

ORANGE COUNTY

Audit Report

COURT REVENUES

July 1, 2009, through June 30, 2014



BETTY T. YEE
California State Controller

August 2016



BETTY T. YEE
California State Controller

August 12, 2016

Honorable Eric H. Woolery
Auditor-Controller
Orange County
12 Civic Center Plaza, Suite 200
Santa Ana, CA 92702

Alan Carlson
Court Executive Officer
Superior Court of California, Orange County
700 Civic Center Drive West
Santa Ana, CA 92701

Dear Mr. Woolery and Mr. Carlson:

The State Controller's Office (SCO) audited Orange County's court revenues for the period of July 1, 2009, through June 30, 2014.

Our audit found that the county underremitted \$510,512 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess fines, fees, and penalties by \$313,131
- Underremitted penalties from probation DUI and Health and Safety violations by \$74,513
- Underremitted parking fines from the University of California, Irvine by \$122,868

The county should differentiate the individual accounts making up this amount on the bottom portion of the monthly Report to State Controller of Remittance to State Treasurer (TC-31), in accordance with standard remittance procedures. The county should state on the TC-31 that the account adjustments relate to the SCO audit for the period of July 1, 2009, through June 30, 2014.

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

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

Honorable Eric H. Woolery,
Auditor-Controller
Alan Carlson, Court Executive Officer

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August 12, 2016

The county disputes certain facts related to the conclusions and recommendations contained in this audit report. The SCO has an informal audit review process to resolve a dispute of facts. To request a review, the county should submit a written request for a review, along with supporting documents and information pertinent to the disputed issue(s), within 60 days of receiving this final report. The review request should be submitted to Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, CA 94250-0001. In addition, please provide a copy of the request letter to Elizabeth González, Chief, Local Government Compliance Bureau, State Controller's Office, Division of Audits, Post Office Box 942850, Sacramento, CA 95250-5874.

If you have any questions, please contact Ms. González 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: Lisa Bartlett, Chairwoman
Orange 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
Cindy Giese, Supervisor, Tax Programs Unit
Division of Accounting and Reporting
State Controller's Office
Richard J. Chivaro, Chief Counsel
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 Orange County for the period of July 1, 2009, through June 30, 2014.

Our audit found that the county underremitted \$510,512 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess fines, fees, and penalties by \$313,131
- Underremitted penalties from probation DUI and Health and Safety violations by \$74,513
- Underremitted parking fines from the University of California, Irvine by \$122,868

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.

Objectives, 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, 2009, through June 30, 2014. 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 Probation Department.

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

Orange County underremitted \$510,512 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 November 13, 2012, with the exception of incorrect distribution of Traffic Violator School bail (Finding 2) of this report.

Views of Responsible Officials

We issued a draft audit report on February 19, 2016. Eric Woolery, Auditor-Controller, responded by letter dated March 14, 2016 (Attachment A), agreeing with the audit results with the exception of Finding 2. Further, Darren Dang, Court Chief Financial and Administrative Officer, responded by letter dated March 10, 2016, agreeing with the audit results with the exception of Finding 5.

Restricted Use

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

August 12, 2016

Findings and Recommendations

FINDING 1— Underremitted the 50% excess of qualified fines, fees, and penalties

The Orange County Auditor-Controller's Office underremitted by \$313,131 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the four fiscal years starting July 1, 2009, and ending June 30, 2013.

Government Code (GC) section 77205 requires Orange 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 and Modernization Fund (previously known as the State Trial Court Improvement Fund).

The error occurred as a result of the following conditions:

- As noted in Finding 2, the county calculated qualified revenues using 77% of Traffic Violator School (TVS) bail after deducting \$2 per case for local construction funds. Qualified revenues should have been calculated using 77% of TVS bail before the deductions for local construction funds. Qualified revenues were understated by \$843,604.
- As noted in Finding 3, the Orange County Probation Department did not assess State Court Facilities Construction – Immediate Critical Needs Account (ICNA), County Emergency Medical Services, and State Emergency Medical Air Transportation on DUI and Health and Safety cases for the period July 1, 2009, through June 30, 2014. Qualified revenues were overstated by \$86,714.

