

# MONTEREY COUNTY

Audit Report

## COURT REVENUES

*July 1, 2001, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

March 2007



**JOHN CHIANG**  
California State Controller

March 30, 2007

The Honorable Michael J. Miller  
Auditor-Controller  
County of Monterey  
168 West Alisal Street, 3<sup>rd</sup> Floor  
Salinas, CA 93901

Lisa M. Galdos  
Court Executive Officer  
Superior Court of California, Monterey County  
240 Church Street, Room 318  
Salinas, CA 93901

Dear Mr. Miller and Ms. Galdos:

The State Controller's Office audited Monterey County's court revenues for the period of July 1, 2001, through June 30, 2006.

Our audit disclosed that the county underremitted \$117,929 in court revenues to the State Treasurer as follows.

- The county underremitted the 50% excess of qualified fines, fees, and penalties by \$49,643.
- The county underremitted equipment/tag violation revenue by \$68,286.

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, 2001, through June 30, 2006.

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

Greg Brummels, Audit Manager  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874

Jaime Delgadillo, Collections Supervisor  
Division of Collections  
Bureau of Tax Administration  
Post Office Box 942850  
Sacramento, California 94250-5880

**Once the county has paid the underremitted Trial Court Improvement Fund amount, we will calculate a penalty on the underremitted amount at the rate of 18% per annum and bill the county accordingly, in accordance with *Government Code* Sections 68085, 70353, and 70377.**

If you have any questions, please contact Jerry McClain, Chief, Special Audits Bureau, at (916) 323-1573.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/vb:ams

cc: John A. Judnick, Manager, Internal Audit  
Judicial Council of California  
Karen McGagin, Executive Officer  
Victim Compensation and Government Claims Board  
Renee Renwick, Deputy Director  
Administration Division  
Department of Fish and Game  
Greg Jolivette  
Legislative Analyst'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 Monterey County for the period of July 1, 2001, through June 30, 2006. The last day of fieldwork was September 13, 2006.

Our audit disclosed that the county underremitted \$117,929 in court revenues to the State Treasurer as follows.

- The county underremitted the 50% excess of qualified fines, fees, and penalties by \$49,643.
- The county underremitted equipment/tag violation revenue by \$68,286.

## 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* 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.

*Government Code* Section 68103 requires that the State Controller determine whether or not all court collections remitted to the State Treasurer are complete. *Government Code* Section 68104 authorizes the State Controller to examine records maintained by any court. Furthermore, *Government Code* 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, 2001, through June 30, 2006. We did not review the timeliness of any remittances the county may be required to make under *Government Code* 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, Probation Department, Collections Department, 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 our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. 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**

Monterey County underremitted \$117,929 in court revenues to the State Treasurer. The underremittances are 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 September 30, 2002.

## **Views of Responsible Officials**

We issued a draft audit report on December 29, 2006. Dewayne Woods, Budget Director, Monterey County Administrative Office, responded by letter dated January 30, 2007 (Attachment A), agreeing with the audit results. Further, Connie Mazzei, Director of Finance, Superior Court of California, Monterey County, responded by letter dated January 18, 2007 (Attachment B), agreeing with the audit results.

## **Restricted Use**

This report is solely for the information and use of Monterey County, the Monterey 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

**Schedule 1—  
Summary of Audit Findings by Fiscal Year  
July 1, 2001, through June 30, 2006**

Description	Account Title	Code Section	Fiscal Year				Total	Reference <sup>1</sup>
			2002-03	2003-04	2004-05	2005-06		
Underremitted 50% excess of fines, fees, and penalties	State Trial Court Improvement Fund	<i>Government Code</i> Section 77205	\$ 49,643	\$ —	\$ —	\$ —	\$ 49,643	Finding 1
Underremitted equipment/tag violation revenue	State General Fund	<i>Vehicle Code</i> Section 40225(d)	—	18,795	24,400	25,092	68,286	Finding 2
Net amount underpaid (overpaid) to the State Treasurer			<u>\$ 49,643</u>	<u>\$ 18,795</u>	<u>\$ 24,400</u>	<u>\$ 25,092</u>	<u>\$ 117,929</u>	

<sup>1</sup> See Findings and Recommendations section.

**Schedule 2—  
Summary of Underremittances by Month  
Trial Court Improvement Fund  
July 1, 2001, through June 30, 2006**

<u>Month</u>	Fiscal Year			
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
August	\$ 49,643	\$ —	\$ —	\$ —
Total underremittances to the State Treasurer	<u>\$ 49,643</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE: Delinquent Trial Court Improvement 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**

The County Auditor-Controller’s Office underremitted by \$49,643 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the five fiscal year (FY) period starting July 1, 2001, and ending June 30, 2006.

*Government Code* Section 77201(b)(2) requires Monterey County, for its base revenue obligation, to remit \$3,330,125 for FY 2001-02 and each fiscal year thereafter. In addition, *Government Code* Section 77205(a) requires the county to remit to the Trial Court Improvement Fund 50% of qualified revenues that exceed the stated base for each fiscal year.

The error occurred because the county used incorrect entries in its maintenance-of-effort (MOE) distribution working papers and as a result of conditions identified as follows.

