

ALPINE COUNTY

Audit Report

COURT REVENUES

July 1, 2005, through June 30, 2012



JOHN CHIANG
California State Controller

May 2013



JOHN CHIANG
California State Controller

May 29, 2013

Carol Mc Elroy
Acting Auditor-Controller
County of Alpine
P.O. Box 266
Markleeville, CA 96120

Lynn Zacharias
Court Fiscal Manager
Superior Court of California, Alpine County
P.O. Box 518
Markleeville, CA 96120

Dear Ms. Elroy and Ms. Zacharias:

The State Controller's Office audited Alpine County's court revenues for the period of July 1, 2005, through June 30, 2012.

Our audit found that the county overremitted \$21,783 in court revenues to the State Treasurer because it:

- Overremitted the 50% excess fines, fees, and penalties by \$41,340
- Underremitted traffic violator school fees by \$15,579
- Underremitted evidence of responsibility fines by \$3,978

The County Auditor-Controller's Office should reduce subsequent remittances to the State Treasurer by \$21,783.

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, 2012.

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 94250-5872

Once the county has paid the underremitted Trial Court Improvement Fund and State Court Facilities Construction Fund amounts, 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 Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

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
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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 Alpine County for the period of July 1, 2005, through June 30, 2012.

Our audit found that the county overremitted \$21,783 in court revenues to the State Treasurer because it:

- Overremitted the 50% excess of fines, fees, and penalties by \$41,340;
- Underremitted traffic violator school fees by \$15,579; and
- Underremitted evidence of responsibility fines by \$3,978.

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 SCO 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, 2012. 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

Alpine County overremitted \$21,783 in court revenues to the State Treasurer. The underremittances and overremittances 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 June 30, 2006, with the exception of Finding 5—Underremitted evidence of responsibility fines.

Views of Responsible Officials

We issued a draft audit report on March 11, 2013. Carol Mc Elroy, Acting Auditor-Controller, responded by telephone on April 18, 2013, agreeing with the audit results. Further, Lynn Zacharias, Court Fiscal Manager, responded by telephone on April 18, 2013, agreeing with the audit results.

Restricted Use

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

May 29, 2013

**Schedule 1—
Summary of Audit Findings by Fiscal Year
July 1, 2005, through June 30, 2012**

Account Title ¹ —Code Section	Fiscal Year						Total	Reference ²
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11		
Over-remitted the 50% fines, penalties, and fees (Maintenance of Effort)								
Trial Court Improvement Fund—GC§77205	\$ (8,147)	\$ (7,620)	\$ (7,483)	\$ (7,028)	\$ (7,590)	\$ (8,116)	\$ 4,644	\$ (41,340) Finding 1
Under-remitted traffic school fees								
State Court Facilities Construction Fund, ICNA— VC§42007.1	—	—	—	—	—	1,298	14,281	15,579 Finding 2
Under-remitted evidence of responsibility fines								
State General Fund—PC§1463.22b	460	400	450	430	400	450	470	3,060 Finding 3
Department of Transportation Fund—PC§1463.22c	138	120	135	129	120	135	141	918 Finding 3
Net amount underpaid (overpaid) to the State Treasurer	\$ (7,549)	\$ (7,100)	\$ (6,898)	\$ (6,469)	\$ (7,070)	\$ (6,233)	\$ 19,536	\$ (21,783)

Legend: GC = Government Code; VC = Vehicle 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, 2005, through June 30, 2012**

Month	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
July	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
August	—	—	—	—	—	—	—
September	—	—	—	—	—	—	—
October	—	—	—	—	—	—	—
November	—	—	—	—	—	—	—
December	—	—	—	—	—	—	—
January	—	—	—	—	—	—	—
February	—	—	—	—	—	—	—
March	—	—	—	—	—	—	—
April	—	—	—	—	—	—	—
May	—	—	—	—	—	—	—
June ¹	—	—	—	—	—	—	4,644
Total underremittances to the State Treasurer	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,644

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.