The qualified revenues for FY 2009-10 were \$20,456,437. The excess above the base of \$19,572,810, is \$883,627. This amount should be divided equally between the county and the State, resulting in \$414,526 excess due the State. The county remitted a previous payment of \$348,799, causing an underremittance of \$93,014.

The qualified revenues for FY 2010-11 were \$20,401,861. The excess above the base of \$19,572,810, is \$829,051. This amount should be divided equally between the county and the State, resulting in \$414,526 excess due the State. The county remitted a previous payment of \$331,533, causing an underremittance of \$82,993.

The qualified revenues for FY 2011-12 were \$27,713,879. The excess above the base of \$19,572,810, is \$8,141,069. This amount should be divided equally between the county and the State, resulting in \$4,070,535 excess due the State. The county remitted a previous payment of \$3,998,485, causing an underremittance of \$72,050.

The qualified revenues for FY 2012-13 were \$21,194,278. The excess above the base of \$19,572,810, is \$1,621,468. This amount should be divided equally between the county and the State, resulting in \$810,734 excess due the State. The county remitted a previous payment of \$745,660, causing an underremittance of \$65,074.

The qualified revenues for FY 2013-14 were \$19,356,431. The excess above the base of \$19,572,810, is zero. This amount should be divided equally between the county and the State, resulting in zero excess due the State. The county remitted a previous payment of zero. The amount remitted was correct.

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

Account Title	Underremitted (Overremitted)
State Trial Court Improvement and Modernization Fund – GC §77205	
FY 2009-10	\$ 93,014
FY 2010-11	82,993
FY 2011-12	72,050
FY 2012-13	65,074
County General Fund	\$ (313,131)

Recommendation

The county should remit \$313,131 to the State Treasurer and indicate on the Report to State Controller of Remittance to State Treasurer (TC-31) form an increase to the State Trial Court Improvement and Modernization Fund. The county also should make the corresponding account adjustments.

County’s Response

The Auditor-Controller noted that the excess above the base amount for FY 2009-10 should be \$883,627.

Superior Court’s Response

The Superior Court did not respond to Finding 1.

SCO’s Comment

We corrected the dollar amount; however, the outcome of this finding remains the same.

**FINDING 2—
Incorrect Traffic
Violator School bail
reported as qualified
fines, fees, and
penalties**

The county calculated qualified revenues using 77% of Traffic Violator School (TVS) bail after deducting \$2 per case for local construction funds. Qualified revenues should have been calculated using 77% of TVS bail before the deductions for local construction funds. Therefore, the 77% of TVS bail reported as qualified revenues was understated. This is a repeat finding from the prior audit.

Vehicle Code section 42007 requires 77% of TVS bail to be reported as qualified revenues in accordance with Government Code section 77205 as it read December 31, 1997. The remaining revenues (23%) are to be deposited to the county's General Fund less \$1 to the Jail Facility Penalty fund and \$1 to the Courthouse Construction Penalty Fund.

Failure to distribute TVS bail correctly also affected the revenues reported to the State Trial Court Improvement and Modernization Fund under the Maintenance of Effort (MOE) formula (see Finding 1) by a net total of \$843,604.

Recommendation

The county should ensure that 77% of TVS bail reported as qualified revenues should be calculated prior to deducting \$2 for local construction funds.

County Auditor's Response

The Auditor-Controller stated that the county used the court's monthly distributions "as is" to process the MOE payments. The county was not aware that the court did not implement changes to its calculation to resolve the previous audit finding until the error was noted again in this audit. When the county realized that the court was still using the incorrect distribution process, it implemented the correct distribution calculation for FY 2014-15 and future years. Therefore, Mr. Woolery requests that the related penalty and interest should not be charged to the county.

Superior Court's Response

The Superior Court did not respond to Finding 2.

