

SUPERIOR COURT OF CALIFORNIA, COUNTY OF MODOC

Audit Report

FISCAL COMPLIANCE AUDIT OF REVENUES, EXPENDITURES, AND FUND BALANCES

July 1, 2021, through June 30, 2022



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

November 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

November 13, 2024

Ms. Brandy Malcolm, Court Executive Officer
Superior Court of California, County of Modoc
205 South East Street
Alturas, CA 96101

Dear Court Executive Officer Malcolm:

The State Controller's Office audited the Superior Court of California, County of Modoc (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 complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

This report is for your information and use. We appreciate the Court's assistance and cooperation during the audit.

If you have any questions regarding this report, please contact Joel James, Chief, Financial Audits Bureau, by telephone at 916-323-1573. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/ac

Ms. Brandy Malcolm

November 13, 2024

Page 2 of 2

Copy: Rebekah Ingraham, Accounting Supervisor
Superior Court of California, County of Modoc
Shelley Curran, Administrative Director
Judicial Council of California
Robert Oyung, Chief Deputy Director
Judicial Council of California
Adam Dorsey, Chief Administrative Officer
Judicial Council of California
Jason Lopez, Director
Branch Accounting and Procurement
Judicial Council of California
Dawn Tomita, Audit Manager
Audit Services
Judicial Council of California
Aaron Edwards, Assistant Program Budget Manager
California Department of Finance
Emma Jungwirth, Principal Program Budget Analyst
California Department of Finance

Contents

Audit Report

Summary	1
Background	1
Audit Authority	2
Objective, Scope, and Methodology	2
Conclusion	6
Follow-up on Prior Audit Findings	6
Views of Responsible Officials	6
Restricted Use	6
Schedule 1—Summary of Revenues and Revenue Test Results	7
Schedule 2—Summary of Expenditures and Expenditure Test Results	8
Schedule 3—Summary of Fund Balances and Fund Balance Test Results	9

Audit Report

Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of Modoc (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 complied with governing statutes, rules, regulations, and policies for revenues, expenditures, and fund balances.

Background

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 2021-22, the Court reported revenues of \$1,900,639. The Court receives the majority of its revenue from state financing sources. The TCTF provided 63.8% of the Court’s revenue. During the audit period, the Court incurred expenditures of \$1,904,384. Payroll-related expenditures (salaries and benefits) comprised 59.86% of total expenditures. The Court employed 11 staff members to serve Modoc County’s population of approximately 8,610 residents.

Funds under the Court’s control include a General Fund, a Special Revenue Grant Fund, and a Special Revenue Non-Grant Fund. All three funds had revenue and expenditure accounts in excess of 4% of total revenues and expenditures and were considered material and significant for testing.

Audit Authority

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

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.

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 fiscal year 2021-22 Budget Act, the Manual of State Funds, Government Code, the California Rules of Court, the JCC's 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 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, implemented, and operating effectively by performing walk-throughs of revenue and expenditure transactions.
- We reviewed the 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 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 nine revenue items and 21 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 21 non-payroll transactions and the payroll records of six 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, the Special Revenue Non-Grant Fund, and the Special Revenue 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 4% of total revenues, and determined that the TCTF, the Memorandum of Understanding Reimbursements Account, and the Other Judicial Council Grants Account were material for testing. We tested accounts through sampling and analytical procedures.
- We also selected revenue accounts for additional testing although the accounts were not considered material. These accounts included the Improvement and Modernization Fund, the Court Interpreter Fund, and the Enhanced Collections Fund.
- We tested \$1,596,684 of \$1,900,639, or 84% of total revenues.

We found no errors in the recording of transactions. 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 the Special Revenue Non-Grant Fund, and the Special Revenue Grant Fund 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 4% of total expenditures. Material accounts included payroll-related accounts (Salaries – Permanent; Staff Benefits) and non-payroll accounts (Contracted Services; Information Technology).
- We also selected and tested the Major Equipment account, although it is not material.
- For material payroll-related accounts, we selected one bi-weekly pay period in December 2021 and another bi-weekly pay period in May 2022 to review. We reconciled the salary and benefit expenditures shown on the payroll registers to the general ledger and

examined supporting records of benefit charges. We then selected six of 11 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 general ledger accurately.
 - 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 general ledger to supporting documentation. We considered transactions in excess of \$6,667 as individually significant. Our tests included the following expenditures:
 - Contracted Services – We tested 13 out of 200 transactions. Of the 13 transactions, five were considered significant.
 - Information Technology – We tested six out of 18 transactions. Of the six transactions, five were considered significant.
 - We tested two out of 14 transactions in the Major Equipment account. Of the two transactions, one was considered significant.
 - We tested \$362,984 of \$1,904,384, or 19.1% of total expenditures.

We found no errors in the recording of transactions. 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 control procedures, 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 judgmentally selected the General Fund, the Special Revenue Grant Fund, and the Special Revenue Non-Grant Fund because these funds had revenue and expenditure accounts with significant balances.
- 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 the sampled funds to ensure that fund balances as of June 30, 2022, were accurate and in compliance with applicable criteria.

We found that fund balances for the tested funds were properly reported. 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

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

**Follow-up on
Prior Audit
Findings**

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

**Views of
Responsible
Officials**

We discussed our audit results with the Court’s representatives during an exit conference conducted on July 15, 2024. At the exit conference, the Court’s representatives agreed with the audit results.

Restricted Use

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.

