

MODOC COUNTY

Audit Report

COURT REVENUES

July 1, 2008, through June 30, 2013



JOHN CHIANG
California State Controller

April 2014



JOHN CHIANG
California State Controller

April 29, 2014

Honorable Darcy Locken
Auditor/Recorder/Clerk/Elections
County of Modoc
204 South Court Street
Alturas, CA 96101

Ronda Gysin
Court Executive Officer
Superior Court of California,
Modoc County
205 South East Street
Alturas, CA 96101

Dear Ms. Locken and Ms. Gysin:

The State Controller's Office audited Modoc County's court revenues for the period of July 1, 2008, through June 30, 2013.

Our audit disclosed that the county underremitted \$8,066 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess fines, fees, and penalties by \$4,897
- Underremitted state recording fees by \$3,169

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

Jerry Zhou, 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 94250-5872

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

Honorable Darcy Locken
Ronda Gysin

-2-

April 29, 2014

If you have any questions, please contact Elizabeth Gonzalez, Chief, Local Government Compliance Bureau, at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/mh

cc: Geri Bryne, Chairperson
County Board of Supervisors
Modoc County
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

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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 Modoc County for the period of July 1, 2008, through June 30, 2013.

Our audit disclosed that the county underremitted \$8,066 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess fines, fees, and penalties by \$4,897
- Underremitted state recording fees by \$3,169

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 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 SCO 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 SCO 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, 2008, through June 30, 2013. 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 that 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

Modoc County underremitted \$8,066 in court revenues to the State Treasurer. The underremittances are summarized in Schedule 1 and described in the Findings and Recommendations section of this report.

Follow-Up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued October 29, 2010.

Views of Responsible Officials

We issued a draft audit report on February 11, 2014. Ronda Gysin, Court Executive Officer, responded by letter dated February 25, 2014 (Attachment A), agreeing with our audit findings. In addition, Darcy Locken, County Auditor/Clerk/Recorder, responded by email on April 10, 2014, agreeing with our audit findings.

Restricted Use

This report is solely for the information and use of Modoc County, the Modoc 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, CPA
Chief, Division of Audits

April 29, 2014

Findings and Recommendations

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

The Modoc County Auditor-Controller’s Office underremitted by \$4,897 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the two fiscal years starting July 1, 2008, and ending June 30, 2010.

Government Code (GC) section 77201(b)(2) requires Modoc County, for its base revenue obligations, to remit \$104,729 for fiscal year (FY) 2008-09 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 because when compiling the MOE-applicable revenues for all five fiscal years, the county entered totals reported from the Administrative Office of the Courts’ Report of Revenues (ROR). Accordingly, the totals reported in the ROR did not reconcile to the actual annual court cash statements for each year. However, only fiscal year (FY) 2008-09 and FY 2009-10 exceeded the base year obligation. For both FY 2008-09 and FY 2009-10, \$9,795 should have been included as excess in the MOE formulas.

The qualified revenues reported for FY 2008-09 were \$109,287. The excess, above the base of \$104,729, is \$4,558; that amount should be divided equally between the county and State, resulting in \$2,279 excess due the State.

The qualified revenues reported for FY 2009-10 were \$109,966. The excess, above the base of \$104,729, is \$5,237; that amount should be divided equally between the county and State, resulting in \$2,618 excess due the State.

The following table shows the effect of the under-remittances:

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund—GC §77205	
FY 2008-09	\$ 2,279
FY 2009-10	2,618
County General Fund	(4,897)

Recommendation

The county should remit \$4,897 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the Trial Court Improvement Fund—GC section 77205. The county also should make the corresponding account adjustments.

County Auditor/Recorder/Clerk’s Response

The Auditor-Controller agreed with Finding 1.

Superior Court’s Response

The Superior Court agreed with Finding 1.

SCO’s Comment

The finding remains as stated.

**FINDING 2—
Inappropriate
distribution of
missing persons DNA
fees, disposition of
human remains fees,
and marriage record
fees**

The Modoc County Auditor’s Office did not make the required distributions for missing persons DNA fees, disposition of human remains fees, and marriage record fees from June 2010 through June 2013. County personnel indicated that the required distribution was inadvertently overlooked.

Starting October 11, 2009, Penal Code (PC) section 14251(b) requires a \$2 fee increase on death certificates issued by a local governmental agency. On a quarterly basis, the revenues are to be distributed into the Missing Persons DNA Data Base Fund.

Health & Safety (H&S) Code section 103680(b) requires an additional \$1 fee for each disposition of human remains to be deposited into the State Peace Officer Training Fund.

H&S Code 103625(c) requires a fee of \$6 to be paid by each applicant (other than a public agency) for a certified copy of marriage. The revenues are to be deposited in the State Family Law Trust Fund.

