

SANTA CLARA COUNTY

Audit Report

COURT REVENUES

July 1, 2004, through June 30, 2010



JOHN CHIANG
California State Controller

March 2012



JOHN CHIANG
California State Controller

March 7, 2012

Vinod Sharma
Auditor-Controller
County of Santa Clara
70 West Hedding Street, 2nd Floor
San Jose, CA 95110

David Yamasaki
Court Executive Officer
Superior Court of California,
Santa Clara County
191 North First Street
San Jose, CA 95113

Dear Mr. Sharma and Mr. Yamasaki:

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

Our audit disclosed that the county overremitted \$282,958 in court revenues to the State Treasurer because it:

- Underremitted court security fees by \$56,410;
- Overremitted 50% excess fines, fees, and penalties by \$189,980;
- Overremitted state court facility construction penalties from red-light violations by \$202,675;
and
- Underremitted proof-of-correction fees by \$53,287.

The County Auditor-Controller's Office should reduce subsequent remittances to the State Treasurer by \$282,958.

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

Vinod Sharma
David Yamasaki

-2-

March 7, 2012

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau,
at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

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 Santa Clara County for the period of July 1, 2004, through June 30, 2010.

Our audit disclosed that the county overremitted \$282,958 in court revenues to the State Treasurer because it:

- Underremitted court security fees by \$56,410
- Overremitted 50% excess fines, fees, and penalties by \$189,980
- Overremitted state court facility construction penalties from red-light violations by \$202,675
- Underremitted proof-of-correction fees by \$53,287

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, Probation Department, Department of Revenue, 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

Santa Clara County overremitted \$282,958 in court revenues to the State Treasurer. The underremittance and overremittances 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 October 4, 2006.

Views of Responsible Officials

We issued a draft audit report on November 4, 2011. Irene Lui, Controller-Treasurer, and David Yamasaki, Chief Executive Officer, responded by letters dated December 12, 2011, and November 29, 2011, respectively (Attachments), agreeing with the audit results.

Restricted Use

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

March 7, 2012

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

Description	Code Section ¹	Fiscal Year						Total	Reference ²
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10		
Court security fees	PC §1465.8	\$ —	\$ —	\$ —	\$ 56,410	\$ —	\$ —	\$ 56,410	Finding 1
AB 233 MOE 50% split	GC §77205	—	—	7,518	11,576	(61,210)	(147,864)	(189,980)	Finding 2
State court facilities construction penalties for red-light violations	GC §70372	(25,314)	(21,872)	(39,049)	(32,430)	(42,048)	(41,962)	(202,675)	Finding 3
Proof-of-correction fees	VC §40611	—	—	—	—	—	53,287	53,287	Finding 4
Total		\$ (25,314)	\$ (21,872)	\$ (31,531)	\$ 35,556	\$ (103,258)	\$ (136,539)	\$ (282,958)	

¹ Legend: PC = Penal Code; GC = Government Code; VC = Vehicle Code

² See the Findings and Recommendations section.

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

<u>Month</u>	Fiscal Year		
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
July	\$ —	\$ —	\$ —
August	—	—	—
September	—	—	—
October	—	—	—
November	—	—	—
December	—	—	—
January	—	—	—
February	56,410	—	—
March	—	—	—
April	—	—	—
May	—	—	—
June	—	—	—
Total underremittances to the State Treasurer	<u>\$ 56,410</u>	<u>\$ —</u>	<u>\$ —</u>

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.

**Schedule 3—
Summary of Underremittances by Month
Trial Court Improvement Fund
July 1, 2004, through June 30, 2010**

Month	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
July	\$ —	\$ —	\$ —	\$ —
August	—	—	—	—
September	—	—	—	—
October	—	—	—	—
November	—	—	—	—
December	—	—	—	—
January	—	—	—	—
February	—	—	—	—
March	—	—	—	—
April	—	—	—	—
May	—	—	—	—
June ¹	7,518	11,576	—	—
Total underremittances to the State Treasurer	\$ 7,518	\$ 11,576	\$ —	\$ —

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.