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

November 13, 2024

**Schedule 1—
Summary of Revenues and Revenue Test Results
July 1, 2021, through June 30, 2022**

Revenue Accounts	Revenues Reported ¹		Revenues Tested ¹		Error
	Total	Percentage	Amount	Percentage	Amount
<u>State Financing Sources</u>					
Trial Court Trust Fund ²	\$ 1,212,078	63.8%	\$ 1,212,078	100.0%	\$ -
Improvement and Modernization Fund ³	1,204	0.1%	1,204	100.0%	-
Judges' Compensation	-	0.0%	-	0.0%	-
Court Interpreter ³	2,716	0.1%	2,309	85.0%	-
TCTF-Civil Coordination	-	0.0%	-	0.0%	-
Memorandum of Understanding (MOU)	364,777	19.2%	201,192	55.2%	-
Reimbursements ²					
Other Miscellaneous	89,216	4.7%	89,216	100.0%	-
Subtotal – State financing sources	1,669,991		1,505,999		-
<u>Grants</u>					
Assembly Bill (AB) 1058 Commissioner/Facilitator	71,818	3.8%	-	0.0%	-
Other Judicial Council Grants ²	84,023	4.4%	83,923	99.9%	-
Non-Judicial Council Grants	-	0.0%	-	0.0%	-
Subtotal – Grants	155,841		83,923		-
<u>Other Financing Sources</u>					
Interest Income	2,319	0.1%	-	0.0%	-
Investment Income	-	0.0%	-	0.0%	-
Donations	-	0.0%	-	0.0%	-
Local Fees	1,338	0.1%	-	0.0%	-
Non-Fee Revenues	752	0.0%	-	0.0%	-
Enhanced Collections ³	69,927	3.7%	6,762	9.7%	-
Escheatment	-	0.0%	-	0.0%	-
Prior Year Revenue	371	0.0%	-	0.0%	-
County Program - Restricted	100	0.0%	-	0.0%	-
Reimbursement Other	-	0.0%	-	0.0%	-
Sale of Fixed Assets	-	0.0%	-	0.0%	-
Other Miscellaneous	-	0.0%	-	0.0%	-
Subtotal – Other financing sources	74,807		6,762		-
Total Revenues	\$ 1,900,639	100.0%	\$ 1,596,684	84.0%	\$ -

¹ Differences due to rounding

² Material account

³ Additionally tested account

**Schedule 2—
Summary of Expenditures and Expenditure Test Results
July 1, 2021, through June 30, 2022**

Expenditure Accounts	Expenditures Reported ¹		Expenditures Tested ¹		Error Amount
	Total	Percentage	Amount	Percentage	
<u>Payroll</u>					
Salaries - Permanent ²	\$ 699,253	36.7%	\$ 43,677	6.2%	\$ -
Temp Help	12,315	0.6%	-	0.0%	-
Overtime	-	0.0%	-	0.0%	-
Staff Benefits ²	439,862	23.1%	25,573	5.8%	-
Subtotal	1,151,430		69,250		-
<u>Operating Expenses and Equipment</u>					
General Expense	36,172	1.9%	-	0.0%	-
Printing	1,522	0.1%	-	0.0%	-
Telecommunications	15,608	0.8%	-	0.0%	-
Postage	3,351	0.2%	-	0.0%	-
Insurance	4,409	0.2%	-	0.0%	-
In-State Travel	2,589	0.1%	-	0.0%	-
Out-of-State Travel	-	0.0%	-	0.0%	-
Training	-	0.0%	-	0.0%	-
Security Services	-	0.0%	-	0.0%	-
Facility Operations	11,903	0.6%	-	0.0%	-
Utilities	-	0.0%	-	0.0%	-
Contracted Services ²	464,432	24.4%	143,869	31.0%	-
Consulting and Professional Services	1,109	0.1%	-	0.0%	-
Information Technology ²	149,268	7.8%	119,934	80.3%	-
Major Equipment	69,148	3.6%	29,931	43.3%	-
Other Items of Expense	-	0.0%	-	0.0%	-
Subtotal	759,512		293,734		-
<u>Special Items of Expense</u>					
Grand Jury	-	0.0%	-	0.0%	-
Jury Costs	-	0.0%	-	0.0%	-
Judgments, Settlements and Claims	-	0.0%	-	0.0%	-
Debt Service	-	0.0%	-	0.0%	-
Other	-	0.0%	-	0.0%	-
Capital Costs	-	0.0%	-	0.0%	-
Internal Cost Recovery	-	0.0%	-	0.0%	-
Prior Year Expense Adjustment	(6,558)	-0.3%	-	0.0%	-
Subtotal	(6,558)		-		-
Total Expenditures	\$ 1,904,384	100.0%	\$ 362,984	19.1%	\$ -

¹ Differences due to rounding

² Material account

Schedule 3—
Summary of Fund Balances and Fund Balance Test Results
July 1, 2021, through June 30, 2022

Balance	General Fund¹	Special Revenue Fund Non-Grant¹	Special Revenue Fund Grant¹	Total¹
Beginning Balance	\$ 103,537	\$ 31,232	\$ -	\$ 134,769
Revenues	1,406,245	338,553	155,841	1,900,639
Expenditures	(1,413,234)	(334,884)	(156,265)	(1,904,384)
Transfers In	-	-	-	-
Transfers Out	(3,324)	2,900	424	-
Ending Balance	<u>\$ 93,224</u>	<u>\$ 37,801</u>	<u>\$ -</u>	<u>\$ 131,024</u>
Errors Noted				
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

¹ Differences due to rounding

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

www.sco.ca.gov