INYO COUNTY

Audit Report

COURT REVENUES

July 1, 2005, through June 30, 2013

BETTY T. YEE
California State Controller

April 2015

BETTY T. YEE
California State Controller

April 21, 2015

Amy Shepherd, Auditor-Controller
Inyo County
168 North Edwards Street
Independence, CA 93526

Tammy L. Grimm, Court Executive Officer
Superior Court of California, Inyo County
301 West Line Street
Bishop, CA 93514

Dear Ms. Shepherd and Ms. Grimm:

The State Controller's Office (SCO) audited Inyo County's court revenues for the period of July 1, 2005, through June 30, 2013.

Our audit disclosed that the county underremitted a net total of $66,695 in court revenues to the State Treasurer because it:

- Underremitted DNA penalties by $54,056
- Underremitted 50% excess of qualified fines, fees, and penalties by $44,931
- Overremitted emergency medical air transportation penalties by $32,292

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, 2005, through June 30, 2013.

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, we will calculate a penalty on the underremitted amounts in accordance with Government Code sections 68085, 70353, and 70377.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
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
Anita Lee
Legislative Analyst's Office
Lakia Beavers, 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 Inyo County for the period of July 1, 2005, through June 30, 2013.

Our audit found that the county underremitted a net total of $66,695 in court revenues to the State Treasurer because it:

- Underremitted DNA penalties by $54,056
- Underremitted 50% excess of qualified fines, fees, and penalties by $44,931
- Overremitted emergency medical air transportation penalties by $32,292

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, 2005, 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, Municipal Court, Probation Department, 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*
- 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

Inyo County underremitted a net total of $66,695 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 April 6, 2007.

Views of Responsible Officials

We issued a draft audit report on August 8, 2014. Amy Shepherd, Inyo County Auditor-Controller, responded by email on November 24, 2014, agreeing with the audit results. Danielle Sexton, Court Finance Manager, responded by email on November 24, 2014, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of Inyo County, the Inyo 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 21, 2015

Findings and Recommendations

FINDING 1—Underremitted DNA penalties

The Inyo County Auditor-Controller's Office did not make the required distributions for state DNA penalties from January 2013 through June 2013. County personnel indicated the required distribution was inadvertently overlooked.

Starting November 3, 2002, Government Code section 76104.6 requires a $1 penalty for every $10 or fraction thereof upon every fine, penalty, and forfeiture levied on criminal offenses including traffic offenses, but excluding parking offenses. The DNA Identification Penalty Assessment is levied and collected in the same manner as the State Penalty imposed per Penal Code (PC) section 1464. For calendar year 2008 and thereafter (on the last day of the quarter; March 31, June 30, September 30 and December 31) the penalty should be distributed in this manner: 25%, including interest, to the State DNA Identification Fund, and 75%, including interest, to local funds that support DNA related activities.

Starting June 2012, Government Code (GC) section 76104.7 requires a $4 penalty for every $10 or fraction thereof upon every fine, penalty, and forfeiture levied on criminal offenses including traffic offenses, but excluding parking offenses. The DNA Identification Penalty Assessment is levied and collected in the same manner as the State Penalty imposed per Penal Code (PC) section 1464. 100% of the penalty should be distributed, including interest, to the State DNA Identification Fund.

The under- and overremittances had the following effect:

Account Title	Underremitted/ (Overremitted)
State DNA Identification Fund–GC 76104.7	$ 49,546
State DNA Identification Fund–GC 76104.6	4,510
County's State Revenue Trust Account	(54,056)

Recommendation

The county should remit $54,056 to the State Treasurer and report on the remittance advice (TC-31) increases of $49,546 to the State DNA Identification Fund – (GC) section 76104.7, and 4,510 to the State DNA Identification Fund – (GC) section 76104.6. The county also should make the corresponding account adjustments.

The County Auditor-Controller should establish formal procedures to ensure that state DNA identification revenues are correctly distributed in accordance with statutory requirements. A redistribution should be made for the collection period starting July 2013 through the date the current system is revised.

County's Response

The County Auditor-Controller agreed with Finding 1.

Superior Court's Response

The Superior Court agreed with Finding 1.

FINDING 2—Underremitted excess of qualified fines, fees, and penalties

The Inyo County Auditor-Controller's Office underremitted by $44,931 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the eight fiscal years starting July 1, 2005, and ending June 30, 2013.

