobianco agreed with Ms. Carter's suggestion. Judge O'Malley suggested to re-visit this issue in 6 months, and Ms. Ugrin Capobianco and Judge Matcham agreed.

Ms. Ugrin-Capobianco moved to suspend audits of court payments to court interpreters (seconded by Judge O'Malley). The motion passed by unanimous voice vote of the committee members present.

As far as the audit plan, the audit of 4th District Court of Appeal has been added according to a discussion the audit committee had during its June 19th meeting. Mr. Parks indicated that audit staff intend to audit all three divisions when they visit the 4th DCA. Mr. Parks further commented that a lot of the criteria applicable when auditing appellate courts comes from the Judicial Branch Contracting Manual. Mr. Parks commented that the appellate courts do not have the same detailed level of financial policies as the superior courts do, and no branch-wide standard or expectation currently exists. In contrast, the superior courts operate under the guidelines of the Trial Court Financial Policies and Procedures Manual (FIN Manual). As a result, the criteria that Audit Services can use when auditing the courts of appeal is relatively limited when compared to the superior courts, and Audit Services does not want to arbitrarily impose its own criteria during these audits. Judge O'Malley raised a concern that appellate

courts do not have a branch-wide financial policies and procedures manual. Mr. Parks suggested the Audit Committee might consider sending a letter to the presiding justices of the courts of appeal (and their clerks) to recommend the development of such standards (i.e. a letter that would be similar to how this committee recommended that CEAC develop data quality standards for JBSIS). Judge Rosenberg agreed that it would be difficult to audit an appellate court if there were limited criteria or expectations, stating there is no reason why the courts of appeal shouldn't consider developing a branch-wide manual of their own. Ms. Tania Ugrin-Capobianco asked if there is a reason why the courts of appeal don't have their own financial standards. Mr. Parks shared that there might be difference of opinions among appellate court clerks regarding how specific the manual should be. Judge O'Malley and Ms. Ugrin-Capobianco agreed that Judicial Branch Financial Manual could serve as a starting point as the appellate clerks begin development of system wide financial policies.

Judge O'Malley moved to send a letter to the clerks and to administrative presiding justices of courts of appeal, expressing the audit committee's recommendation that they develop financial policies manual (seconded by Ms. Ugrin-Capobianco).

Judge Rosenberg clarified that Mr. Parks should work with him on developing this letter, and then he should send the draft letter to all committee members for review. Ms. Ugrin-Capobianco asked about setting a deadline for completing this letter. Judge Rosenberg confirmed that there will be a reasonable date selected as a deadline to develop and send this letter. With no further discussion, the motion passed by unanimous voice vote of the committee members present.

Action: Ms. Ugrin-Capobianco moved to approve annual audit plan for Audit Services Office, including the postponement of audits of court interpreters program (seconded by Judge Matcham). With no further discussion, the motion passed by unanimous voice vote of the committee members present.

Action Item 2

New CEO Review Process

During last committee meeting, Ms. Ugrin-Capobianco suggested that it would be smart to have an additional service provided by Audit Services Office to new court executive officers (CEO). Audit Services Office created various self-assessment checklists that courts can use on their own to evaluate compliance to Judicial Branch policies and documents such as Judicial Branch Financial Manual and Judicial Branch Contracting Manual. Under this new proposal called "New CEO Review", new CEO would be able to request a review of their court. In order to do that, staff of the court will need to fill out new CEO review request form and self-assessment checklists, submitting it to Audit Services and this committee. Audit Services will review the checklists, come up with a scope of work and estimated time and seek this committee's approval to do the review. These reviews wouldn't be audits, but rather consultative engagements. Further, the results of these reviews wouldn't come before the audit committee for review and discussion. Instead, these reviews are designed to help new CEOs get feedback on their court's operations and not have to wait for an audit.

Judge O'Malley reported that members of the audit committee (herself, Mr. Harrigan and Mr. Parks) spoke at the joint meeting with CEOs and trial court presiding judges regarding the new

CEO review process. Judge O'Malley commented that the feedback received after presentation was very positive.

Action: Judge O'Malley moved to approve new CEO review request process (seconded by Ms. Ugrin-Capobianco). With no further discussion, the motion passed by unanimous voice vote of the committee members present.

Action Item 3

External Audit Report – State Controller's Office (Action Required)

Mr. Parks informed that SCO has selected six courts to do these pilot audits of fund balance, revenues and expenditures. Sacramento audit report is presented at this committee meeting, while Yolo audit report was presented in May. The SCO did have two findings at Sacramento, one of which was in the area of cash handling (security of cash drawers, mail payments and safe combinations). Another finding was unclaimed trust, where the court missed an opportunity to provide public notice that those funds will become court or state property, unless people came forward. Other than that, Sacramento audit revealed that the court complied with government codes, statues and regulations related to validity of recorded revenues, expenditures and fund balances. Mr. Parks recommended this audit report for public posting.

Action: Judge Matcham moved to approve this audit report for posting (seconded by Mr. Harrigan). With no further discussion, the motion passed by unanimous voice vote of the committee members present.

A D J O U R N M E N T

There being no further business, the meeting was adjourned at 12:55pm.

Approved by the advisory body on October 3, 2018.