SCO's Comment

It is the county's responsibility to ensure the accuracy of the MOE calculation. The county was aware of the TVS distribution error identified in the last audit. We provided pertinent TVS distribution statutes to the county. We also informed the county where to obtain the data for TVS funds and how they can make the correct MOE calculation.

FINDING 3— Incorrect distributions of DUI and Health and Safety cases

The Orange County Probation Department did not assess State Court Facilities Construction – ICNA, Emergency Medical Services, and Emergency Medical Air Transportation on DUI and Health and Safety cases for the period July 1, 2009 through June 30, 2014.

Government Code section 70372 (a) (1) requires a State Court Construction penalty, in the amount of five dollars (\$5) for every ten dollars (\$10), or part of ten dollars (\$10), upon every fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses, including, the Vehicle Code and Health and Safety Code. This penalty is in addition to any other state or local penalty, including, but not limited to, the penalty provided by Penal Code section 1464 and Government Code section 76000.

Government Code section 76000.5 (a) (1) provides that for purposes of supporting Emergency Medical Services the county board of supervisors may elect to levy an additional penalty in the amount of two dollars (\$2) for every ten dollars (\$10), or part of ten dollars (\$10), upon every fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

This penalty shall be collected together with and in the same manner as the amounts established by section 1464 of the Penal Code.

Government Code section 76000.10 (c) (1) requires that an Emergency Medical Air Transportation Act penalty of four dollars (\$4) shall be imposed upon every conviction for a violation of the Vehicle Code.

The incorrect distributions had the following effect.

Account Title	Underremitted (Overremitted)
State Court Facilities Construction Fund – ICNA – GC §70372(a)	\$ 169,482
State Emergency Medical Air Transportation – GC §76000.10	1,234
State Penalty Fund – State Portion – PC §1464	(57,808)
State DNA Identification Penalty – GC §76104.7	(23,942)
State Court Facilities Construction Fund – GC §70372(a)	(12,388)
State DNA Identification Penalty (Prop. 69) – GC §76104.6	(2,065)
Total State Funds	\$ 74,513
County Emergency Medical Services	\$ 96,847
County Base Fines	(82,583)
Penalty Fund – County	(24,775)
County Penalties	(57,808)
DNA I.D. – County	(6,194)
Total County Funds	\$ (74,513)

Failure to distribute DUI and Health and Safety cases correctly also affected the revenues reported to the State Trial Court Improvement and Modernization Fund under the MOE formula (see Finding 1) by the net total of \$86,714.

Recommendation

The county should remit \$74,513 to the State Treasurer and report on the TC-31 the following: an increase of \$169,482 to the State Court Facilities Construction Fund – ICNA, an increase of \$1,234 to the State Emergency Medical Air Transportation, a decrease of \$57,808 to the State Penalty Fund, a decrease of \$23,942 to the State DNA Identification Penalty, a decrease of \$12,388 to the State Court Facilities Construction Fund, and a decrease of \$2,065 to the State DNA Identification Penalty (Prop. 69). Additionally a reallocation should be made from July 2014, through the date on which the system is corrected.

County's Response

The Probation Department agreed with Finding 3. It also stated that the total underremittance of \$74,513 was reported on the TC-31 remittance and remitted to the State in March 2016.

Superior Court’s Response

The Superior Court did not respond to Finding 3.

SCO’s Comment

The SCO Accounting and Reporting Division will review the TC-31 remittance and make necessary adjustments on its collection letter. The finding remains as stated.

**FINDING 4—
Incorrectly
distributed parking
fees**

The University of California, Irvine underremitted parking fees for State Court Facilities Construction Fund – ICNA and State Court Facilities Construction Fund starting January 2011 through August 2012.

Vehicle Code (VC) section 40200.4 requires the processing agencies to deposit with the county treasurer all sums due the county from parking violations.

GC section 70372 requires the county to distribute to the State Court Facilities Construction Fund an additional penalty of \$4.50 for every parking fine or forfeiture starting December 7, 2012.