Government Code (GC) section 77201(b)(2) requires Inyo County, for its base revenue obligation, to remit $614,920 for fiscal year (FY) 2005-06 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 the following conditions:

- For all eight fiscal years, the court did not appropriately distribute $1 to the Jail Facility Fund and $1 to the Court Construction Fund from the county's 23% portion from the court. Instead, the $1 jail facility and $1 county court construction penalties were taken out of the total Traffic Violator School (TVS) State's 77% portion of bail and not the county's 23% portion. Government Code section 77205 specifies that qualified revenues are to be reported as stated December 31, 1997. On this date Vehicle Code section 42007 required the penalties to be taken from the county's 23%. Therefore, the 77% TVS bail applicable to the MOE included the reduction of the $2 penalty amounts; $55,226 should have been included in the MOE.

- As noted in Finding 3, the court distributed Emergency Medical Air Transportation penalties from Traffic Violator School bail starting January 2011 through June 2013. A total of $24,864 (32,292 x 77%) should have been included in the MOE.

- From January 2012 through June 2013, the court inappropriately distributed 75% of TVS bail. The court should have distributed 77%, and $14,251 should have been included the MOE.

- For the fiscal year ending June 2007, the county applied a matching base total of $610,440 that represents the annual total for quarterly revenue payments per Government Code section 77201.3. However, Government Code section 77201.3 requires the matching base pursuant to Government Code section 77205 to be the amounts listed in Government Code section 77201.1. The matching base-year obligation should be $614,920; therefore, the MOE should be reduced by $4,480 ($610,440 – $614,920).

The qualified revenues reported for FY 2005-06 were $1,107,442. The excess, above the base of $614,920, is $492,522. This amount should be divided equally between the county and the State, resulting in $246,261

excess due the State. The county has remitted a previous payment of $242,417, causing an underremittance of $3,844.

The qualified revenues reported for FY 2006-07 were $1,047,116. The excess, above the base of $614,920, is $432,196. This amount should be divided equally between the county and the State, resulting in $216,098 excess due the State. The county has remitted a previous payment of $214,934, causing an underremittance of $1,164.

The qualified revenues reported for FY 2007-08 were $934,103. The excess, above the base of $614,920, is $319,183. This amount should be divided equally between the county and the State, resulting in $159,592 excess due the State. The county has remitted a previous payment of $156,331, causing an underremittance of $3,261.

The qualified revenues reported for FY 2008-09 were $967,229. The excess, above the base of $614,920, is $352,309. This amount should be divided equally between the county and the State, resulting in $176,155 excess due the State. The county has remitted a previous payment of $172,470, causing an underremittance of $3,685.

The qualified revenues reported for FY 2009-10 were $980,569. The excess, above the base of $614,920, is $365,649. This amount should be divided equally between the county and the State, resulting in $182,825 excess due the State. The county has remitted a previous payment of $179,232, causing an underremittance of $3,593.

The qualified revenues reported for FY 2010-11 were $1,031,056. The excess, above the base of $614,920, is $416,136. This amount should be divided equally between the county and the State, resulting in $208,068 excess due the State. The county has remitted a previous payment of $201,556, causing an underremittance of $6,512.

The qualified revenues reported for FY 2011-12 were $1,006,886. The excess, above the base of $614,920, is $391,966. This amount should be divided equally between the county and the State, resulting in $195,983 excess due the State. The county has remitted a previous payment of $182,986, causing an underremittance of $12,997.

The qualified revenues reported for FY 2012-13 were $770,826. The excess, above the base of $614,920, is $155,906. This amount should be divided equally between the county and the State, resulting in $77,953 excess due the State. The county has remitted a previous payment of $68,078, causing an underremittance of $9,875.

The following table shows the effect of the underremittances:

Account Title	Underremitted/ (Overremitted)
Trial Court Improvement Fund–GC §77205	
FY 2005-06	$ 3,844
FY 2006-07	1,164
FY 2007-08	3,261
FY 2008-09	3,685
FY 2009-10	3,593
FY 2010-11	6,512
FY 2011-12	12,997
FY 2012-13	9,875
County General Fund	(44,931)

Recommendation

The county should remit $44,931 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's Response

The County Auditor-Controller agreed with Finding 2.

Superior Court's Response

The Superior Court agreed with Finding 2.

FINDING 3—Overremitted emergency medical air transportation (EMAT) penalties

The Superior Court of Inyo County inappropriately distributed $4 State emergency medical air transportation (EMAT) penalties on Traffic Violator School (TVS) bail for the period of January 2011 through June 2013. County personnel indicated the required distribution was inadvertently overlooked.

