DEL NORTE COUNTY

Audit Report

COURT REVENUES

July 1, 2004, through June 30, 2010

JOHN CHIANG
California State Controller

January 2012

JOHN CHIANG
California State Controller

January 10, 2012

The Honorable Clinton Schaad
Auditor-Controller
Del Norte County
981 H Street, Suite 140
Crescent City, CA 95531

Sandra Linderman
Court Executive Officer
Superior Court of California, Del Norte County
450 H Street, Room 209
Crescent City, CA 95531

Dear Mr. Schaad and Ms. Linderman:

The State Controller's Office audited Del Norte County's court revenues for the period of July 1, 2004, through June 30, 2010.

Our audit disclosed that the county underremitted $130,656 in court revenues to the State Treasurer because it underremitted the 50% excess fines, fees, and penalties by $130,656.

The county should differentiate the individual accounts making up this amount on the bottom portion of the monthly TC-31, Remittance to State Treasurer, in accordance with standard remittance procedures. The county should state on the remittance advice that the account adjustments relate to the SCO audit for the period of July 1, 2004, through June 30, 2010.

Please mail a copy of the TC-31 and documentation supporting the corresponding adjustment(s) to the attention of the following individuals:

Joe Vintze, Audit Manager
Division of Audits
State Controller's Office
Post Office Box 942850
Sacramento, CA 94250-5874

Cindy Giese, Collections Supervisor
Division of Accounting and Reporting
Bureau of Tax Administration
Post Office Box 942850
Sacramento, CA 94250

Once the county has paid the underremitted Trial Court Improvement Fund amounts, we will calculate a penalty on the underremitted amounts and bill the county accordingly, in accordance with Government Code sections 68085, 70353, and 70377.

The county disputes certain facts related to the conclusions and recommendations contained in this audit report. The SCO has an informal audit review process to resolve a dispute of facts. To request a review, the county should submit, in writing, within 60 days after receiving the final report, a request for a review, along with supporting documents and information pertinent to the disputed issue(s), to Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001. In addition, please provide a copy of the request letter to Steven Mar, Chief, Local Government Audits Bureau, State Controller's Office, Division of Audits, Post Office Box 942850, Sacramento, CA 95250-5874.

If you have any questions, please contact Mr. Mar at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: John Judnick, Senior Manager
Internal Audit Services
Judicial Council of California
Julie Nauman, Executive Officer
Victim Compensation and Government Claims Board
Greg Jolivette
Legislative Analyst's Office
Sandeep Singh, Fiscal Analyst
Division of Accounting and Reporting
State Controller's Office
Cindy Giese, Supervisor, Tax Programs Unit
Division of Accounting and Reporting
State Controller's Office
Richard J. Chivaro, Chief Counsel
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Del Norte County for the period of July 1, 2004, through June 30, 2010.

Our audit disclosed that the county underremitted $130,656 in court revenues to the State Treasurer because it underremitted the 50% excess fines, fees, and penalties by $130,656.

Background

State statutes govern the distribution of court revenues, which include fines, penalties, assessments, fees, restitutions, bail forfeitures, and parking surcharges. Whenever the State is entitled to a portion of such money, the court is required by Government Code (GC) section 68101 to deposit the State's portion of court revenues with the county treasurer as soon as practical and to provide the county auditor with a monthly record of collections. This section further requires that the county auditor transmit the funds and a record of the money collected to the State Treasurer at least once a month.

GC section 68103 requires that the State Controller determine whether or not all court collections remitted to the State Treasurer are complete. GC section 68104 authorizes the State Controller to examine records maintained by any court. Furthermore, GC section 12410 provides the State Controller with general audit authority to ensure that state funds are properly safeguarded.

Objective, Scope, and Methodology

Our audit objective was to determine whether the county completely and accurately remitted court revenues in a timely manner to the State Treasurer for the period of July 1, 2004, through June 30, 2010. We did not review the timeliness of any remittances the county may be required to make under GC sections 70353, 77201.1(b)(1), and 77201(b)(2).

To meet our objective, we reviewed the revenue-processing systems within the county's Superior Court and Auditor-Controller's Office.

We performed the following procedures:

- Reviewed the accuracy of distribution reports prepared by the county, which show court revenue distributions to the State, the county, and the cities located within the county.
- Gained an understanding of the county's revenue collection and reporting processes by interviewing key personnel and reviewing documents supporting the transaction flow.

- Analyzed various revenue accounts reported in the county's monthly cash statements for unusual variations and omissions.
- Evaluated the accuracy of revenue distribution using as criteria various California codes and the SCO's Manual of Accounting and Audit Guidelines for Trial Courts.
- Tested for any incorrect distributions.
- Expanded any tests that revealed errors to determine the extent of any incorrect distributions.

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.

We did not audit the county's financial statements. We considered the county's internal controls only to the extent necessary to plan the audit. This report relates solely to our examination of court revenues remitted and payable to the State of California. Therefore, we do not express an opinion as to whether the county's court revenues, taken as a whole, are free from material misstatement.