The incorrect distribution had the following effect:

Account Title	Underremitted/ (Overremitted)
State Court Facilities Construction Fund – ICNA – GC §70372(b) (\$3.00)	\$ 83,589
State Court Facilities Construction Fund – GC §70372(b) (\$1.50)	<u>39,279</u>
UC Irvine	\$ (122,868)

Recommendation

The county should remit \$122,868 to the State Treasurer and report on the TC-31 increases of \$83,589 to the State Court Facilities Construction Fund – ICNA and \$39,279 to the State Court Facilities Construction Fund.

County’s Response

The Auditor Controller did not comment on Finding 4.

Superior Court’s Response

The Superior Court did not respond to Finding 4.

**FINDING 5—
Inaccurate case
information recorded**

In the preparation of the audit report for the Orange County Superior Court, we noted a fraud case involving an Orange County Court system employee. According to several news reports and conversations with court management, an employee was able to create fake plea deals and reduced penalties on 230 misdemeanors and 828 infractions beginning in October 2009. According to court management, this represented about 0.04% of the

total volume of criminal cases for the period. The news reports and court management affirmed that the FBI is currently investigating the activities of the individual in question, and the courts are in the process of correcting all of the cases.

Revenue distributions for the affected cases will likely change as the cases are corrected.

Good internal controls require procedures to ensure actual case information is recorded and alterations are properly authorized.

The State Controller's Office generally evaluates internal controls only to the extent necessary to satisfy the objectives of the performance audit. Such procedures are far less extensive than would be required for a financial audit.

Recommendation

The Orange County Superior Court should institute procedures to ensure actual case information is recorded and alterations are properly authorized.

County's Response

The Auditor-Controller did not respond to Finding 5.

Superior Court's Response

The Superior Court considers this finding outside the scope of this performance audit. Nevertheless, the Court stated that it has updated its procedures and added a number of additional safeguards, including the creation of a new Internal Auditor position, to help prevent fraud from occurring in the future.

SCO's Comment

We conducted our performance audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS). The assessment of fraud is within the scope of GAGAS and therefore, within the scope of this audit.

The finding remains as stated.

FINDING 6— Unimposed administrative screening fees and citation processing fees

The Orange County Superior Court did not consistently impose administrative screening fees and citation processing fees from July 2009 through June 2014. Court personnel stated that these fees were not included in sentencing guidelines used by its Judicial Officers and were not automatically assessed by the case management system. Penal Code section 1463.07 requires a \$25 fee from each person arrested and released on his/her recognizance upon conviction for any criminal offense other than an infraction and a \$10 fee from each person cited and released by any peace officer in the field or at a jail facility upon conviction of any criminal offense other than an infraction.

Failure to impose administrative screening fees and citation processing fees caused deposits in the county General Fund to be understated. In addition, the inappropriate distribution of fees effected the revenues reported to the State Trial Court Improvement and Modernization Fund under the MOE formula pursuant to Government Code section 77205.

Recommendation

The Orange County Superior Court should include administrative screening fees and citation processing fees in sentencing guidelines used by its Judicial Officers and update their case management system to assess these fees.

County's Response

The Auditor-Controller did not respond to Finding 6.

Superior Court's Response

The Superior Court agreed with Finding 6 and is in the process of implementing necessary programming changes.

**FINDING 7—
Penalties not assessed
on Health and Safety
fees**

The Orange County Superior Court did not assess the 20% State Surcharge on criminal laboratory analysis fee, pursuant to Health and Safety (H&S) Code section 11372.5. Also, it did not assess the 20% State Surcharge and inconsistently assessed other state and local penalties on drug program fees pursuant to H&S Code section 11372.7. These incorrect assessments occurred from July 2009 through June 2014 and were corrected in FY 2014-15.

H&S Code section 11372.5 requires every person convicted of violating certain Health and Safety and Business and Professions codes to pay a criminal laboratory analysis fee in the amount of fifty dollars (\$50) for each separate offense. The court shall increase the total fine necessary to include this increment.