The inappropriate distribution had the following effect:

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
State Missing Persons DNA Data Base Fund – PC 14251(b)	\$ 1,663
State Peace Officer Training Fund – H&S 103680(b)	1,107
State Family Law Trust Fund – H&S 103625(c)	399
County Due to Others Trust Fund	(3,169)

Recommendation

The county should remit \$3,169 to the State Treasurer and report on the remittance advice form (TC-31) an increase of \$1,663 to the State Missing Persons DNA Data Base Fund – PC section 14251 (b), \$1,107 to State Peace Officer’s Training Fund – H&S103680 (b), and \$399 to the State Family Law Trust Fund to H&S 103625 (c). The county should also make the corresponding account adjustments.

The County Auditor should prepare a redistribution for the collection period starting July 2013 through the date on which the current system is revised.

County Auditor/Recorder/Clerk’s Response

The Auditor-Controller agreed with Finding 2.

Superior Court's Response

The Superior Court agreed with Finding 2.

SCO's Comment

The finding remains as stated.

**FINDING 3—
Erroneous
distribution priority**

The Modoc County Superior Court prioritized collections in a manner that inappropriately gave a distribution priority to category 4 fees over state 20% surcharges, fines, and penalties. The error occurred because department staff overlooked the additional computer programming procedure requirements.

Starting September 30, 2002, PC 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 installment 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. We did not measure the dollar effect, as doing so did not appear to be either material or cost-effective due to the difficulty in identifying and redistributing the various accounts.

Recommendation:

The Modoc Superior Court should take steps to ensure that all surcharges, fines, penalties, and fees are distributed in accordance with the statutory requirements under PC section 1203.1d.

County Auditor/Recorder/Clerk's Response

The Auditor-Controller agreed with Finding 3.

Superior Court's Response

The Superior Court agreed with Finding 3.

SCO's Comment

The finding remains as stated.

Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2008, through June 30, 2009

<u>Account Title¹–Code Section</u>	<u>Fiscal Year</u>					<u>Total</u>
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	
Changes to Maintenance of Effort Due to Findings:						
Excess 50% split–GC §77205	\$ 2,279	\$ 2,618	\$ —	\$ —	\$ —	\$ 4,897
Underremitted State Recording Fees						
Missing Persons DNA–PC §25362(b)	—	—	—	1,044	619	1,663
Marriage Certified Copy fee–H&S §103625(c)	—	17	317	439	334	1,107
Human Waste Deposition fee–H&S §103680(b)	—	33	115	135	116	399
Net amount underpaid (overpaid) to the State Treasurer	<u>\$ 2,279</u>	<u>\$ 2,668</u>	<u>\$ 432</u>	<u>\$ 1,618</u>	<u>\$ 1,069</u>	<u>\$ 8,066</u>

Legend: GC = Government Code; H&SC = Health and Safety Code; PC = Penal Code

¹ The identification of State revenue account titles should be used to ensure proper recording when preparing the Remittance Advice Form 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, 2008, through June 30, 2013**

Month	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
July	\$ —	\$ —	\$ —	\$ —	\$ —
August	—	—	—	—	—
September	—	—	—	—	—
October	—	—	—	—	—
November	—	—	—	—	—
December	—	—	—	—	—
January	—	—	—	—	—
February	—	—	—	—	—
March	—	—	—	—	—
April	—	—	—	—	—
May	—	—	—	—	—
June ¹	2,279	2,618	—	—	—
Total underremittances to the State Treasurer	\$ 2,279	\$ 2,618	\$ —	\$ —	\$ —

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 amount after the county pays the underlying amount owed.

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

**Superior Court of California
County of Modoc**

ROBERT A. BARCLAY JUSTICE CENTER
205 South East Street, Alturas, CA 96101
www.modocsuperiorcourt.ca.gov
(530) 233-6516 ext. 1210

FRANCIS W. BARCLAY
PRESIDING JUDGE

RONDA GYSIN
EXECUTIVE OFFICER

DAVID A. MASON
SUPERIOR COURT JUDGE

February 25, 2014

Elizabeth Gonzalez, Chief
Local Government Compliance Bureau
California State Controller's Office
Division of Audits
PO Box 942850
Sacramento, CA 94250-5874

RE: Modoc County's court revenues audit for the period of July 1, 2008 through June 30, 2013

Dear Ms. Gonzalez,

Modoc County Superior Court concurs with all the findings as detailed in the Draft Audit Report. Modoc County Superior Court is actively working on correcting the distribution errors as set out in "Finding 3-Erroneous distribution priority".

Penal Code 1203.1(d) referenced in the Draft Report does not reflect a mandatory prioritization and could be misleading once released to the public.

Clerical corrections:

The correct spelling of my name on the cover letter and page two of the Draft Report should be:

Ronda Gysin

Sincerely,



Ronda Gysin
Court Executive Officer

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

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