**Schedule 3—
Summary of Underremittances by Month
State Court Facilities Construction Fund
July 1, 2005, through June 30, 2012**

Month	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
July	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 855
August	—	—	—	—	—	—	1,506
September	—	—	—	—	—	—	1,525
October	—	—	—	—	—	—	1,050
November	—	—	—	—	—	—	1,128
December	—	—	—	—	—	—	623
January	—	—	—	—	—	—	1,000
February	—	—	—	—	—	—	1,289
March	—	—	—	—	—	25	1,320
April	—	—	—	—	—	61	1,422
May	—	—	—	—	—	537	1,380
June ¹	—	—	—	—	—	675	1,183
Total underremittances to the State Treasurer	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,298	\$ 14,281

NOTE: Delinquent State Court Facilities Construction 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 70377. The SCO will calculate and bill the county for the penalty amount after the county pays the underlying amount owed.

**Schedule 4—
Summary of Overremittances by Month
July 1, 2005, through June 30, 2012**

Month	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
July	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
August	—	—	—	—	—	—	—
September	—	—	—	—	—	—	—
October	—	—	—	—	—	—	—
November	—	—	—	—	—	—	—
December	—	—	—	—	—	—	—
January	—	—	—	—	—	—	—
February	—	—	—	—	—	—	—
March	—	—	—	—	—	—	—
April	—	—	—	—	—	—	—
May	—	—	—	—	—	—	—
June ¹	(8,147)	(7,620)	(7,483)	(7,028)	(7,590)	(8,116)	—
Total underremittances to the State Treasurer	<u>\$ (8,147)</u>	<u>\$ (7,620)</u>	<u>\$ (7,483)</u>	<u>\$ (7,028)</u>	<u>\$ (7,590)</u>	<u>\$ (8,116)</u>	<u>\$ —</u>

Findings and Recommendations

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

The County Auditor-Controller's Office overremitted by \$41,340 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the seven fiscal years starting July 1, 2005, and ending June 30, 2012.

Government Code (GC) section 77201(b)(2) requires Alpine County, for its base revenue obligation, to remit \$58,757 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 and court used incorrect entries in their distribution working papers and from the fiscal impact of conditions identified in this report's findings as follows:

- For all fiscal years, 2005-06 through 2011-12, the county included 100% traffic base fines and traffic violator school (TVS) bail. Traffic base fines should have been reported at 75% therefore, base fines were reduced by 25% totaling \$59,932. TVS bail should have been reported at 77% therefore, TVS bail was reduced by 23% totaling \$27,035. A total of \$86,967 should not have been included in the maintenance-of-effort (MOE).
- As stated in Finding 2, for FY 2010-11, TVS bail included state court construction penalties pursuant to Vehicle Code (VC) section 42007.1. \$1,298 should not have been included in the MOE.
- As stated in Finding 3, at month-end the court did not report the total convictions from evidence-of-responsibility violations and offset county realignment base fines accordingly. \$7,000 ($\$9,333 \times 0.75$) should have been included in the MOE.
- For FY 2011-12, the county did not include the total reported for state 30% penalties. Instead, 70% of it was taken out of the total. A total of \$9,919 should have been included in the MOE.
- For all seven fiscal years, the court did not appropriately distribute \$1 to the Court Construction Fund from the county's 23% portion. Instead, it was taken out of the total TVS bail. Therefore, 77% of the TVS bail applicable to the MOE included this amount. \$2,663 ($\$3,459 \times 0.77$) should have been included in the MOE.

The qualified revenues reported for FY 2005-06 were \$71,519. The excess, above the base of \$58,757, is \$12,762. This amount should be divided equally between the county and the State, resulting in \$6,381 excess due the State. The county remitted a previous payment of \$14,528, causing an overremittance of \$8,147.

The qualified revenues reported for FY 2006-07 were \$71,366. The excess, above the base of \$58,757, is \$12,609. This amount should be divided equally between the county and the State, resulting in \$63,304 excess due the State. The county remitted a previous payment of \$13,924, causing an overremittance of \$7,620.

The qualified revenues reported for FY 2007-08 were \$66,958. The excess, above the base of \$58,757, is \$8,201. This amount should be divided equally between the county and the State, resulting in \$4,100 excess due the State. The county remitted a previous payment of \$11,584, causing an overremittance of \$7,483.

The qualified revenues reported for FY 2008-09 were \$68,573. The excess, above the base of \$58,757, is \$9,816. This amount should be divided equally between the county and the State, resulting in \$4,908 excess due the State. The county remitted a previous payment of \$11,936, causing an overremittance of \$7,028.

The qualified revenues reported for FY 2009-10 were \$83,593. The excess, above the base of \$58,757, is \$24,836. This amount should be divided equally between the county and the State, resulting in \$12,418 excess due the State. The county remitted a previous payment of \$20,008, causing an overremittance of \$7,590.

