



# JUDICIAL COUNCIL OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND  
FINANCIAL ACCOUNTABILITY FOR THE  
JUDICIAL BRANCH

[www.courts.ca.gov/auditcommittee.htm](http://www.courts.ca.gov/auditcommittee.htm)  
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## ADVISORY COMMITTEE ON AUDITS AND FINANCIAL ACCOUNTABILITY FOR THE JUDICIAL BRANCH

### MINUTES OF OPEN MEETING WITH CLOSED SESSION

July 15, 2021  
12:15 p.m. - 1:15 p.m.  
Conference Call

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**Advisory Body Members Present:** Hon. David Rosenberg, Mr. Neal Taniguchi, Hon. Arthur A. Wick, Ms. Kate Bieker, Ms. Michelle Martinez.

**Advisory Body Members Absent:** Hon. Peter Siggins, Hon. Mary Ann O'Malley, Mr. Kevin Lane, Mr. Phil Jelichich (non-voting advisory member).

**Others Present:** Mr. Oliver Cheng (Attorney, Legal Services Office of the Judicial Council), John Prestianni (Attorney, Legal Services Office of the Judicial Council), Jimmy Nguyen (Attorney, Legal Services Office of the Judicial Council), Ms. Dawn Tomita (Audit Supervisor, Audit Services Office), Ms. Michelle O'Connor (Senior Auditor, Audit Services Office), Mr. Joe Meyer (Senior Auditor, Audit Services Office), Ms. Cyndi Busse (CEO, Mariposa Superior Court), Ms. Desiré Leard (Court Executive Assistant, Mariposa Superior Court), Mr. Lester Perpall (CEO, Mono Superior Court), Ms. Marita Ford, (Chief Financial Officer, Riverside Superior Court), Mr. Samuel Hamrick (CEO, Riverside Superior Court)

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#### OPEN MEETING

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##### Call to Order and Roll Call

The chair welcomed committee members and called the meeting to order at 12:15 p.m. and took roll call.

##### Approval of Minutes

Mr. Taniguchi moved to approve the minutes of the March 10, 2021 meeting. Judge Wick seconded the motion. There was no further discussion of the minutes. Motion to approve passed by unanimous voice vote of the committee members present.

No public comments were received for this meeting.

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#### DISCUSSION AND ACTION ITEMS

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##### Info Item 1

##### Report from Audit Services

Mrs. Tomita provided information on audit progress and staffing. Audit Services is currently working on six court audits: Alpine, Amador, Del Norte, Inyo, Santa Clara and Shasta. With respect to external audits for the judicial branch, the State Controller's Office (SCO) continues its work on auditing revenues, expenditures, and fund

balances of superior courts. They completed four audits, and these audit reports will be presented today: Placer, Kern, Merced and Stanislaus. SCO has also selected five additional trial courts to audit, and they started work on two audits: Yuba and Colusa Superior Courts. Regarding its audit of the Judicial Council's revenues, expenditures and fund balance, the SCO held an entrance conference with council staff and the report is expected in August. Finally, the California State Auditor's Office will likely begin its audit of the Judicial Council's procurement practices in summer or early fall, with the audit report expected around December 2021.

## **Info 2**

### **General Discussion by Audit Committee Members**

No items discussed.

## **Action Item 1**

### **Revisions to the Judicial Branch Contracting Manual (Action Required)**

Oliver Cheng from Judicial Council Legal Services Office provided an overview of proposed changes to the Judicial Branch Contracting Manual (JBCM). Under Rule of Court 10.63, Audit Committee reviews proposed revisions to JBCM. If this committee finds the proposed revisions acceptable, they will be provided to the Executive and Planning Committee. Then these changes will be placed on consent agenda for Judicial Council's meeting in the end of September. The proposed revisions are for chapters 3 and 12 of the JBCM. Chapter 3 changes are regarding disabled veteran enterprise preference. Chapter 12 changes are intended to amend due to AB 3364, which amended public contract code 19209.

**Action:** Judge Wick moved to approve the proposed changes to JBCM (seconded by Ms. Bieker). The motion passed by unanimous voice vote of the committee members present.

## **Action Item 2**

### **Annual Audit Plan – Fiscal Year 2021-22 (Action Required)**

Mrs. Tomita provided an overview of the proposed audit plan. Auditors are planning to resume travel in September of 2021 and continue audit testing of cash handling controls. Auditors are planning to resume audits of court interpreter payments on or after January 2022 (Judicial Council approved new interpreter's payment policy in March of 2021). Auditors will also add testing of enhanced collections. At the same time, auditors will reduce the scope of revenue distribution testing since there are not as many findings compared to when audit work in this area began. Audit staff also plan to curtail reviews of fund balance; however, auditors will still review a court's reported encumbrances to evaluate compliance with the FIN Manual. Auditors will also continue reviewing court spending on projects where funds have been held on behalf of trial courts.