**Schedule 4—
Summary of Overremittances by Month
July 1, 2004, through June 30, 2010**

Month	Fiscal Year					
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
July	\$ 2,122	\$ 2,270	\$ 2,338	\$ 2,731	\$ 3,588	\$ 4,120
August	2,009	1,889	2,461	3,129	2,904	3,426
September	1,939	1,324	2,690	2,381	3,149	3,504
October	2,002	972	3,103	3,059	3,579	4,134
November	2,161	779	3,297	2,663	2,580	2,849
December	2,127	756	4,022	2,431	2,871	3,646
January	1,805	2,244	3,848	2,617	4,028	3,177
February	1,769	1,738	3,459	3,020	3,816	3,433
March	2,283	1,756	3,739	2,624	3,781	4,042
April	2,432	1,660	3,250	3,044	4,102	3,882
May	2,446	3,795	3,837	2,339	3,827	2,424
June	2,219	2,689	3,005	2,392	65,033	151,189
Total overremittances to the State Treasurer	<u>\$ 25,314</u>	<u>\$ 21,872</u>	<u>\$ 39,049</u>	<u>\$ 32,430</u>	<u>\$ 103,258</u>	<u>\$ 189,826</u>

Findings and Recommendations

**FINDING 1—
Underremitted court
security fees**

The Santa Clara County Department of Revenue incorrectly posted court security fees as administrative fees for the month of February 2008. Department personnel discovered the error and notified the County Auditor-Controller’s Office, but the correction was overlooked.

Starting August 17, 2003, Penal Code (PC) section 1465.8 requires a \$20 State Security Fee on all criminal offenses (including traffic citations).

The incorrect posting had the following effect:

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
State Trial Court Trust Fund–PC § 1465.8	\$ 56,410
County General Fund	(56,410)

Recommendation

The county should remit \$56,410 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the State Trial Court Trust Fund–PC section 1465.8. The county also should make the corresponding account adjustments.

**FINDING 2—
Overremitted excess
of qualified fines, fees,
and penalties**

The County Auditor-Controller’s Office overremitted by \$189,980 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the four-fiscal-year period starting July 1, 2006, and ending June 30, 2010.

Government Code (GC) section 77201(b)(2) requires Santa Clara County, for its base revenue obligation, to remit \$11,597,583 for fiscal year (FY) 2004-05 and each fiscal year thereafter. In addition, GC 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:

- For all six fiscal years, the county did not include within the MOE, juvenile traffic base fines of \$79,980, state 30% penalties of \$212,908 and traffic school violator (TVS) bail of \$376 from the county Probation Department. A total of \$293,264 should have been included in the MOE.
- As stated in Finding 3, the court did not distribute a complete 30% TVS bail from red-light violations to the arresting agencies from July 2007 through June 2010. The agencies are entitled to 30% of total bail and their fare share of base fines. The total of \$208,043 (270,185 × 77%) should not have been included in the MOE.

- As stated in Finding 4, from March 2010 through June 2010, a portion of proof-of-correction fees were erroneously reported as county and city base fines. A total of \$36,464 should not have been included in the MOE.
- As stated in Finding 5, from January 2009 through June 2010, emergency medical service (EMS) penalties (a \$4 component that should have been reported and not a total of a \$2.70 component) were inappropriately deducted from TVS bail. A total of \$428,716 (\$556,774 × 77%) should not have been included in the MOE.

The qualified revenues reported for FY 2006-07 were \$15,224,468. The excess, above the base of \$11,597,583, is \$3,626,885. This amount should be divided equally between the county and the State, resulting in \$1,813,442 excess due the State. The county remitted a previous payment of \$1,805,924, leaving an underremittance of \$7,518.

The qualified revenues reported for FY 2007-08 were \$13,630,418. The excess, above the base of \$11,597,583, is \$2,032,835. This amount should be divided equally between the county and the State, resulting in \$1,016,418 excess due the State. The county remitted a previous payment of \$1,004,842, leaving an underremittance of \$11,576.