H&S Code section 11372.7 requires each person convicted of a violation of this chapter to pay a drug program fee in an amount not to exceed one hundred and fifty dollars (\$150) for each separate offense. The court shall increase the total fine, if necessary, to include the increment, which shall be in addition to any other penalty prescribed by law.

Failure to assess fines correctly caused state penalties, local penalties, the 20% state surcharge, DNA penalties, court facilities penalty assessment, and the 2% automation fee to be understated. In addition, revenues reported to the State Trial Court Improvement and Modernization Fund under the MOE formula were understated. No measurement was made because measuring the dollar effect did not appear to be either material or cost-effective.

Recommendation

The Orange County Superior Court should make redistributions for criminal laboratory analysis fees and drug program fees for July 2009 through the date the current system was revised.

County's Response

The Auditor-Controller did not respond to Finding 7.

Superior Court's Response

The Superior Court updated its distribution system in May 2014.

Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2009, through June 30, 2014

Description of Finding ¹	Code Section	Fiscal Year					Total	Reference ²
		09-10	10-11	11-12	12-13	13-14		
Underremitted 50% excess fines, fees, and penalties:								
State Trial Court Improvement and Modernization Fund ³	GC §77205	\$ 93,014	\$ 82,993	\$ 72,050	\$ 65,074		\$ 313,131	Finding 1
Underremitted (over) probation fines and penalties:								
State Court Facilities Construction Fund - ICNA	GC §70372(a)	25,422	31,476	37,528	37,528	\$ 37,528	169,482	Finding 3
State Emergency Medical Air Transportation	GC §76000.10		175	353	353	353	1,234	Finding 3
State penalty Fund	PC §1464	(8,671)	(10,737)	(12,800)	(12,800)	(12,800)	(57,808)	Finding 3
State DNA Identification penalty	GC §76104.7	(3,591)	(4,448)	(5,301)	(5,301)	(5,301)	(23,942)	Finding 3
State Court Facilities Construction Fund	GC §70372(a)	(1,858)	(2,301)	(2,743)	(2,743)	(2,743)	(12,388)	Finding 3
State DNA Identification penalty (Prop. 69)	GC §76104.6	(310)	(384)	(457)	(457)	(457)	(2,065)	Finding 3
Underremitted parking penalties:								
State Court Facilities Construction Fund	GC §70372(b)		10,364	25,690	3,225		39,279	Finding 4
State Court Facilities Construction Fund - ICNA	GC §70372(b)		25,758	51,381	6,450		83,589	Finding 4
Net amount underpaid to the State Treasurer	TOTAL	<u>\$ 104,006</u>	<u>\$ 132,896</u>	<u>\$ 165,701</u>	<u>\$ 91,329</u>	<u>\$ 16,580</u>	<u>\$ 510,512</u>	

¹ The identification of State revenue account titles should be used to ensure proper recording when preparing the TC-31 to the State Treasurer.

² See the Findings and Recommendations section.

³ Previously known as the State Trial Court Improvement Fund.

**Schedule 2—
Summary of Underremittances by Month
State Trial Court Improvement and Modernization Fund
July 1, 2009, through June 30, 2014**

Month	Fiscal Year					Total ¹
	09-10	10-11	11-12	12-13	13-14	
July	\$ 7,751	\$ 6,916	\$ 6,004	\$ 5,422	\$ —	\$ 26,093
August	7,751	6,916	6,004	5,422	—	26,093
September	7,751	6,916	6,004	5,422	—	26,093
October	7,751	6,916	6,004	5,422	—	26,093
November	7,751	6,916	6,004	5,422	—	26,093
December	7,751	6,916	6,004	5,422	—	26,093
January	7,751	6,916	6,004	5,422	—	26,093
February	7,751	6,916	6,004	5,422	—	26,093
March	7,751	6,916	6,004	5,422	—	26,093
April	7,751	6,916	6,004	5,422	—	26,093
May	7,751	6,916	6,004	5,422	—	26,093
June	7,753	6,917	6,006	5,432	—	26,108
Total underremittances to the State Treasurer	<u>\$ 93,014</u>	<u>\$ 82,993</u>	<u>\$ 72,050</u>	<u>\$ 65,074</u>	<u>\$ —</u>	<u>\$ 313,131</u>

NOTE: Delinquent State Trial Court Improvement and Modernization 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 This is a supplemental schedule for the SCO Division of Accounting and Reporting to calculate penalties and interest. The total is listed to facilitate the review process.

