

# **SUPERIOR COURT OF CALIFORNIA, COUNTY OF SOLANO**

Audit Report

## **VALIDITY OF RECORDED REVENUES, EXPENDITURES, AND FUND BALANCES**

*July 1, 2018, through June 30, 2019*



**BETTY T. YEE**  
California State Controller

February 2021



**BETTY T. YEE**  
California State Controller

February 24, 2021

Brian Taylor, Court Executive Officer  
Superior Court of California, County of Solano  
Hall of Justice  
600 Union Avenue, 3<sup>rd</sup> Floor  
Fairfield, CA 94533

Dear Mr. Taylor:

The State Controller's Office audited the Superior Court of California, County of Solano (Court) to determine whether the revenues, expenditures, and fund balances under the administration, jurisdiction, and control of the Court complied with governing statutes, rules, regulations, and policies; were recorded accurately in accounting records; and were maintained in accordance with fund accounting principles. The audit period was July 1, 2018, through June 30, 2019.

Our audit found that the Court complied with governing statutes, rules, regulations, and policies for revenue, expenditures, and fund balances.

The Court agreed with our conclusions. This report is for your information and use.

If you have any questions, please contact Joel James, Chief, Financial Audits Bureau, by telephone at (916) 323-1573.

Sincerely,

*Original signed by*

MICHAEL REEVES, CPA  
Acting Chief, Division of Audits

MR/as

cc: Agnes Shappy, Court Financial Officer  
Superior Court of California, County of Solano  
Martin Hoshino, Administrative Director  
Judicial Council of California  
Millicent Tidwell, Chief Deputy Director  
Judicial Council of California  
John Wordlaw, Chief Administrative Officer  
Judicial Council of California  
Zlatko Theodorovic, Chief Financial Officer and Director of Finance  
Judicial Council of California  
Grant Parks, Principal 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

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the Superior Court of California, County of Solano (Court) to determine whether the revenues, expenditures, and fund balances under the administration, jurisdiction, and control of the Court complied with governing statutes, rules, regulations, and policies; were recorded accurately in accounting records; and were maintained in accordance with fund accounting principles. The audit period was July 1, 2018, through June 30, 2019.

Our audit found that revenues, expenditures, and fund balances reported by the Court complied with governing statutes, rules, regulations, and Judicial Branch policies; were recorded accurately in accounting records; and were maintained in accordance with appropriate fund accounting principles.

## Background

Superior Courts (trial courts) are located in each of California's 58 counties and follow the California Rules of Court (CRC), established through Article IV of the Constitution of California. The Constitution charges the Judicial Council of California (JCC) with authority to adopt rules for court administration, practices, and procedures. The Judicial Council Governance Policies are included in the CRC. Trial courts are also required to comply with various other state laws, rules, and regulations, much of which are codified in Government Code (GC) sections 68070 through 77013, Title 8, The Organization and Government of Courts.

Pursuant to CRC Rule 10.804, the JCC adopted the *Trial Court Financial Policies and Procedures Manual*, which provides guidance and directives for trial court fiscal management. The manual contains regulations establishing budget procedures, recordkeeping practices, accounting standards, and other financial guidelines. The manual is comprised of an internal control framework that enables 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.

All trial court employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity, and professionalism. In addition, they must operate within the specific levels of authority established by trial courts for their positions.

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 of subject matter of our audit.

The Trial Court Trust Fund is the primary source of funding for trial court operations. The JCC allocates monies in the Trial Court Trust Fund to trial courts. The Trial Court Trust Fund'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 (FY) 2018-19, the Court (County of Solano) generated approximately 83% of its total revenues from Trial Court Trust Fund allocations.

The Court employs approximately 224 staff members to fulfill the operational and administrative activities necessary to serve Solano County's population of 445,725. The Court incurred approximately \$28,687,541 million in expenditures for the period of July 1, 2018, through June 30, 2019. Of this amount, approximately 78% represents employee salaries and benefits.