The qualified revenues reported for FY 2008-09 were \$13,055,393. The excess, above the base of \$11,597,583, is \$1,457,810. This amount should be divided equally between the county and the State, resulting in \$728,905 excess due the State. The county remitted a previous payment of \$790,115, causing an overremittance of \$61,210.

The qualified revenues reported for FY 2009-10 were \$11,981,464. The excess, above the base of \$11,597,583, is \$383,881. This amount should be divided equally between the county and the State, resulting in \$191,940 excess due the State. The county remitted a previous payment of \$339,804, causing an overremittance of \$147,864.

The over- and underremittances had the following effect:

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund–GC § 77205:	
FY 2006-07	\$ 7,518
FY 2007-08	11,576
FY 2008-09	(61,210)
FY 2009-10	(147,864)
County General Fund	189,980

Recommendation

The county should reduce remittances by \$189,980 to the State Treasurer and report on the remittance advice form (TC-31) a decrease to the Trial Court Improvement Fund–GC section 77205. The county also should make the corresponding account adjustments.

**FINDING 3—
Overremitted state
court facility
construction penalties
from red-light
violations**

The Santa Clara County Courts did not distribute 30% of state court facility construction penalties from red-light traffic violations starting July 2004 through June 2010. In addition, the courts did not distribute a full 30% total from TVS bail from red-light violations. Court personnel believed the 30% distribution was only applicable to PC section 1463 (bail/fines), PC section 1464 (state penalty), and GC section 76000 (county penalty) as specified in PC section 1463.11.

PC section 1463.11 requires 30% of base fines and state and county penalties (PC section 1463 and 1464, GC section 76100, respectively), pursuant to red-light violations, to be distributed to the general fund of the county or city in which the offense occurred. Penalty amounts to be deposited to the State Court Facilities Construction Fund are not referenced in this statute; however, GC section 70372(a) is subject to the distribution requirements in accordance with PC section 1463. Therefore, the penalties are subject to the 30% of allocation to the State Court Facilities Construction Fund. The remaining 70% should be distributed in accordance with PC section 1463 or Vehicle Code (VC) section 42007 when traffic violator school is elected.

VC section 42007 requires the first 30% of traffic violator school for red-light violation fees (TVS bail) be allocated to the city or county, based on the jurisdiction of arrest. The remainder of the TVS bail should be distributed as specified pursuant to VC section 42007. Therefore, the remaining portion of TVS bail specified to be allocated as state court construction facility penalties should be 70% of what would have otherwise been distributed.

The inappropriate distributions for TVS bail affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to GC section 77205. In addition, the inappropriate distribution had the following effect:

Account Title	Base Fines	TVS Bail	Understated/ (Overstated)
State Court Facilities Construction Fund—			
GC § 70372	\$ (202,675)	\$ —	\$ (202,675)
County General Fund	16,194	(270,186)	(253,992)
City Fine Revenue Accounts:			
San Jose	68,495	84,405	152,900
Cupertino	18,340	37,894	56,234
Milpitas	23,525	30,740	54,265
Sunnyvale	15,965	26,953	42,918
Mountain View	14,091	24,249	38,340
Saratoga	8,816	16,188	25,004
Santa Clara	10,469	13,987	24,456
Palo Alto	9,527	13,709	23,236
Gilroy	4,734	4,509	9,243
Campbell	2,861	3,623	6,484
Morgan Hill	2,825	3,435	6,260
Los Altos	2,400	3,924	6,324
Los Gatos	2,509	3,718	6,227
Metro Transit District	1,104	930	2,034

Account Title	Base Fines	TVS Bail	Understated/ (Overstated)
City Fine Revenue Accounts (continued):			
De Anza College	231	556	787
West Valley College	149	286	435
Los Altos Hills	127	300	427
Mission College	107	160	267
San Jose City College	85	154	239
Foothill College	41	164	205
San Mateo Transit District	80	115	195
Evergreen College	—	187	187

Recommendation

The county should offset by \$202,675 subsequent remittances to the State Treasurer and report on the remittance advice form (TC-31) a decrease to the State Court Facilities Construction Fund–GC section 70372.