**Schedule 3—
Summary of Underremittances by Month
State Court Facilities Construction Fund
July 1, 2009, through June 30, 2014**

Month	Fiscal Year					Total ¹
	09-10	10-11	11-12	12-13	13-14	
July	\$ -	\$ 671	\$ 1,912	\$ 40	\$ -	\$ 2,623
August	-	671	1,912	40	-	2,623
September	-	671	1,912	40	-	2,623
October	-	671	1,912	40	-	2,623
November	-	671	1,912	40	-	2,623
December	-	671	1,912	40	-	2,623
January	-	671	1,912	40	-	2,623
February	-	671	1,912	40	-	2,623
March	-	671	1,912	40	-	2,623
April	-	671	1,912	40	-	2,623
May	-	671	1,912	40	-	2,623
June	-	682	1,915	42	-	2,639
Total underremittances to the State Treasurer	\$ -	\$ 8,063	\$ 22,947	\$ 482	\$ -	\$ 31,492

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 70353. The SCO will calculate and bill the county for the penalty amount after the county pays the underlying amount owed.

¹ This is a supplemental schedule for the SCO Division of Accounting and Reporting to calculate penalties and interests. The total is listed to facilitate the review process.

**Schedule 4—
Summary of Underremittances by Month
State Court Facilities Construction Fund – ICNA
July 1, 2009, through June 30, 2014**

Month	Fiscal Year					Total ¹
	09-10	10-11	11-12	12-13	13-14	
July	\$ 2,118	\$ 4,769	\$ 7,409	\$ 3,664	\$ 3,127	\$ 21,087
August	2,118	4,769	7,409	3,664	3,127	21,087
September	2,118	4,769	7,409	3,664	3,127	21,087
October	2,118	4,769	7,409	3,664	3,127	21,087
November	2,118	4,769	7,409	3,664	3,127	21,087
December	2,118	4,769	7,409	3,664	3,127	21,087
January	2,118	4,769	7,409	3,664	3,127	21,087
February	2,118	4,769	7,409	3,664	3,127	21,087
March	2,118	4,769	7,409	3,664	3,127	21,087
April	2,118	4,769	7,409	3,664	3,127	21,087
May	2,118	4,769	7,409	3,664	3,127	21,087
June	2,124	4,775	7,410	3,674	3,131	21,114
Total underremittances to the State Treasurer	\$ 25,422	\$ 57,234	\$ 88,909	\$ 43,978	\$ 37,528	\$ 253,071

NOTE: Delinquent State Court Facilities Construction Fund – ICNA 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.

¹ This is a supplemental schedule for the SCO Division of Accounting and Reporting to calculate penalties and interests. The total is listed to facilitate the review process.

**Schedule 5—
Summary of Overremittances by Month
July 1, 2009, through June 30, 2014**

Month	Fiscal Year					Total ¹
	09-10	10-11	11-12	12-13	13-14	
July	\$ 1,202	\$ 1,297	\$ 1,546	\$ 1,546	\$ 1,775	\$ 7,366
August	1,202	1,297	1,546	1,546	1,775	7,366
September	1,202	1,297	1,546	1,546	1,775	7,366
October	1,202	1,297	1,546	1,546	1,775	7,366
November	1,202	1,297	1,546	1,546	1,775	7,366
December	1,202	1,297	1,546	1,546	1,775	7,366
January	1,202	1,297	1,546	1,546	1,775	7,366
February	1,202	1,297	1,546	1,546	1,775	7,366
March	1,202	1,297	1,546	1,546	1,775	7,366
April	1,202	1,297	1,546	1,546	1,775	7,366
May	1,202	1,297	1,546	1,546	1,775	7,366
June	1,208	1,302	1,552	1,552	1,776	7,390
Total overremittances to the State Treasurer	<u>\$ 14,430</u>	<u>\$ 15,569</u>	<u>\$ 18,558</u>	<u>\$ 18,558</u>	<u>\$ 21,301</u>	<u>\$ 88,416</u>