Funds under the Court's control include a General Fund, Non-Grant Special Revenue Fund, and a Grant Special Revenue Fund. All funds had revenues and expenditures in excess of four percent of total revenues and expenditures, and were considered material and significant.

We performed the audit at the request of the JCC. The authority is provided by Interagency Agreement No. 38881, dated May 28, 2019, between the SCO and the JCC.

**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 validity of recorded revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control.

The audit period was July 1, 2018, through June 30, 2019.

Specifically, we conducted this audit to determine whether:

- Revenues were consistent with authorizing Government Code sections, properly supported by documentation, and recorded accurately in the accounting records;
- Expenditures were incurred pursuant to authorizing Government Code sections, 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.

To accomplish our objective, we:

#### General Procedures

- Reviewed the *Judicial Council Governance Policies (November 2017)*, the Budget Act, the *Manual of State Funds*, applicable Government Code and CRC sections, the *Trial Court Financial Policies and Procedures Manual Ninth Edition, June 2018*, and other relevant internal policies and procedures to identify compliance requirements applicable to trial court revenues, expenditures, and fund balances;

#### Internal Controls

- 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;
- Interviewed Court personnel and prepared internal control questionnaires to identify internal accounting controls;
- 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;
- Reviewed the Court's documentation and financial records supporting the validity of recorded revenues, expenditures, and fund balances;
- Evaluated electronic access controls and data reliability of the Court's financial system; and
- Selected revenue and expenditure ledger transactions to test the operating effectiveness of internal controls. Using non-statistical sampling, we selected 40 revenue items and 65 expenditure items to evaluate key internal controls of transactions recorded in significant operating funds and the related fund accounts. We expanded testing on accounts with transactions containing errors to determine the impact of the identified errors. Errors were not projected to the population.

We designed our 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 testing methodology and results are summarized below:

#### Revenue Testing

- We tested revenue transactions and account balances in the General Fund, Non-Grant Special Revenue Fund, and the Grant Special Revenue Fund to determine whether revenue accounting was consistent with authorizing Government Code sections, properly supported by documentation, and recorded correctly in the accounting system.
- We tested balances reported in all revenue accounts that exceeded 4% of the Court's total revenues of \$29,470,927 for FY 2018-19.

Procedures included both analytical comparisons and test of transaction details through sampling. We compared authorized revenue allocations and recorded amounts for significant and material accounts. An additional 40 transactions were selected from accounts (including non-significant accounts) to test both process internal controls and account recording.

- We tested \$25,946,455 of \$29,420,927, or 88% of total revenues.

We found no errors in the recording of transactions. Schedule 1—Summary of Revenues and Revenue Test Results, presents total revenues by account and related amounts tested.

#### Expenditure Testing

- We tested expenditure transactions and account balances in the General Fund, Non-Grant Special Revenue Fund, and Grant Special Revenue Fund to determine whether expenditures were incurred pursuant to authorizing Government Code sections, 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. We stratified accounts into two groups comprised of personnel services (payroll) and operating expenditures (non-payroll).
- To test payroll, we selected the two pay periods occurring in April 2019 and reconciled the salaries and benefit expenditures shown on the payroll registers to the general ledger. We further selected 25 of 224 employees from the payroll registers and verified that:
  - Employee timesheets included supervisory approval;
  - Regular earnings and other supplemental pay was supported by salary schedules and Personnel Action Forms;
  - Employer retirement contributions and payroll taxes were entered into the general ledger accurately; and
  - Health insurance premiums shown on the payroll register agreed with the employees' benefit election forms.
- To test material non-payroll accounts, we:
  - Selected all expenditure transactions that exceeded \$60,000;
  - Selected a sample of 40 expenditure transactions to test both internal controls and the accuracy of recording transactions;
  - Sample-tested an additional 18 transactions from significant and material accounts, in addition to the initial 40 expenditure transactions selected for testing internal controls; and
  - Traced expenditures recorded in the general ledger to supporting documents.
- We tested \$2,663,153 of \$28,687,541, or 9.3% of total expenditures.