Conclusion

Del Norte County underremitted $130,656 in court revenues to the State Treasurer. The underremittance is summarized in Schedule 1 and described in the Findings and Recommendations section.

Follow-Up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued on May 6, 2005, with the exception of Finding 4.

Views of Responsible Officials

At an exit conference on June 15, 2011, we discussed the audit results with Clinton Schaad, Auditor-Controller, and at an exit conference on June 16, 2011, we discussed the audit results with Sandy Linderman, Court Executive Officer. At the exit conferences, the county and court officials agreed with the results of audit.

Restricted Use

This report is solely for the information and use of Del Norte County, the Del Norte County Courts, the Judicial Council of California, 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 distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

January 10, 2012

Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2004, through June 30, 2010

		Fiscal Year						
Description	Code Section	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Total
Underremitted 50% excess of fines, fees, and penalties	Government Code §70205	$ 47,522	$ 3,746	$ 20,111	$ 8,709	$ 17,792	$ 32,776	$ 130,656
Net amount underpaid (overpaid) to the State Treasurer		$ 47,522	$ 3,746	$ 20,111	$ 8,709	$ 17,792	$ 32,776	$ 130,656

Schedule 2— Summary of Underremittances by Month Trial Court Improvement Fund July 1, 2004, through June 30, 2010

	Fiscal Year					
Month	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
June [1]	$ 47,522	$ 3,746	$ 20,111	$ 8,709	$ 17,792	$ 32,776
Total underremittances to the State Treasurer	$ 47,522	$ 3,746	$ 20,111	$ 8,709	$ 17,792	$ 32,776

NOTE: Delinquent Trial Court Trust Fund remittances not remitted to the SCO within 45 days of the end of the month in which the fees were collected are subject to penalty, pursuant to Government Code section 68085(h). The SCO will calculate and bill the county for the penalty after the county pays the underlying amount owed.

Findings and Recommendations

FINDING 1— Underremitted excess of qualified fines, fees, and penalties

Del Norte County underremitted $130,656 in court revenues to the State Treasurer for the six-fiscal-year period starting July 1, 2004, and ending June 30, 2010, because the county underremitted 50% of the qualified excess of fines, fees, and penalties. Government Code (GC) section 77201(b)(2) requires Del Norte County, for its base revenue obligation, to remit $124,085 for fiscal year (FY) 2004-05 and each FY thereafter. In addition, GC section 77205(a) requires the county to remit 50% of the qualified revenues that exceed the stated base for each fiscal year to the State Trial Court Improvement Fund.

The error occurred because the county used incorrect entries in the county and court's distribution working papers, and from the fiscal impact of conditions identified in this report's findings as follows:

- For FY 2004-05 and FY 2005-06, the county did not include recording and indexing fees within the maintenance-of-effort (MOE) computation. In addition, for FY 2009-10 the county prepared an adjustment from estimate to actual for recording and indexing fees. A total of $38,548 ($21,880 for FY 2004-05, $20,501 for FY 2005-06, and ($3,833) for FY 2009-10) should have been included in the MOE.

- For FY 2004-05, FY 2006-07, and FY 2009-10, the county did not include the entire total reported for State 30% penalties. Instead, 70% of the penalties were taken out of the total. A total of $164,700 ($52,586 for FY 2004-05, $52,445 for FY 2005-06, and $59,669 for FY 2009-10) should have been included in the MOE.

- For FY 2008-09, the county did not include the accurate amount of county base fines in the MOE calculation. The county should have deducted only 25% of total base fines prior to calculating the MOE. Instead, it subtracted 44% of the total base fines prior to the MOE calculation. The SCO auditor added back 19% of total base fines to arrive at the percentage that should have been subtracted, 25%. A total of $31,424 should have been included in the MOE.

- For FY 2009-10, the county did not include within the MOE computation 50% of Traffic Violator School (TVS) $24 fees. A total of $14,426 should have been included in the MOE.

- For all six fiscal years, the county appropriately deducted 23% from the reported TVS bail account; however, the court reported approximately 14% of TVS bail to the County General Fund the account titled "exempt." Therefore, the TVS Bail account and the exempt account were added together and 77% was applied. An additional total of $40,426 should have been included in the MOE.

- As stated in Finding 2, the court did not apply a component total of $4 for every $10 of TVS bail. Consequently, this caused an increase to the Emergency Medical Services (EMS) Fund and a decrease to the MOE; $28,210 ($36,636 × 77%) should not have been included in the MOE.

The qualified revenues reported for FY 2004-05 were $456,202. The excess, above the base of $124,085, is $332,117; this amount should be divided equally between the county and State, resulting in $166,058 excess due the State. The county has remitted a previous payment of $118,536, causing an underremittance of $47,522.

The qualified revenues reported for FY 2005-06 were $438,895. The excess, above the base of $124,085, is $314,810; this amount should be divided equally between the county and State, resulting in $157,405 excess due the State. The county has remitted a previous payment of $153,659, causing an underremittance of $3,746.