¹ This is a supplemental schedule for the SCO Division of Accounting and Reporting to calculate penalties and interests. The total is listed to facilitate the review process.

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



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



March 14, 2016

To: Elizabeth González, Chief, Local Government Compliance Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Subject: Orange County's Court Revenues Audit for the period of July 1, 2009 through
June 30, 2014 - Comments

Dear Ms. González:

On February 29, 2016, the Auditor-Controller's office received the State Controller's Office draft of the Final Audit report for the court revenues for the period of July 1, 2009 through June 30, 2014. As requested in the report, please find our comments to each of the findings identified.

Finding Comments:

1. Underremitted excess of qualified fines, fees, and penalties -

The County Auditor-Controller has noted a typo in the excess above base amount for FY 2009-10. The amount typed is \$829,051, but should be \$883,627.

2. Incorrect Traffic Violator School (TVS) bail reported as qualified fines, fees and penalties –

On January 14, 2013 the Auditor-Controller's office requested clarification from SCO for the TVS-fees distribution calculation. However, a written response from SCO was not received until July 20, 2015. During this time it was not clear how the distribution needed to be made. Therefore, the Auditor-Controller's office was using the Courts Monthly Distribution "as is" to process the Maintenance of Effort (MOE) and allocate other funds.

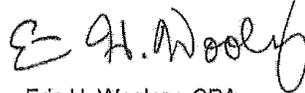
In addition, we were not aware that the Courts had not implemented changes to their calculation for previous audit findings until the finding was noted again during this audit. Furthermore, the Courts paid interest penalties in the prior audit for not distributing Court revenue correctly, and it was our understanding that the Courts would make those changes and distribute the correct amounts to the various County funds. We do not verify the Courts distribution of revenue to various County funds, as it is the Court's responsibility to distribute funds correctly. The Courts did not inform the County that the TVS distribution process did not change.

On May 22, 2015, the Courts provided the County with their TVS distribution calculation. Once we realized that the calculation had not changed, the Auditor-Controller's office implemented the redistribution for FY14-15 and future years to ensure the \$2 per case was added back to the Traffic Violator School – Bail before distributing the 77% of TVS qualified revenues.

Based on the current information noted above, we respectfully request that the penalty not be calculated/charged to the County for this amount.

3. Incorrect distribution of DUI and Health and Safety cases – response from County of Orange, Probation department is attached.
4. Incorrectly distributed parking fees – no additional comment.
5. For findings 5, 6 and 7, the County of Orange Superior Court has provided a response letter attached.

If you have any questions, please contact Ila Patel at (714) 834-3753 or email her at Ila.Patel@ac.ocgov.com. Thank you.



Eric H. Woolery, CPA
Auditor-Controller

Attachments:

1. Finding 3 – Probation department response
2. (A) Finding 3 – Probation – TC-31 081815 - 030316
(B) Finding 3 – Probation – TC-31 Audit Submission
3. Finding 5, 6 and 7 – Superior Court response letter

Attachment 1 – Finding 3 – Probation department response

Response to finding No. 3 for Orange County's court revenues audit for the period of July 1, 2009 through June 30, 2014.

Response from County of Orange, Probation department: Finding #3 of the State Audit Report states that the Orange County Probation Department did not assess State Court construction – Immediate Critical Needs Assessment (ICNA), Emergency Medical Services, and Emergency Medical Air Transportation on DUI and Health and Safety cases for the period of July 1, 2009 through June 30, 2014.