When preparing the FY 2002-03 MOE, the county did not report the qualified revenues collected by the county’s collections department: 75% of the county base fine, \$41,562; 30% State Penalty, \$45,605; and administration screening fee, \$12,121.

The qualified revenues reported for FY 2002-03 were \$3,873,724. The excess, above the base of \$3,330,125, is \$543,599. This amount should be divided equally between the county and the state, resulting in \$271,799 excess due the state. The county has remitted a previous payment of \$222,156, causing an underremittance of \$49,643.

The underremittances had the following effect.

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund– <i>Government Code</i> Section 77205: FY 2002-03	\$ 49,643
County General Fund	(49,643)

Recommendation

The county should remit \$49,643 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the Trial Court Improvement Fund–*Government Code* Section 77205. The county should also make the corresponding account adjustments.

County’s Response

Monterey County Administrative Office staff has reviewed the findings contained in the report and has discussed Finding #1, Under Remitted Excess of Qualified Fines, Fees, and Penalties with the County’s Auditor/Controller staff, and, as a result, concurs with Finding #1 and the Recommendation.

The County will initiate a payment in the amount of \$49,643.00 as recommended in Finding #1 on page 5 of the audit report.

**FINDING 2—  
Underremitted  
equipment/tag  
violations**

The Monterey County Superior Court distributed state equipment/tag violation revenue to the Monterey County General Fund from July 2003 through June 2006. The Court’s staff indicated that the required distribution was inadvertently overlooked.

*Vehicle Code* Section 40225(d) allows equipment and registration tab violations to be processed as civil penalties. Upon proof of correction, the civil penalty is reduced to \$10. Civil penalties collected on equipment and tab violations are distributed as follows: 50% to the issuing/processing agency and 50% to the State Treasurer.

The inappropriate distribution had the following effect.

Account Title	Understated/ (Overstated)
State General Fund– <i>Vehicle Code</i> Section 40225(d) County General Fund	\$ 68,286 (68,286)

Recommendation

The county should remit to the State Treasurer and report on the remittance advice (TC-31) an increase of \$68,286 to the State General Fund – *Vehicle Code* Section 40225(d). The county should also make the corresponding account adjustments.

The Court should establish formal procedures to ensure that it correctly distributes equipment tag violation revenue in accordance with statutory requirements. The court should redistribute fines for the collection period starting from July 2006 through the date the current system is revised.

Court’s Response

The Court corrected this incorrect revenue distribution on the cash statement and TC-31 filed with the County Auditor for the month of October 2006. Additionally, the Court’s cash statement format was modified to prohibit future errors in distributions for this revenue. Court finance staff were retrained on the revenue distribution requirements under this authority.

**FINDING 3—  
Erroneous  
distribution priority  
by the Superior Court**

The Monterey Superior Court prioritized collections in a manner that inappropriately gave a distribution priority to proof of correction fees over fines and penalties. The error occurred because the additional computer programming procedure requirements were incorrect.

Starting September 30, 2002, *Penal Code* Section 1203.1d requires a mandatory prioritization in the distribution of all installment payments as follows.

1. Restitution orders to victims
2. 20% state surcharge
3. Fines, penalty assessments and restitution fines
4. Other reimbursable costs

The collection of proof of correction fees should be included within category 4 with other reimbursable costs.

Failure to make the required priority distribution causes distributions to the state and county to be inaccurately stated. Measuring the fiscal effect did not appear to be either material or cost effective due to the difficulty in identifying and redistributing the various accounts.

#### Recommendation

The Monterey Superior Court should take steps to insure that all surcharges, fines, penalties and fees are distributed in accordance with the statutory requirements under *Penal Code* Section 1203.1d.

#### Court's Response

The Court's case management system, Sustain, was not correctly programmed for the priority coding for Proof of Correction Revenue. The case management system was corrected to reflect a Priority 4 for Proof of Correction revenue effective November 2006.

#### **FINDING 4— Inappropriate distribution of evidence-of-financial- responsibility violation fines**

The Monterey County Superior Court distributed evidence-of-financial-responsibility violation fines to the State General Fund and State Transportation Fund based on collection and not conviction for the period of June 1, 2002 through June 2006. The court staff indicated that the Sustain Management System does not distribute a specific distribution for convictions in all cases.

A \$30.50 fee on each conviction of an evidence-of-financial-responsibility violation identified under *Vehicle Code* Section 16028 is required to be distributed in this manner: \$17.50 to the Local Court Trust Fund pursuant to *Penal Code* Section 1463.22(a), \$10 to the State General Fund pursuant to *Penal Code* Section 1463.22(c), and \$3 to the State Transportation Fund pursuant to *Penal Code* Section 1463.22(b).

Failure to make the required fine distribution upon each conviction of evidence-of-financial-responsibility violation causes distributions to the state and county to be inaccurately stated. Measuring the fiscal effect did not appear to be either material or cost effective due to the difficulty in identifying and redistributing the various accounts.

#### Recommendation

The court should tabulate evidence-of-financial-responsibility violation fines on a count sheet at month-end, adjust the appropriate accounts and apply the changes to the month-end cash statement.

