

NEVADA COUNTY

Audit Report

COURT REVENUES

July 1, 2008, through June 30, 2013



BETTY T. YEE
California State Controller

May 2016



BETTY T. YEE
California State Controller

May 4, 2016

Honorable Marcia Salter
Auditor/Controller
Nevada County
950 Maidu Avenue, Suite 230
Nevada City, CA 95959

Sean Metroka
Court Executive Officer
Superior Court of California
Nevada County
201 Church Street
Nevada City, CA 95959

Dear Ms. Salter and Mr. Metroka:

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

Our audit found that the county overremitted \$55,819 court revenues to the State Treasurer because it overremitted the 50% excess of qualified fines, fees and penalties by \$55,819.

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

Ranae Harkins, Collections Supervisor
Division of Accounting and Reporting
Bureau of Tax Administration
Post Office Box 942850
Sacramento, CA 94250-5872

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau by telephone at (916) 324-0622 or by email at egonzalez@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: Dan Miller, Chairperson
Nevada County Board of Supervisors
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
Michael Gungon, Fiscal Analyst
Division of Accounting and Reporting
State Controller's Office
Ranae Harkins, 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 Nevada County for the period of July 1, 2008, through June 30, 2013.

Our audit found that the county overremitted \$55,819 in court revenues to the State Treasurer because it overremitted the 50% excess of qualified fines, fees and penalties by \$55,818.

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, County Collections 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

Nevada County overremitted \$55,819 in court revenues to the State Treasurer. The overremittance is 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 25, 2010, with the exception of Finding 2 of this report.

Views of Responsible Officials

We issued a draft audit report on February 11, 2016. Marcia L. Salter, Auditor-Controller, responded by letter dated February 28, 2016 (Attachment A), agreeing with the audit results. Further, Sean Metroka, Court Executive Officer, responded by letter dated February 25, 2016 (Attachment B), agreeing with the audit results.

Restricted Use

This report is solely for the information and use of Nevada County, the Nevada 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 4, 2016

Findings and Recommendations

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

Nevada County overremitted by \$55,819 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the five fiscal years starting July 1, 2008, and ending June 30, 2013.

Government Code (GC) section 77205 requires the county to remit 50% of the qualified revenues that exceed the amount specified in GC Section 77201.1 (b) (2) for fiscal year (FY) 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement Fund.

The error occurred when compiling the Maintenance of Effort (MOE) 50% split applicable to traffic school bail revenues. The county included twice the amount applicable to the \$24 traffic violator school (TVS) fee pursuant to Vehicle Code section 42007.1. In FY 2008-09 and FY 2009-10, the county exceeded its 50% base; however, when adjusting for the \$24 TVS fee, the county did not exceed its base. Therefore, for FY 2008-09 and FY 2009-10, the county overremitted \$36,050 and \$19,769, respectively, to the Trial Court Improvement Fund.

The qualified revenues reported for FY 2008-09 were \$1,189,963. The excess, above the base of \$1,220,686, is (\$30,723), and therefore no revenue is due the State. A previous payment of \$36,050 has been remitted by the county, causing an overremittance of \$36,050.

The qualified revenues reported for FY 2009-10 were \$1,154,351. The excess, above the base of \$1,220,686, is (\$66,335), and therefore no revenue is due the State. A previous payment of \$19,769 has been remitted by the county, causing an overremittance of \$19,769.

The overremittances had the following effect:

<u>Account Title</u>	<u>Underremitted/ (Overremitted)</u>
Trial Court Improvement Fund–GC §77205	\$
FY 2008-09	(36,050)
FY 2009-10	(19,769)
County General Fund	55,819

Recommendation

The county should offset subsequent remittances of \$55,819 to the State Treasurer and report on the remittance advice form (TC-31) a decrease to the State Trial Court Improvement Fund. The county should also make the corresponding account adjustments.

County’s Response

The Auditor-Controller agreed with Finding 1.

Superior Court's Response

The Superior Court agreed with Finding 1.