The qualified revenues reported for FY 2010-11 were \$75,892. The excess, above the base of \$58,757, is \$17,095. This amount should be divided equally between the county and the State, resulting in \$8,548 excess due the State. The county remitted a previous payment of \$16,664, causing an overremittance of \$8,116.

The qualified revenues reported for FY 2011-12 were \$129,682. The excess, above the base of \$58,757, is \$70,925. This amount should be divided equally between the county and the State, resulting in \$35,463 excess due the State. The county remitted a previous payment of \$30,819, causing an underremittance of \$4,644.

The following table shows the effect of the over- and underremittances:

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund–GC §77205	
FY 2005-06	\$ (8,147)
FY 2006-07	(7,620)
FY 2007-08	(7,483)
FY 2008-09	(7,028)
FY 2009-10	(7,590)
FY 2010-11	(8,116)
FY 2011-12	4,644
County General Fund	41,340

Recommendation

The county should offset subsequent remittances by \$41,340 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 2—
Underremitted state
court facilities
construction penalties
from TVS bail**

The Alpine County Superior Court did not distribute state court facilities construction penalties from traffic violator school fees beginning March 2011 through June 2012 to the state. Instead they were distributed to the county’s General Fund as part of the MOE revenues (50% split). Court personnel indicated that the required distribution was inadvertently overlooked.

Effective January 1, 2009, for all traffic school violations, VC section 42007.1 requires a \$49 penalty. 49% (\$24) is to be deposited in the county’s General Fund with the remaining 51% to be distributed to the State Court Facilities Construction Fund.

The inequitable distributions for traffic violator school fees affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to GC section 77205. In addition, the inequitable distribution had the following effect:

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
State Court Facilities Construction Fund–VC§42007.1	\$ 15,579
County General Fund	(15,579)

Recommendation

The county should remit to the State Treasurer and report on the remittance advice form (TC-31) an increase of \$15,579 to the State Court Facilities Construction Fund – Immediate & Critical Needs Account-VC section 42007.1, The County should also make the corresponding account adjustments.

The Superior Court should prepare a redistribution adjustment for state court facilities construction penalties starting July 2012 through the date on which the current system is revised. In addition, Immediate & Critical Needs Account revenues should be separately reported on the remittance advice form (TC-31) for each applicable fund.

**FINDING 3—
Underremitted
evidence of
responsibility fines**

The Alpine County Superior Court did not make the required distributions to the State General Fund and State Transportation Fund for evidence of financial responsibility fines for the period of July 2005 through June 2012. Court personnel indicated that the required distribution was inadvertently overlooked.

A \$30.50 fee on each conviction of a proof-of-financial-responsibility violation identified under Vehicle Code (VC) section 16028 is required to be distributed per conviction in the following manner: \$17.50 to the County General Fund pursuant to PC section 1463.22 (a); \$10 to the State General Fund pursuant to PC section 1463.22(c); and \$3 to the State Transportation Fund pursuant to PC section 1463.22(b).

This finding was addressed in the State Controller's Office audit of the Alpine County Superior Court for the period of July 2000 through June 2005 (report issued June 30, 2006). At present, the court has not implemented procedures to correct this error.

The inappropriate distributions for evidence of financial responsibility fines 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	Understated/ (Overstated)
State General Fund–PC§1462.22(c)	\$ 3,060
State Transportation Fund–PC§1463.22(b)	918
County General Fund	(9,333)
Alpine Superior Court	5,355

Recommendation

The county should remit \$3,978 to the State Treasurer and report on the remittance advice form (TC-31) increases of \$3,060 to the State General Fund – PC section 1463.22(c) and \$918 to the State Transportation Fund – PC section 1463.22(b). The county should also make the corresponding account adjustments. A redistribution should be made for the period of July 2012 through the date on which the current system is revised.

**FINDING 4—
Inappropriate
distribution of EMAT
penalties**

The Alpine Superior Court levied a \$4 state emergency medical air transportation (EMAT) penalty on TVS bail starting January 2011. Court personnel indicated that 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, the fine and penalties are converted to TVS bail as mandated by VC section 42007. Therefore, because EMAT penalties are not included in the exceptions listed within VC section 42007 they should remain as TVS bail.

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 it did not appear to be material.

Recommendation

The Court should take steps to insure that EMAT penalties are distributed in accordance with the statutory requirements.

**State Controller's Office
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