

TRINITY COUNTY

Audit Report

COURT REVENUES

July 1, 2003, through June 30, 2008



JOHN CHIANG
California State Controller

April 2010



JOHN CHIANG
California State Controller

April 14, 2010

Marilyn Horn
Auditor-Controller
Trinity County
101 Court Street
Weaverville, CA 96093

Donna Hanover
Court Executive Officer
Superior Court
Trinity County
11 Court Street
Weaverville, CA 96093

Dear Ms. Horn and Ms. Hanover:

The State Controller's Office (SCO) audited Trinity County's court revenues for the period of July 1, 2003, through June 30, 2008.

Our audit disclosed that the county overremitted \$40,230 in court revenues to the State Treasurer as follows:

- Overremitted 50% excess of qualified fines, fees, and penalties by \$77,980; and
- Incorrectly distributed bond forfeitures by \$37,750.

The county should reduce subsequent remittances to the State Treasurer by \$40,230 (\$77,980 minus \$37,750).

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

Marilyn Horn
Donna Hanover

-2-

April 14, 2010

cc: Frank Tang, Senior Budget Analyst
 Judicial Council of California
Julie Nauman, Executive Officer
 Victim Compensation and Government Claims Board
Greg Jolivette
 Legislative Analyst's Office
Scott Taylor, Fiscal Analyst
 Division of Accounting and Reporting
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Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	1
Conclusion	2
Follow-Up on Prior Audit Findings	2
Views of Responsible Officials	2
Restricted Use	3
Schedule 1—Summary of Audit Findings by Fiscal Year	4
Schedule 2—Summary of Underremittances by Month, Trial Court Improvement Fund	5
Findings and Recommendations	6

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 Trinity County for the period of July 1, 2003, through June 30, 2008.

Our audit disclosed that the county overremitted \$40,230 in court revenues to the State Treasurer as follows:

- Overremitted 50% excess of qualified fines, fees, and penalties by \$77,980; and
- Incorrectly distributed bond forfeitures by \$37,750.

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, 2003, through June 30, 2008. 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 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

Trinity County overremitted \$40,230 in court revenues to the State Treasurer. The 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 May 6, 2005.

Views of Responsible Officials

We discussed the audit results with county and court representatives at an exit conference on July 16, 2009. David Nelson, Auditor-Controller, and Donna Hanover, Court Executive Officer, agreed with the audit results. Mr. Nelson and Ms. Hanover further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

Restricted Use

This report is solely for the information and use of Trinity County, the Trinity County Superior Court, 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

April 14, 2010

**Schedule 1—
Summary of Audit Findings by Fiscal Year
July 1, 2003, through June 30, 2008**

Description	Account Title ¹	Code Section	Fiscal Year					Total	Reference ²
			2003-04	2004-05	2005-06	2006-07	2007-08		
<u>County</u>									
Overremitted 50% excess of qualified fines, fees, and penalties	Trial Court Improvement Fund	Government Code §77205(a)	\$ 48	\$ (6,399)	\$ (23,210)	\$ (25,887)	\$ (22,532)	\$ (77,980)	Finding 1
Incorrect distribution of bail bond forfeitures	State General Fund	Health and Safety Code §11502	—	37,750	—	—	—	37,750	Finding 2
Net amount underpaid (overpaid) to the State Treasurer			<u>\$ 48</u>	<u>\$ 31,351</u>	<u>\$ (23,210)</u>	<u>\$ (25,887)</u>	<u>\$ (22,532)</u>	<u>\$ (40,230)</u>	

¹ The identification of state revenue account titles should be used to ensure proper recording when preparing the remittance advice (TC-31) to the State Treasurer.

² See the Findings and Recommendations section.

**Schedule 2—
Summary of Underremittances by Month
Trial Court Improvement Fund
July 1, 2003, through June 30, 2008**

Month	Fiscal Year					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
July	\$ —	\$ 48	\$ (6,399)	\$ (23,210)	\$ (25,887)	\$ (22,532)
August	—	—	—	—	—	—
September	—	—	—	—	—	—
October	—	—	—	—	—	—
November	—	—	—	—	—	—
December	—	—	—	—	—	—
January	—	—	—	—	—	—
February	—	—	—	—	—	—
March	—	—	—	—	—	—
April	—	—	—	—	—	—
May	—	—	—	—	—	—
June ¹	—	—	—	—	—	—
Total underremittances to the State Treasurer	<u>\$ —</u>	<u>\$ 48</u>	<u>\$ (6,399)</u>	<u>\$ (23,210)</u>	<u>\$ (25,887)</u>	<u>\$ (22,532)</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.

¹ Includes maintenance-of-effort underremittances (Finding 1) as follows.

Fiscal Year				
2003-04	2004-05	2005-06	2006-07	2007-08
<u>\$ 48</u>	<u>\$ (6,399)</u>	<u>\$ (23,210)</u>	<u>\$ (25,887)</u>	<u>\$ (22,532)</u>

Findings and Recommendations

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

The County Auditor-Controller's Office overremitted by \$77,980 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the five fiscal year (FY) period starting July 1, 2003, and ending June 30, 2008.

Government Code section 77201(b)(2) requires Trinity County, for its base revenue obligation, to remit \$137,087 for FY 1998-99 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:

- As stated in Finding #3, the court did not correctly distribute \$1 to the Criminal Justice Facility Fund and \$1 to the Court Construction Fund from the county's 23% portion of the Traffic Violator School (TVS) bail fees. The adjustment increased the TVS bail fees by \$6,057 (0.77 of \$7,866) as part of the MOE calculations.
- When preparing the MOE, the county incurred scheduling errors that did not include all revenues for a proper calculation. The adjustment caused the following increases: county base fine revenues by \$19,936, 30% of eligible state penalties by \$27, TVS bail fees by \$6,057, recording and indexing fees by \$10,808, administrative screening fees by \$239, and citation processing fees by \$24. A net total of \$37,091 should have been included in the MOE.
- When preparing the MOE, the county incurred scheduling errors that inappropriately included revenues for a proper calculation. The adjustment caused the following decreases: county base fines by \$6,707, 30% of eligible state penalties by \$574, TVS bail fees by \$82,307, administrative screening fees by \$24, and citation processing fees by \$239. A net total of \$89,851 should not have been included in the MOE.