**FINDING 2—
Inappropriate
distribution of
installment payments**

The Nevada County Superior Court prioritized collections in a manner that inappropriately gave a distribution priority to other reimbursable costs over state 20% surcharges, fines, penalties, and restitution. The error occurred because the department staff overlooked the additional computer programming procedure requirements when establishing a new distribution computer system.

Starting September 30, 2002, Penal Code (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 with other reimbursable costs.

Failure to make the required priority distribution causes distributions to the State and county to be inaccurately stated. Measuring the dollar effect did not appear to be either material or cost effective due to the difficulty in identifying and redistributing the various accounts.

This finding was addressed in the State Controller's Office audit of the Nevada County Courts for the period of July 1, 1999, through June 30, 2003 (report issued April 16, 2004) and was addressed in the State Controller's Office audit of the Nevada County Courts for the period of July 1, 2003, through June 30, 2008 (report issued October 25, 2010).

Recommendation

The Nevada County 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's Response

This finding is under the jurisdiction of the Superior Court to which they will respond directly.

Superior Court's Response

The Superior Court agreed with this finding and implemented the corrective action.

Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2008, through June 30, 2013

Description of Finding ¹	Fiscal Year					Total	Reference ²
	2008-09	2009-10	2010-11	2011-12	2012-13		
COMPUTATION IN A/C OFFICE SECTION							
Changes to MOE due to Findings: State Trial Court Improvement Fund – 50% excess	\$ (36,050)	\$ (19,769)	\$ –	\$ –	\$ –	\$ (55,819)	Finding 1
	–	–	–	–	–	–	
Net amount underpaid (overpaid) to the State Treasurer	\$ (36,050)	\$ (19,769)	\$ –	\$ –	\$ –	\$ (55,819)	

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.

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

State of California
COUNTY OF NEVADA

MARCIA L. SALTER – Auditor-Controller

Auditor-Controller
950 Maidu Avenue Suite 230
Nevada City CA 95959

(530) 265-1244
Fax: (530) 265-9843
Email: auditor.controller@co.nevada.ca.us

February 28, 2016

Elizabeth Gonzalez, Chief Local Government Compliance Bureau
California State Controller Office, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Ms. Gonzalez,

I have reviewed your draft audit report of the Nevada County's court revenues for the period of July 1, 2008 through June, 30, 2013. Below you will find my response on the findings specific to the County's activities.

Finding 1 – Over remitted 50% excess of qualified fines, fees and penalties. Auditor Controller agrees with this finding and the calculation of the net amount “overpaid” in the amount of \$55,819. This amount will be reduced on a future remittance to the State Treasurer as recommended.

Finding 2 – Inappropriate distribution of installment payments. This finding is under the jurisdiction of the Superior Court to which they will respond directly.

I would like to thank your staff for their time and effort on completing this audit. They were cordial in their interaction with my office and professional in their work.

Sincerely,



Marcia L. Salter
Auditor-Controller

Cc: Sean Metroka, Court Executive Officer, Nevada County Superior Court

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

**Superior Court of the State of California
County of Nevada**

G. SEAN METROKA
Court Executive Officer



201 Church Street, Suite 7
Nevada City, CA 95959
(530) 265-1313

February 25, 2016

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

Re: Comments on Draft Audit Report

Dear Ms. Gonzalez:

The Court has reviewed the draft report of the court revenues audit conducted by your office for the period of July 1, 2008 through June 30, 2013. Accordingly, we submit the following comments:

FINDING 1 – We agree with this finding. The Nevada County Auditor-Controller will respond to this finding more specifically.

FINDING 2 – We agree with this finding and understand the significance of the notation that it is a repeat finding from the previous audit. When this audit began, we were only a few months beyond the implementation of a new case management system and distribution account table in the new system was not properly entered. When this deficiency was discovered by the auditor, we immediately corrected the mistake and have been distributing partial fine and fee payments correctly since.

Very truly yours,

A handwritten signature in blue ink, appearing to read "G. Sean Metroka".

G. Sean Metroka

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

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