We found no errors in the recording of transactions. Schedule 2—Summary of Expenditures and Expenditure Test Results, presents total expenditures by account and related amounts tested.



### Fund Balance Testing

- We judgmentally selected the General Fund, Non-Grant Special Revenue Fund, and Grant Special Revenue Fund because these funds had significant balances in revenue and expenditure accounts;
- We tested revenue and expenditure transactions in the General Fund, Non-Grant Special Revenue Fund, and Grant Special Revenue Fund 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; and
- We recalculated sampled funds to ensure that fund balances as of June 30, 2019, 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 conducted this performance audit under the authority of GC section 77206(h) and 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.

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.

### **Conclusion**

Our audit found that revenues, expenditures, and fund balances reported by the Court complied with governing statutes, rules, regulations, and Judicial Branch policies; were recorded accurately in accounting records; and were maintained in accordance with appropriate fund accounting principles.

### **Follow-up on Prior Audit Findings**

This is the first audit performed by SCO at the Court pursuant to GC section 77206(h)(2); therefore, there are no prior audit findings to address in this report. The Court was previously audited by JCC's Internal Audit Services, which issued a report in June 2018. We are not including any follow-up to matters presented in JCC's prior report.

### **Views of Responsible Officials**

We discussed our audit results with the Court's representatives during an exit conference conducted on January 29, 2021. Brian Taylor, Court Executive Officer, and Agnes Shappy, Court Financial Officer, agreed with the audit results. Mr. Taylor declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely intended for the information and use of the Court, JCC, and 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](http://www.sco.ca.gov).

*Original signed by*

MICHAEL REEVES, CPA  
Acting Chief, Division of Audits

February 24, 2021

**Schedule 1—  
Summary of Revenues and Revenue Test Results  
July 1, 2018, through June 30, 2019**

Revenue Accounts	Total Revenues <sup>1</sup>	Percentage	Amounts Tested <sup>1</sup>	Percentage	Error Amounts
<u>State Financing Sources<sup>2</sup></u>					
Trial Court Trust Fund <sup>3</sup>	\$ 24,383,435	82.7%	\$ 24,383,435	100.0%	\$ -
Improvement and Modernization Fund	55,160	0.2%	3,176	5.8%	-
Judges Compensation	178,392	0.6%	15,833	8.9%	-
Court Interpreter	699,503	2.4%	217,150	31.0%	-
MOU Reimbursements	649,579	2.2%	101,387	15.6%	-
Other Miscellaneous	353,778	1.2%	353,778	100.0%	-
Sub-total	26,319,847		25,074,759		
<u>Grants<sup>2</sup></u>					
AB 1058 Commissioner/Facilitator	677,106	2.3%	52,207	7.7%	-
Other Judicial Council Grants	234,063	0.8%	13,375	5.7%	-
Non-Judicial Council Grants	603,444	2.0%	29,000	4.8%	-
Sub-total	1,514,612		94,582		
<u>Other Financing Sources<sup>2</sup></u>					
Interest Income	171,663	0.6%	3	0.0%	-
Local Fees	613,575	2.1%	6,812	1.1%	-
Non-Fee Revenues	196,251	0.7%	38,775	19.8%	-
Enhanced Collections	26,515	0.1%	8,796	33.2%	-
Escheatment	140,464	0.5%	129,796	92.4%	-
County Program - Restricted	463,738	1.6%	22,749	4.9%	-
Reimbursement Other	13,994	0.0%	2,967	21.2%	-
Other Miscellaneous	10,269	0.0%	5	0.0%	-
Sub-total	1,636,469		209,902		
Total Revenues	\$ 29,470,927	100%	\$ 25,379,243	86.1%	\$ -

<sup>1</sup> Differences due to rounding.