The qualified revenues reported for FY 2003-04 were \$209,855. The excess, above the base of \$137,087, is \$72,768. This amount should be divided equally between the county and the state, resulting in \$36,384 excess due the state. The county has remitted a previous payment of \$36,336, causing an underremittance of \$48.

The qualified revenues reported for FY 2004-05 were \$185,025. The excess, above the base of \$137,087, is \$47,938. This amount should be divided equally between the county and the state, resulting in \$23,969 excess due the state. The county has remitted a previous payment of \$30,368, causing an overremittance of \$6,399.

The qualified revenues reported for FY 2005-06 were \$184,864. The excess, above the base of \$137,087, is \$47,777. This amount should be divided equally between the county and the state, resulting in \$23,889 excess due the state. The county has remitted a previous payment of \$47,099, causing an overremittance of \$23,210.

The qualified revenues reported for FY 2006-07 were \$190,184. The excess, above the base of \$137,087, is \$53,097. This amount should be divided equally between the county and the state, resulting in \$26,549 excess due the state. The county has remitted a previous payment of \$52,436, causing an overremittance of \$25,887.

The qualified revenues reported for FY 2007-08 were \$216,487. The excess, above the base of \$137,087, is \$79,400. This amount should be divided equally between the county and the state, resulting in \$39,700 excess due the state. The county has remitted a previous payment of \$62,232, causing an overremittance of \$22,532.

The overremittances had the following effect:

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund–Government Code section 77205:	
FY 2003-04	\$ 48
FY 2004-05	(6,399)
FY 2005-06	(23,210)
FY 2006-07	(25,887)
FY 2007-08	(22,532)

Recommendation

The county should reduce remittances by \$77,980 to the State Treasurer and report on the remittance advise form (TC-31) a decrease to the Trial Court Improvement Fund–Government Code section 77205. The county should also make the corresponding account adjustments.

**FINDING 2—
Incorrect
distributions of bail
bond forfeiture**

The Superior Court inappropriately distributed 100% of controlled substance bail forfeitures in the amount of \$50,000 to the county general fund for court fines. Controlled substance bail forfeitures should have been distributed as specific distribution under Health and Safety Code section 11502 in this manner: 75% to the State General Fund and 25% to the county or city, depending on whether the arrest took place in the county or city.

The incorrect distribution occurred because courts’ personnel were not aware of the statutory requirements affecting the distribution of bail forfeitures.

The incorrect distributions for evidence-of-responsibility fees had the following effect:

Account Title	Understated/ (Overstated)
State General Fund–Health and Safety Code §11502	\$ 36,750
Trial Court Improvement Fund 2% Court Automation– Government Code §68090.8	1,000
County Fines & Forfeitures	12,250
General–Court Fines	(50,000)

Recommendation

The Superior court should remit \$37,750 to the State Treasurer and report on the remittance advice (TC-31) an increase of \$36,750 to the State General Fund–Health and Safety Code section 11502 and \$1,000 to the Trial Court Improvement Fund–2% Automation Fee–Government Code section 68090.8. The court should make the corresponding redistributions for the period of July 2009 through the date the current system is revised.

**FINDING 3—
Incorrect distribution
of \$1 criminal justice
facilities and \$1
courthouse
construction funds**

The Superior Court incorrectly distributed \$1 to the criminal justice facilities fund and \$1 to the courthouse construction fund by \$7,866 on traffic violator school bail fees. The court staff was not aware that their system was taking the \$2 out of the total traffic violator school bail fees and not the county’s 23% portion.

Vehicle Code section 42007 requires the \$2 to be taken from the county’s 23% portion of traffic violator school bail fees in any county in which funds are established pursuant to Government Code section 76100-76101.

The incorrect distribution for the criminal justice facilities and courthouse construction funds had the following effect:

Account Title	Understated/ (Overstated)
Traffic Violator School Bail Fees–Vehicle Code §42007	\$ 7,866
Criminal Justice Facility Fund–Government Code §76101	(3,933)
Courthouse Construction Fund–Government Code §76100	(3,933)

Recommendation

The Superior court should implement procedures to correct the distributions for the criminal justice facility fund and the courthouse construction funds from the traffic violator school bail fees. The court should make the corresponding redistributions for the period of July 2008 through the date the current system is revised.

**FINDING 4—
Incorrect distribution of
2% automation fee on
evidence of financial
responsibility
convictions**

The Superior Court incorrectly distributed 2% automation fees on evidence-of-financial-responsibility conviction revenues. The incorrect distribution occurred as a result of the courts' implementation of their new SUSTAIN automated case management system.

A \$30.50 fee on each conviction of a proof of financial responsibility violation identified under Vehicle Code section 16028 must be distributed, per conviction, in the following manner: \$17.50 to the County General 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 implement the correct distribution for evidence-of-financial-responsibility fees causes the county general fund and both State General Fund and State Transportation Fund to be understated. The distribution error was not measured because the amount was not material.

Recommendation

The court should implement procedures to make specific distributions for convictions under evidence of financial responsibility offenses to comply with statutory requirements. Also, the court should make redistribution for the period July 2009 through the date the current system is revised.

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