The county also should make the corresponding account adjustments. A redistribution should be made from July 2010 through the date on which the current system is revised.

The Santa Clara County Courts should implement procedures to improve the output records to adequately provide a complete and timely distribution of red-light traffic violation fines to comply with statutory requirements.

**FINDING 4—
Underremitted proof-of-correction fees**

The Santa Clara County Courts did not consistently distribute proof-of-correction fees starting March 2010 through June 2010. Instead, the fees were distributed as county and city base fines. Court personnel discovered the error and notified the county auditor’s office during the SCO audit engagement.

VC section 40611 requires a \$10 transaction fee upon proof of correction for alleged violations of VC section 12500 or 12951, or any violation pursuant to VC 40610 or 16028(e). Proof-of-correction fees are distributed as follows: 33% to the local governmental entity where the citation was issued, 33% to the county, and 34% to the State Treasurer.

The inappropriate distribution had the following effect:

Account Title	Understated/ (Overstated)
State Penalty Fund	\$ 53,287
County General Fund	11,830
City Fine Revenue Accounts:	
San Jose	(30,815)
Mountain View	(6,750)
Santa Clara	(4,876)
Cupertino	(4,270)
Sunnyvale	(3,442)

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
City Fine Revenue Accounts continued):	
Milpitas	(3,302)
Saratoga	(2,618)
Gilroy	(1,892)
Palo Alto	(1,711)
Morgan Hill	(1,663)
Campbell	(1,331)
Los Altos	(678)
Los Gatos	(633)
Metro Transit District	(332)
Los Altos Hills	(311)
Foothill College	(173)
De Anza College	(117)
Evergreen College	(66)
West Valley College	(56)
Monte Sereno	(56)
San Jose City College	(15)
Mission College	(10)

Recommendation

The county should remit \$53,287 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the State Penalty Fund–VC section 40611. The county also should make the corresponding account adjustments. A redistribution should be made from July 2010 through the date the current system is revised.

**FINDING 5—
Inequitable distribution
of traffic violator school
fees related to
emergency medical
service (EMS) penalties**

The Santa Clara County Superior Courts inappropriately deducted EMS penalties from TVS fees from January 2009 through June 2010. Court personnel believed the EMS Fund distribution from TVS was based on the County Board of Supervisors Resolution pertaining to county penalties. It specifies \$0.70 of the \$7 county penalties be distributed to the EMS Fund and not \$2 of the \$7 as specified in GC section 76000.5. GC section 76000.5 includes language related to capital facility debt service that the court believed was applicable.

Effective January 1, 2009, for all traffic school violations, VC section 42007(b)(2) requires a component total of \$4 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 3067 provided 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 TVS fees affect the revenues reported to the State Trial Court Improvement Fund under the Maintenance-of-Effort formula pursuant to GC section 77205. In addition, the inappropriate distribution had the following effect:

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
County General Fund	\$ (556,774)
County EMS Fund	556,774

Recommendation

The county should make the corresponding account adjustments. A redistribution should be made for the period of July 2010 through the date the current system is revised.

The Santa Clara County Courts should implement procedures to improve the output records to adequately provide a complete and accurate distribution of EMS penalties to comply with statutory requirements.

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

County of Santa Clara



Finance Agency Controller-Treasurer Department

County Government Center
70 W. Hedding Street, East Wing, 2nd Floor
San Jose, California 95110-1705
(408) 299-5200 FAX (408) 289-8629

December 12, 2011

Steven Mar
Chief, Local Government Audits Bureau
State Controller's Office
Division of Audits
PO Box 942850
Sacramento, California 94250-5874

Subject: State Controller's Office Audit of Santa Clara County's Court Revenues
For the Period July 1, 2004 to June 30, 2010 (FY05 to FY10)

Dear Mr. Mar:

We are writing to respond to the State Controller's Office audit of Santa Clara County's court revenues for the period July 1, 2004 to June 30, 2010.