<sup>2</sup> Tested account internal controls.

<sup>3</sup> Material account.

**Schedule 2—  
Summary of Expenditures and Expenditure Test Results  
July 1, 2018, through June 30, 2019**

Expenditure Accounts	Total Expenditures <sup>1</sup>	Percentage	Amounts Tested <sup>1</sup>	Percentage	Error Amounts
<u>Personal Services<sup>2</sup></u>					
Salaries – Permanent <sup>3</sup>	\$ 13,806,241	48.13%	\$ 1,057,647	7.7%	\$ -
Temp Help	63,618	0.22%	-	0.0%	-
Overtime	55,904	0.19%	5,899	10.6%	-
Staff Benefits <sup>3</sup>	8,640,097	30.12%	649,617	7.5%	-
Sub-total	22,565,860		1,713,163		-
<u>Operating Expenses and Equipment<sup>2</sup></u>					
General Expense	607,373	2.12%	1,618	0.3%	-
Printing	61,189	0.21%	71	0.1%	-
Telecommunications	141,441	0.49%	892	0.6%	-
Postage	176,845	0.62%	36	0.0%	-
Insurance	11,932	0.04%	1,470	12.3%	-
In-State Travel	30,118	0.10%	686	2.3%	-
Out of State Travel	13,070	0.05%	1,666	12.7%	-
Training	23,990	0.08%	202	0.8%	-
Security Services	564	0.00%	47	8.3%	-
Facility Operations	576,781	2.01%	856	0.1%	-
Utilities	5,452	0.02%	453	8.3%	-
Contracted Services <sup>3</sup>	1,951,383	6.80%	14,475	0.7%	-
Consulting and Professional Services	37,605	0.13%	225	0.6%	-
Information Technology <sup>3</sup>	1,263,486	4.40%	604	0.0%	-
Major Equipment	338,928	1.18%	290,432	85.7%	-
Other Items of Expense	15,594	0.05%	864	5.5%	-
Sub-total	5,255,750		314,596		-
<u>Special Items of Expense</u>					
Grand Jury	-	0.00%	-	0.0%	-
Jury Costs <sup>2</sup>	206,867	0.72%	142	0.1%	-
Judgements, Settlements, Claims <sup>2</sup>	29,064	0.10%	5,395	18.6%	-
Debt Service	-	0.00%	-	0.0%	-
Other <sup>2</sup>	630,000	2.20%	630,000	100.0%	-
Capital Costs	-	0.00%	-	0.0%	-
Internal Cost Recovery	-	0.00%	-	0.0%	-
Prior Year Expense Adjustment	-	0.00%	-	0.0%	-
Sub-total	865,931		635,537		-
Total Expenditures	\$ 28,687,541	100.00%	\$ 2,663,295	9.3%	\$ -

<sup>1</sup> Differences due to rounding.

<sup>2</sup> Tested account internal controls.

<sup>3</sup> Material account.

**Schedule 3—  
Summary of Fund Balances and Fund Balance Test Results  
July 1, 2018, through June 30, 2019**

	General Fund <sup>1</sup>	Non-Grant Special Revenue Fund <sup>1</sup>	Grant Special Revenue Fund <sup>1</sup>	Total <sup>1</sup>
Beginning Balance	\$ 443,575	\$ 1,027,291	\$ -	\$ 1,470,866
Revenues	27,077,206	938,703	1,455,019	29,470,927
Expenditures	(26,389,002)	(814,131)	(1,484,409)	(28,687,541)
Transfers In	-	21,469	29,390	50,859
Transfers Out	(50,859)	-	-	(50,859)
Ending Balance	<u>\$ 1,080,920</u>	<u>\$ 1,173,332</u>	<u>\$ (0)</u>	<u>\$ 2,254,252</u>
<u>Error Amounts</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<sup>1</sup> Differences due to rounding.

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