The qualified revenues reported for FY 2006-07 were $446,429. The excess, above the base of $124,085, is $322,344; this amount should be divided equally between the county and State, resulting in $161,172 excess due the State. The county has remitted a previous payment of $141,061, causing an underremittance of $20,111.

The qualified revenues reported for FY 2007-08 were $458,589. The excess, above the base of $124,085, is $334,504; this amount should be divided equally between the county and State, resulting in $167,252 excess due the State. The county has remitted a previous payment of $158,543, causing an underremittance of $8,709.

The qualified revenues reported for FY 2008-09 were $340,208. The excess, above the base of $124,085, is $216,123; this amount should be divided equally between the county and State, resulting in $108,062 excess due the State. The county has remitted a previous payment of $90,270, causing an underremittance of $17,792.

The qualified revenues reported for FY 2009-10 were $346,712. The excess, above the base of $124,085, is $222,627; this amount should be divided equally between the county and State, resulting in $111,313 excess due the State. The county has remitted a previous payment of $78,537, causing an under remittance of $32,776.

The over- and underremittances had the following effect.

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund–GC §77205:	
FY 2004-05	$ 47,522
FY 2005-06	3,746
FY 2006-07	20,111
FY 2007-08	8,709
FY 2008-09	17,792
FY 2009-10	32,776
County General Fund	(130,656)

Recommendation

The county should remit $130,656 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the State Trial Court Improvement Fund–GC section 77205. The county should also make the corresponding account adjustments.

FINDING 2— Inequitable distribution of Traffic Violator School fees related to emergency medical service (EMS) penalties

The Del Norte County Superior Court inappropriately deducted a $2 EMS penalty component from TVS fees starting January 2009 through June 2010. County personnel indicated that the required distribution was inadvertently overlooked.

Effective January 1, 2009, for all traffic school violations, Vehicle Code (VC) section 42007(b)(2) requires a component total of $4 out of TVS bail to be distributed as follows: $2 for every $7 base fine that would have been collected pursuant to GC section 76000 and $2 for every $10 base fine that would have been collected pursuant to GC section 76000.5. In addition, Assembly Bill (AB) 3067 provides that a county would not be held liable for depositing the funds pursuant to GC section 76000.5 into the county EMS Fund before January 1, 2009.

The inappropriate distributions for Traffic Violator School fees affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to GC section 77205.

The incorrect distribution had the following effect:

Account Title	Understated/ (Overstated)
County General Fund	$ (36,636)
County EMS Fund	36,636

Recommendation

The County Auditor-Controller's Office should make the corresponding account adjustments. A redistribution should be made for the period of July 2010 through the date on which the current system is revised.

The Del Norte County Superior Court should implement procedures to improve the output records to adequately provide a complete and accurate distribution of EMS penalties to comply with statutory requirements.

FINDING 3— Underremitted state court facilities construction penalties

The Del Norte County Superior Court did not accurately apply a full $5 State court facilities construction penalty component, starting January 2009. County personnel indicated that the required distribution was inadvertently overlooked.

Starting January 1, 2009, GC section 70372(a) requires a component of $5 on every $10 base fine or portion thereof to be distributed to the State Court Facilities Construction Fund. In addition, effective January 1, 2009, for all traffic school violations, VC section 42007 requires a component total of $5 out of TVS bail to be distributed to the State Court Facilities Construction Fund.

The inappropriate distribution of penalties affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to GC section 77205. We did not redistribute the effect, as it did not appear to be material, and because doing so would not be cost-effective due to the difficulty inherent in identifying and redistributing the various accounts. However, if this practice continues, a material overstatement may occur during future periods.

Recommendation

The Del Norte County Superior Court should establish formal procedures to ensure that all fines and penalties are correctly distributed in accordance with statutory requirements. An examination and potential redistribution should be made for the collection period starting July 2010 through the date the current system is revised.

FINDING 4— Incorrect distribution of fines, fees, and penalties

The Del Norte County Superior Court computer system distributes revenues on a percentage basis. Some of the distribution percentages were inaccurate and the court made other minor errors, as follows:

- Evidence-of-financial-responsibility fines (court code PF7) per Penal Code (PC) section 1463.22a, b, and c were distributed when payment was received. The fines should be collected upon conviction.

- For red-light violation per PC section 1463.11, the court did not distribute to the city or county 30% of the total bail required by VC section 42007 when the defendant attends traffic school.

The fiscal effect of the above errors caused distribution to the State, county, city, and court funds to be inaccurately stated. Court personnel indicated that the required distributions were inadvertently overlooked and the computer system cannot readily provide the correct distribution. We did not measure the fiscal effect as it did not appear to be material for the current audit period.

This finding was addressed in the State Controller’s Office audit of the Del Norte County and Courts for the period of July 2000 through June 2004 (report issued May 6, 2005).

Recommendation

The Del Norte County Superior Court should revise its accounting system and change its distribution formulas to accurately distribute the fines, penalties, and fees as noted.

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http://www.sco.ca.gov

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