Finding 1 – Under remitted court security fees of \$56,410.00

We agree with the finding and will remit payments of \$56,410 to the State Treasurer and report on the remittance advice form (TC-31) as an increase to the State Trial Courts Trust – PC1465.8

Finding 2 – Over remitted excess of qualified fines, fees and penalties of \$189,980

We agree with the finding and will adjust payments of \$189,980 to the State Treasurer and will report on the remittance advice form (TC-31) as a reduction to the Trial Court Improvement Fund-GC77205.

Finding 3 – Over remitted state court facility construction penalties from red-light violations of \$202,675

We agree with the finding and will adjust subsequent payments of \$202,675 to the State Treasurer and will report on the remittance advice form (TC-31) as a reduction to the State Court Facilities Construction Fund GC70372.

Mr. Streven Mar
Page 2 of 2

Finding 4 – Under remitted proof-of-correction fees of \$53,287

We agree with the finding and will remit payment of \$53,287 to the State Treasurer on the remittance advice form (TC-31) an increase to the State Penalty Fund-VC40611.

The County will make the corresponding account adjustments and a redistribution will be made for the period of July 2010 through the date the current system is revised.

Finding 5 –Inequitable distribution of traffic violator school fees related to Emergency Medical Services (EMS) penalties

The County will make the corresponding account adjustments. A redistribution will be made for the period of July 2010 through the date the current system is revised.

Based on this audit report, the County over remitted \$289,958 in court revenues to the State Treasurer. We will adjust our future remittance via TC-31 accordingly.

We appreciate the professional manner which your staff, Mr. Gary D. Weiner, conducted himself during the audit. If you have any questions, please contact Vicky D. Bituin, Senior Accountant, at (408) 299-5232.

Sincerely,



Irene Lui
Controlller-Treasurer
County of Santa Clara

Cc: Mr. Jeffrey V. Brownfield, Chief, Division of Audits, State Controller's Office
Mr. David Yamasaki, Court Executive Officer, Superior Court, Santa Clara County
Mr. Marvin Bell, Finance Director, Superior Court, Santa Clara County
Mr. Vinod K. Sharma, Director, Finance Agency, Santa Clara County
Ms. Dora Espinoza, Department of Revenue, Santa Clara County
Mr. Jessie Fuentes, Probation Department, Santa Clara County

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

**Superior Court of California
County of Santa Clara**

191 North First Street
San Jose, California 95113
(408) 882-2871
mbell@scscourt.org



MARVIN BELL
Director-Finance

Steven Mar, Chief,
Local Government Audits Bureau
State Controller's Office, Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

November 29, 2011

Dear Mr. Mar,

The Superior Court of California, County of Santa Clara has reviewed the findings and recommendations related to the State Controller's Office court revenue audit for the period July 1, 2004 through June 30, 2010. The Court response to each finding is provided below.

Finding 1-Underremitted court security fees

The Santa Clara County Department of Revenue incorrectly posted court security fees as administrative fees for the month of February 2008. Department personnel discovered the error and notified the County Auditor-Controller's Office, but the correction was overlooked. The County remitted \$56,410 to the County General Fund instead of the State Trial Court Trust Fund-PC 1465.8.

Recommendation

The county should remit \$56,410 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the State Trial Court Trust Fund-PC section 1465.8. The County should make the corresponding account adjustments

Court Response-County to Respond

Finding 2-Overremitted excess of qualified fines, fees, and penalties

The County Auditor-Controller's Office overremitted by \$189,980 the 50% excess of qualified fines, fees and penalties to the State Treasurer for the four-fiscal year period starting July 1, 2006 and ending June 30, 2010.

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:

- The County did not include within the MOE, juvenile traffic base fines of \$79,980, state 30% penalties of \$212,908 and traffic school violator (TVS) bail of

\$376 from the county Probation Department. A total of \$293,264 should have been included in the MOE.