**Action:** Mr. Taniguchi moved to approve posting of the annual audit plan on Judicial Council's website (seconded by Ms. Martinez). The motion passed by unanimous voice vote of the committee members present.

## **Action Item 3**

### **External Audit Report – State Controller's Office's Audit of Placer Superior Court (Action Required)**

State Controller's Office found that Placer Superior Court complied with the governing statutes for revenues, expenditures, and fund balances. One minor finding was that the court did not record adjustments to correct prior year accruals (which if uncorrected) have the effect of misstating current year results. The Court agreed with audit findings and has taken steps to revise its procedures.

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

#### **Action Item 4**

##### **External Audit Report – State Controller's Office's Audit of Kern Superior Court (Action Required)**

State Controller's Office found that Kern Superior Court complied with the governing statutes for revenues, expenditures, and fund balances. The audit did identify three issues. The Court did not accrue certain revenues from the prior year and instead classified these items as current year revenues. The second issue was the Court recorded their security surveillance project under incorrect general ledger account. The third issue was the Court Executive Officer approved payment that exceeded her signing authority (the payments should have been authorized by the Presiding Judge). The CEO authorized to approve payments to vendors in amounts up to \$50,000, but the invoices approved were more than \$100,000. The underlying purchase orders were properly signed by the Presiding Judge, and there was no misuse of court funds. The Court agreed with audit findings and has taken steps to adjust its procedures accordingly.

Mr. Taniguchi suggested that since court interpreter's revenue comes from state fund, it needs to be coordinated between court staff and JCC staff who account for restricted fund. If court staff incorrectly budgeted for it and incorrectly accrued it, JCC staff needs to point this out. Judge Wick suggested to send an advisory to all courts.

Judge Rosenberg asked Audit Services staff to consider creating an advisory on this issue. Mr. Taniguchi said he will be happy to work on this with Ms. Tomita.

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

#### **Action Item 5**

##### **External Audit Report – State Controller's Office's Audit of Merced Superior Court (Action Required)**

State Controller's Office found that Merced Superior Court complied with the governing statutes for revenues, expenditures, and fund balances. The audit did identify two findings. One finding was that court did not record account adjustments to reclassify certain prior year transactions that affect the balances recorded in the current year revenue and expenditure accounts. They noted differences between trial court trust fund, court interpreter and trial court trust fund court appointed counsel accounts. The cumulative revenue reporting errors total \$122,725. The second issue they noted was expenditure accounts were not properly adjusted for prior year activities. They found three expenditures for FY17-18 prior year that were not accrued at the year June 30, 2018. It was recorded in current year operating account instead. As a result, FY18-19 contracted services expense account balances overstated by \$7,599.

**Action:** Ms. Martinez moved to approve posting of this audit report on Judicial Council's website (seconded by Ms. Bieker). The motion passed by unanimous voice vote of the committee members present.

**Action Item 6**

**External Audit Report – State Controller’s Office’s Audit of Stanislaus Superior Court (Action Required)**

State Controller’s Office concluded that Stanislaus Superior Court complied with the governing statutes for revenues, expenditures, and fund balances. SCO did not identify any reportable issues at this court.

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

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

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There being no further open meeting business, the meeting was adjourned to closed session at 12:55 p.m.

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**C L O S E D S E S S I O N**

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**Item 7**

**Draft Audit Report – Rule of Court 10.75(d) (6) (Action Required)**

**Non-final audit reports or proposed responses to such reports**

Committee members discussed the draft audit report for Riverside Superior Court, per Rule of Court 10.63(c)(1).

**Action:** Mr. Taniguchi moved to approve this report for posting (seconded by Judge Wick). The motion passed by unanimous voice vote of the committee members present.

**Item 8**

**Draft Audit Report – Rule of Court 10.75(d) (6) (Action Required)**

**Non-final audit reports or proposed responses to such reports**

Committee members discussed the draft audit report for Mono Superior Court, per Rule of Court 10.63(c)(1).

**Action:** Judge Wick moved to approve this report for posting (seconded by Mr. Taniguchi). The motion passed by unanimous voice vote of the committee members present.

**Item 9**

**Draft Audit Report – Rule of Court 10.75(d) (6) (Action Required)**

**Non-final audit reports or proposed responses to such reports**

Committee members discussed the draft audit report for Mariposa Superior Court, per Rule of Court 10.63(c)(1).

**Action:** Mr. Taniguchi moved to approve this report for posting (seconded by Ms. Martinez). The motion passed by unanimous voice vote of the committee members present.

Adjourned closed session at 1:15pm.