

SUPERIOR COURTS OF CALIFORNIA

Report to the California State Legislature

FISCAL COMPLIANCE AUDIT OF REVENUES, EXPENDITURES, AND FUND BALANCES

July 1, 2021, through June 30, 2022



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

April 2025



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CALIFORNIA STATE CONTROLLER

April 11, 2025

California State Legislature
State Capitol Building
Sacramento, CA 95814

Dear Members of the California State Legislature:

I am pleased to present our annual report for the Superior Courts of California, Fiscal Compliance Audit of Revenues, Expenditures, and Fund Balances. This report was prepared pursuant to Government Code section 77206(h)(3), and compiles the findings from our recent audits of California Superior Courts.

During this reporting period, the State Controller's Office completed one audit of a Superior Court, with an audit period of July 1, 2021, through June 30, 2022.

The purpose of this audit was to determine whether the Superior Court complied with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control.

If you have any questions regarding the enclosed report, please have a member of your team contact Cathy Leal, Chief Operating Officer, by telephone at 916-720-3089. Thank you.

Sincerely,

Original signed by

MALIA M. COHEN

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Report Summary

Overview

This report summarizes the results of the State Controller’s Office (SCO) audits of the Superior Courts of California (trial courts) conducted in fiscal year (FY) 2023-24. This report has been prepared pursuant to Government Code (GC) section 77206(h)(3).

The SCO audited Modoc County Superior Court for the period of July 1, 2021, through June 30, 2022.

The purpose of this audit was to determine whether the trial court complied with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control.

We reviewed \$1,900,639 in recorded revenues, \$1,904,384 in recorded expenditures, and \$131,024 in recorded fund balances.

We found that the trial court complied with governing statutes, rules, regulations, and policies relating to revenues, expenditures, and fund balances.

Background

The 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, many of which are codified in GC sections 68070 through 77013, Title 8, “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. It also prescribes 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. 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 FY 2021-22, the trial court reported revenues of \$1,900,639. The trial court receives the majority of its revenue from state financing sources. The TCTF provided 63.8 percent of the trial court's revenue. For the same period, the trial court incurred total expenditures of \$1,904,384. Payroll-related expenditures (salaries and benefits) comprised 59.9 percent of total expenditures. The Court employed 11 staff members to serve Modoc County's population of approximately 8,600 residents. Funds under each trial court's control include a General Fund, a Special Revenue Non-Grant Fund, and a Special Revenue Grant Fund. Some trial courts also have a Proprietary Fund and a Fiduciary Fund. All funds that had revenue accounts and expenditure accounts with reported balances at year-end in excess of 4% of total revenues and expenditures, respectively, were considered material and significant.

Audit Authority

We performed the 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 GC section 77206(h), which requires the SCO to perform an audit of every trial court at least once every four years, and to report the results of these audits to the California State Legislature, the JCC, and the Department of Finance no later than April 1 of each year.

In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objective, Scope, and Methodology

The objective of our audit was to determine whether the trial court complied with governing statutes, rules, regulations, and policies relating to the revenues, expenditures, and fund balances of all material and significant funds under the trial court's administration, jurisdiction, and control.

Specifically, we conducted this audit to determine whether:

- Revenues were consistent with Government Code, properly supported by documentation, and recorded accurately in the accounting records;
- Expenditures were incurred pursuant to Government Code, consistent with the funds' purposes, properly authorized, adequately supported, and recorded accurately in the accounting records; and

- Fund balances were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles.

The audit period was July 1, 2021, through June 30, 2022.

To accomplish our objective, we performed the following procedures.

General Procedures

We reviewed the *Judicial Council Governance Policies* (November 2017), the FY 2020-21 Budget Act, the Manual of State Funds, Government Code, the California Rules of Court, the FIN Manual (11th edition, June 2020), and internal policies and procedures to identify compliance requirements applicable to trial court revenues, expenditures, and fund balances.

Internal Controls

- We reviewed the trial court's current policies and procedures, organization, and website, and interviewed trial court personnel to gain an understanding of the internal control environment for governance, operations, and fiscal management.
- We interviewed trial 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, implemented, and operating effectively by performing walk-throughs of revenue and expenditure transactions.
- We reviewed the trial court's documentation and financial records supporting the validity of recorded revenues, expenditures, and fund balances.
- We assessed the reliability of financial data by (1) interviewing agency officials knowledgeable about the trial court's financial and human resources systems; (2) reviewing trial court policies; (3) agreeing accounting data files to published financial reports; (4) tracing data records to source documents to verify the completeness and accuracy of recorded data; and (5) reviewing logical security and access controls for key trial court information systems. We determined that the data was sufficiently reliable for the purposes of achieving our audit objective.
- We selected revenue and expenditure ledger transactions to test the operating effectiveness of internal controls. Using non-statistical sampling, we selected revenue and expenditure items to evaluate key internal controls of transactions recorded in significant operating funds and the related fund accounts.

We designed our testing to verify the trial court's adherence to prescribed accounting control procedures, and to verify that transactions were correctly recorded in the accounting system for financial reporting. Our testing methodology and results are summarized in the Audit Results section.

We limited our review of the trial court's internal controls to gaining an understanding of the significant internal controls within the context of the audit objective. The audit did not include objectives related to economy and efficiency measures, and we did not audit the trial 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 our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Summary of Audit Results

Overview

We completed an audit of the Modoc County Superior Court (trial court) in fiscal year 2023-24. We tested the trial court's revenues, expenditures, and fund balances. This section summarizes the results of the audit.

Revenue Testing

We tested \$1,596,684 of \$1,900,639, or approximately 84% of total revenues. We found that revenues were reported correctly in the trial court's financial statements.

Expenditure Testing

We tested \$362,984 of \$1,904,384, or approximately 19% of total expenditures. We found that expenditures were reported correctly in the trial court's financial statements.

Fund Balance Testing

We recalculated sampled funds to ensure that fund balances as of June 30, 2022, were accurate and in compliance with applicable criteria. We determined that fund balances for the tested operating General Fund, Grant Special Revenue Fund, and Non-Grant Special Revenue Fund were properly reported by the trial court.

We considered the results of our revenue and expenditure testing to verify that transactions were recorded correctly. As part of our fund balance testing, we also reviewed the accounting transactions used to classify fund balances subject to restrictions and limitations, and found that the trial court followed established accounting procedures to record and classify fund balances at year-end.

Audit Results and Findings for Individual Courts

Overview

The audit results are presented as they were stated in the Trial Court Audit report issued by the SCO in calendar year 2024.

These results are solely for the information and use of the Legislature, the Judicial Council of California, the Modoc County Superior Court, the Department of Finance, and the SCO; they are not intended to be, and should not be, used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report or the respective audit reports, which are a matter of public record.

Modoc County Superior Court (Fiscal Year July 1, 2021, through June 30, 2022)

Audit Results

We found that the Modoc County Superior Court complied with statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

Amount of error: \$0

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