- As stated in Finding 3, the court did not distribute a complete 30% TVS bail from red light violations to the arresting agencies from July 2007 to June 2010. The agencies are entitled to 30% of total bail and their fair share of base fines. The total of \$208,043 ($\$270,185 \times 77\%$) should not have been included in the MOE.
- As stated in Finding 4, from March 2010 to June 2010, a portion of proof of correction fees were erroneously reported as county and city base fines. A total of \$36,464 should not have been included in the MOE.
- As stated in Finding 5, from January 2009 to June 2010, emergency medical services (EMS) penalties (\$2.70 component distributed instead of \$4 component) were inappropriately deducted from TVS bail. A total of \$427,716 ($\$556,774 \times 77\%$) should not have been included in the MOE.

Recommendation

The county should reduce remittance by \$189,980 to the State Treasurer and report on the remittance advice form (TC-31) a decrease to the Trial Court Improvement Fund-GC section 77205. The county should also make the corresponding account adjustments.

Court Response-County to Respond to this finding.

Finding 3-Overremitted state court facility const. penalties from red-light violations

The Santa Clara County Superior Court did not distribute 30% of state court facility construction penalties from red light traffic violations starting July 2004 through June 2010. In addition, the courts did not distribute a full 30% total from TVS bail from red light violations. Court personnel believed the 30% distribution was only applicable to PC section 1463 (bail/fines), PC 1464 (state penalty) and GC section 76000 (county penalty) as specified in PC section 1463.11. Although GC section 70372a (State Court Facilities Construction) is not referenced in PC section 1463.11; GC 70372a is subject to the distribution requirements in PC section 1463. Therefore, the penalties are subject to the 30% allocation. The distribution applies to both bail forfeitures and traffic school fees.

Recommendation

The county should offset by \$202,675 subsequent remittances to the State Treasurer and report on the remittance advice form (TC-31) a decrease to the State Court Facilities Construction Fund (GC 70372)

Court Response-The County Auditor Controllers Office handles the 30% distribution related to red light violations for bail forfeitures and traffic school fees. The County Auditor Controllers Office has modified their worksheets to make the appropriate distribution. The Court has provided the County Auditor Controllers Office with the correct percentage distributions to use in their worksheets to apply red light traffic school fees appropriately.

Finding 4-Underremitted proof of correction fees

The Santa Clara County Superior Court did not consistently distribute proof of correction fees starting March 2010 to June 2010. Instead, the fees were distributed as county and city base fines. Court personnel discovered the error and notified the County Auditor Controller's Office during the SCO audit engagement.

Recommendation

The county should remit \$53,287 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the State Penalty Fund (VC 40611). The county should make the corresponding account adjustments. A redistribution should be made from July 2010 through the date the current system is revised..

Court Response-After the bug in the case management system was identified and corrected. The Court provided the County Auditor Controller's Office the adjustment for March 2010 to June 2010. The Court posted a correction for the redistribution for collections from July 2010 to February 2011 in April 2011.

Finding 5-Inequitable distribution of traffic violator school fees related to emergency medical service (EMS) penalties

The Santa Clara County Superior Courts inappropriately deducted EMS penalties (\$0.70 vs \$2) from TVS fees from January 2009 to June 2010. Court personnel believed the EMS Fund distribution from TVS was based on the County board of Supervisors Resolution pertaining to county penalties. GC section 76000.5 (EMS) included language related to capital facility debt service that the court believed was applicable. The inappropriate distribution resulted in a \$556,774 distribution to the County General Fund instead of the County EMS Fund.

Recommendation

The county should make the corresponding account adjustments. A redistribution should be made for the period of July 2010 to the date the current system is revised. The Santa Clara County Courts should implement procedures to improve the output records to adequately provide a complete and accurate distribution of EMS penalties to comply with statutory requirements.

Court Response-The Court modified its case management system to distribute the EMS penalties appropriately on June 1, 2011. The County was to make the adjustment to the distribution from January 2009 to May 2011.

If you have any questions, please contact Marvin Bell, Director of Finance at (408) 882-2871.

Sincerely,



David Yamasaki,
Chief Executive Officer

Cc: Vinod Sharma, County Auditor-Controller

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