Starting January 1, 2011, GC section 76000.1 requires a $4 penalty upon every fine levied on criminal offenses including traffic offenses, but excluding parking offenses. However, upon the election of traffic school by the offender, the fines and penalties are converted to TVS bail as mandated by Vehicle Code (VC) section 42007. Therefore, because EMAT penalties are not included in the exceptions listed within VC section 42007, they should remain as TVS bail.

The inappropriate distributions of county and state penalties affect the revenues reported to the State Trial Court Improvement Fund under the maintenance-of-effort (MOE) formula pursuant to GC section 77205. In addition, the inappropriate distribution had the following effects:

Account Title	Underremitted/ (Overremitted)
Emergency Medical Air Transportation Act Fund	$ (32,292)
County General Fund	32,292

Recommendation

The county should offset subsequent remittances by $32,292 to the State Treasurer, and report on the TC-31, a decrease to the State Emergency Medical Air Transportation Act Fund.

The court should take steps to insure that EMAT penalties are distributed in accordance with the statutory requirements. A redistribution should be made for the collection period starting July 2013 through the date the current system is revised.

County's Response

The County Auditor-Controller agreed with Finding 3.

Superior Court's Response

The Superior Court agreed with Finding 3.

Schedule 1—
Summary of Audit Findings by Fiscal Year
July 1, 2005, through June 30, 2013

Description of Finding Account Title[1]–Code Section	Fiscal Year 2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total	Reference
Underremitted State DNA Penalties:										
GC 76104.7	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 4,510	$ 4,510	Finding 1
GC 76104.6	—	—	—	—	—	—	—	49,546	49,546	Finding 1
Underremitted MOE 50% split:										
State Trial Court Improvement Fund GC 77205	3,844	1,164	3,261	3,685	3,593	6,512	12,997	9,875	44,931	Finding 2
Overremitted EMAT Penalties										
GC 76000.10	—	—	—	—	—	(7,152)	(15,446)	(9,694)	(32,292)	Finding 3
Net amount underpaid (overpaid) to the State Treasurer	$ 3,844	$ 1,164	$ 3,261	$ 3,685	$ 3,593	$ (640)	$ (2,449)	$ 54,237	$ 66,695	

[Legend: GC = Government Code; H&SC = Health and Safety Code; PC = Penal Code; VC = Vehicle 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.

Schedule 2—
Summary of Underremittances by Month
Trial Court Improvement Fund
July 1, 2005, through June 30, 2013

Month	Fiscal Year 2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total [2]
July	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	
August	—	—	—	—	—	—	—	—	
September	—	—	—	—	—	—	—	—	
October	—	—	—	—	—	—	—	—	
November	—	—	—	—	—	—	—	—	
December	—	—	—	—	—	—	—	—	
January	—	—	—	—	—	—	—	—	
February	—	—	—	—	—	—	—	—	
March	—	—	—	—	—	—	—	—	
April	—	—	—	—	—	—	—	—	
May	—	—	—	—	—	—	—	—	
June [1]	3,844	1,164	3,261	3,685	3,593	6,512	12,997	9,875	
Total underremittances to the State Treasurer	$ 3,844	$ 1,164	$ 3,261	$ 3,685	$ 3,593	$ 6,512	$ 12,997	$ 9,875	$ 44,931

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.

[1] The amounts are entirely from maintenance-of-effort (MOE) (Finding 2).

[2] This is a supplemental schedule for SCO Division of Accounting and Reporting to calculate penalties and interests. Only the grand total is listed to facilitate the review process.

Schedule 3—
Summary of Overremittances by Month
July 1, 2005, through June 30, 2013

Month	Fiscal Year 2010-11	2011-12	2012-13	Total [2]
July	$ —	$ (1,176)	$ (676)	
August	—	(1,364)	(916)	
September	—	(1,464)	(764)	
October	—	(1,224)	(860)	
November	—	(956)	(580)	
December	—	(880)	(612)	
January	(48)	(1,676)	(991)	
February	(1,052)	(1,538)	(896)	
March	(1,888)	(1,792)	(1,071)	
April	(1,732)	(1,436)	(1,228)	
May	(1,372)	(1,148)	(868)	
June [1]	(1,060)	(792)	(232)	
Total overremittances to the State Treasurer	$ (7,152)	$ (15,446)	$ (9,694)	$ (32,292)

[1] The amounts are entirely from maintenance-of-effort (MOE) (Finding 2).

[2] This is a supplemental schedule for SCO Division of Accounting and Reporting to calculate penalties and interests. Only the grand total is listed to facilitate the review process.

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