

MERCED COUNTY

Audit Report

COURT REVENUES

July 1, 2001, through June 30, 2006



JOHN CHIANG
California State Controller

August 2008



JOHN CHIANG
California State Controller

August 8, 2008

M. Stephen Jones, CPA
Auditor-Controller
Merced County
2222 M Street
Merced, CA 95340

Kathleen Goetsch
Court Executive Officer
Merced County
670 West 22nd Street
Merced, CA 95340

Dear Mr. Jones and Ms. Goetsch:

The State Controller's Office audited Merced County's court revenues for the period of July 1, 2001, through June 30, 2006.

Merced County's remittances to the State Treasurer were substantially correct. The point discussed in the Finding and Recommendation section does not have a material dollar effect on those remittances.

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/vb:wm

cc: John A. Judnick, Manager, Internal Audit
Judicial Council of California
Karen McGagin, Executive Officer
Victim Compensation and Government Claims Board
Greg Jolivette
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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 Merced County for the period of July 1, 2001, through June 30, 2006.

Merced County's remittances to the State Treasurer were substantially correct. The point discussed in the Finding and Recommendation section does not have a material dollar effect on those remittances.

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, 2001, through June 30, 2006. 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, Municipal Court, Probation Department, Revenue and Reimbursement Office, 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 our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

Merced County's remittances to the State Treasurer are substantially correct. The point discussed in the Finding and Recommendation section does not have a significant effect on those remittances.

Follow-Up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued August 2002, with the exception of 30% city base fines for red light offenses.

Views of Responsible Officials

We discussed the audit results with Ron Kinchloe, Assistant Auditor-Controller, and Kathleen Goetsch, Court Executive Officer, by telephone on July 28, 2008. Mr. Kinchloe and Ms. Goetsch agreed with the results of our audit. They 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 Merced County, the Merced 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
Chief, Division of Audits

August 8, 2008

Finding and Recommendation

**FINDING—
Failure to distribute
30% city base fines
for red-light offenses**

The court imposed fines for red-light offenses without implementing statute changes for city-related red-light offenses. Effective January 1, 1998, fines for red-light offenses should have been distributed on a monthly basis in this manner: after deducting the allowable 2% court automation fee, 30% of the total bail (including state and local penalties) to the county or city general fund in which the offense occurred, and the balance (70%) distributed pursuant to Penal Code sections 1463, 1464, and Government Code section 76000. Court personnel indicated they are aware of the statutory requirements affecting the distribution of fines for red-light offense, but the accounting system was not changed to accommodate the new distribution requirements for red-light offenses.

Penal Code section 1463.11 requires 30% of red-light violation fines to be distributed to the county or city general fund in which the offense occurred. In addition, if the red-light violator is referred to traffic school, Vehicle Code section 42001 requires 30% of the traffic violator fee to be distributed to the county or city where the offense occurred.

Failure to accurately distribute fines for red-light offenses causes an understatement of revenues to cities, to the county, and to the State. In addition, inappropriate distributions affect the revenues reported to the State Trial Court Improvement Fund under the maintenance-of-effort formula pursuant to Government Code section 77205. Measuring the fiscal effect under the current audit period was not considered to be cost effective because of the difficulty in identifying and redistributing the various accounts.

Recommendation

The court should implement procedures to provide a complete and timely distribution of fines for red-light offenses to comply with statutory requirements. Until the court's records system can provide an adequate distribution of fines for red-light offenses, a manual redistribution should be made monthly.

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