Court's Response

The Court did report insurance revenue based on collections instead of convictions. Due to case management limitations, the Court created a new report generated from Sustain and developed a manual process to report revenue under this authority based on convictions. This revision was effective November 2006.

**Attachment A—  
County Auditor-Controller's Response  
to Draft Audit Report**

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# MONTEREY COUNTY



## COUNTY ADMINISTRATIVE OFFICE

LEW C. BAUMAN  
COUNTY ADMINISTRATIVE OFFICER

168 W. ALISAL STREET 3<sup>RD</sup> FLOOR  
SALINAS, CA 93901-2680  
(831) 755-5115  
FAX (831) 757-5792  
www.co.monterey.ca.us

January 30, 2007

Jerry McClain, Chief  
Special Audits Bureau  
State Controller's Office  
P. O. Box 942850  
Sacramento, CA 94250-5874

RE: Monterey County's response to Finding #1 in the State Controller's Draft Audit Report dated December 2006, Audit of Monterey County Court Revenues for the period July 1, 2001, through June 30, 2006.

Dear Mr. McClain:

Monterey County Administrative Office staff has reviewed the findings contained in the report and has discussed Finding #1, Under Remitted Excess of Qualified Fines, Fees, and Penalties with the County's Auditor/Controller staff, and, as a result, concurs with Finding #1 and the Recommendation.

The County will initiate a payment in the amount of \$49,643.00 as recommended in Finding #1 on page 5 of the audit report.

### Correction for Final Report

#### Findings and Recommendations - Page 5 paragraph 5

"The amount should be divided equally between the county and the state, resulting in \$271,799 excess due the state. The county has remitted a previous payment of **\$271,799**, causing an under remittance of \$49,643."

The amount remitted is the same as the amount due the State, we believe the amount should be corrected to read \$222,156, which is the amount identified in the County's work papers for the FY 2002-03 MOE 50/50 calculation.

  
Dewayne Woods  
Budget Director  
Monterey County Administrative Office

Remit \$49,643.00 to:  
State Treasurer - TC 31  
Trial Court Improvement Fund-Government Code Sec. 77205

c: Monterey County Auditor/Controller

**Attachment B—  
Court's Response to  
Draft Audit Report**

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**SUPERIOR COURT OF CALIFORNIA  
COUNTY OF MONTEREY**

LISA M. GALDOS  
Court Executive Officer  
and Jury Commissioner

- Salinas Division**  
240 Church Street  
Salinas, CA 93901  
(831) 775-5400
- Monterey Division**  
1200 Aguajito Road  
Monterey, CA 93940  
(831) 647-5800
- Marina Division**  
3180 Del Monte Blvd  
Marina, CA 93933  
(831) 883-5300
- King City Division**  
250 Franciscan Way  
King City, CA 93930  
(831) 386-5200

[www.monterey.courts.ca.gov](http://www.monterey.courts.ca.gov)

January 18, 2007

Mr. Jerry McClain  
Chief, Special Audits Bureau  
California State Controller  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. McClain:

The Superior Court of California, County of Monterey (the Court) received the State Controller's audit letter on January 11, 2007. This letter serves as the Court's response to audit findings attributed to the Superior Court as follows:

**FINDING 2 – UNDERREMITTED EQUIPMENT/TAG VIOLATIONS -  
COURT RESPONSE**

Fees collected pursuant to Vehicle Code Section 40225(d) for equipment/tag violation revenue totaling \$68,826 over the period FY 2003 – 2004 through FY 2005 – 2006 were incorrectly remitted to the County General Fund. The correct distribution requires this revenue be distributed to the State General Fund.

The Court corrected this incorrect revenue distribution on the cash statement and TC-31 filed with the County Auditor for the month of October 2006. Additionally, the Court's cash statement format was modified to prohibit future errors in distributions for this revenue. Court finance staff were retrained on the revenue distribution requirements under this authority.

**FINDING 3 – ERRONEOUS DISTRIBUTION PRIORITY BY THE SUPERIOR COURT -  
COURT RESPONSE**

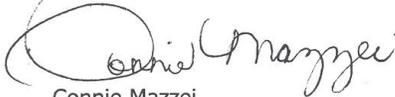
The Court's case management system, Sustain, was not correctly programmed for the priority coding for Proof of Correction Revenue. The case management system was corrected to reflect a Priority 4 for Proof of Correction revenue effective November 2006.

**FINDING 4 – INAPPROPRIATE DISTRIBUTION OF EVIDENCE-OF-FINANCIAL  
RESPONSIBILITY VIOLATION FINES -  
COURT RESPONSE**

The Court did report insurance revenue based on collections instead of convictions. Due to case management limitations, the Court created a new report generated from Sustain and developed a manual process to report revenue under this authority based on convictions. This revision was effective November 2006.

If you have questions, please contact me at (831) 775-5474.

Sincerely,

A handwritten signature in black ink, appearing to read "Connie Mazzei". The signature is written in a cursive style with a large, looping initial "C".

Connie Mazzei  
Director of Finance

Cc: Lisa M. Galdos  
Michael J. Miller, Auditor-Controller

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**