We concur with the finding. As soon as the Auditors informed us about this miscalculation, The Probation Department Accounting Unit was instructed to take the following corrective Actions:

- 1) Update Fine and Penalty Assessment Templates to reflect the most recent State requirements. This project has been completed. Therefore, all cases set-up after July 1, 2015 are accurate.
- 2) The Accounting Unit allocated resources to correct existing cases set up in Integrated Probation Financial System (IPFS), from July 1, 2009 to June 30, 2015. This project is more than 90% completed and currently the last year, 2009, cases are being corrected.

The above mentioned actions enabled accurate application of payments and disbursement to State.

Audit recommendation for finding #3, asking the Probation Department to remit \$74,513 to the State Treasurer for total state funds after calculating all of decreased funds. In August 2015, Probation Department started working on case corrections by adding missing obligations in our system without moving payments from other Fine and Penalty Assessment obligations. Since we did not move payments, we did not report any decreased funds. The numbers reported on TC-31 from 08/18/15 included payments from corrected cases and from the new cases set up after the audit period.

Payments submitted on TC-31 08/18/15 - 03/03/16	79,519
Payments collected from new cases	(4,184)
Total amount submitted from audit finding obligations	75,335

Excluding \$4,184, payments received on new cases, \$75,335 was total amount remitted to the State from case set-up prior to July 1, 2015, audit finding obligations. Money was not reported in separated TC-31.

Please find the TC-31s submitted to the State attached. Disbursements to the obligations that were missed before are highlighted in yellow. Please let us know if you need more information or backup documents.

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



Superior Court of California County of Orange

DARREN DANG
CHIEF FINANCIAL &
ADMINISTRATIVE OFFICER

700 CIVIC CENTER DRIVE WEST
SANTA ANA, CA 92701
PHONE: 657-622-7015

March 10, 2016

Mr. Jeffrey V. Brownfield, CPA
Chief, Division of Audits
State Controller's Office

Dear Mr. Brownfield,

In response to the State Controller's Office audit of the Orange County Court revenues, Orange County Superior Court (the Court) has the following comments on Findings 5, 6 and 7.

FINDING 5 – Inaccurate case information recorded

While this finding is outside the scope of this performance audit, an Orange County Superior Court employee, while reviewing the accuracy of court minutes in preparation for an upcoming hearing, noticed irregular entries that caused her to question the accuracy of the minutes. An internal investigation of activity in the Court's Traffic & Criminal case management system concluded that the inaccurate entries were attributed to a single user who is no longer employed at the Court. The Court held Order to Show Cause hearings in June 2015 for every case that was identified for suspected errors. Criminal charges by the United States Attorney's Office against this former employee remain pending. The integrity of the Court, its records, and personnel, are paramount. While this incident revealed a flaw in the Court's auditing and minute entry practices, we have spent countless hours refining our auditing practices and redesigning our software to insure that such actions cannot occur again without being brought to the attention of management. The Court has updated its procedures and added a number of additional safeguards, including the creation of a new Internal Auditor position, to help prevent this type of activity from occurring in the future.

FINDING 6 – Unimposed administrative screening fees and citation processing fees

The Court concurs with the finding. The Court is in the process of analyzing the required changes to the programming of its Traffic & Criminal case management system to ensure these fees are consistently assessed when applicable. The Finance, Operations, and Technology departments are collaborating to determine whether the fees should be automatically assessed or entered manually at specific case events. The Court estimates that all necessary programming changes will be implemented by the end of this Fiscal Year.

March 10, 2016

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FINDING 7 – Penalties not assessed on Health and Safety fees

The Judicial Council of California's Internal Audit Department conducted an audit of the Court in May 2012 and reported this finding. The Traffic & Criminal case management system previously allowed Judges to impose certain Health and Safety fees as flat fees without the applicable State Surcharge or Penalty Assessment. The system also included the option to impose the same fees with the applicable State Surcharge and Penalty Assessment, therefore the fee had been imposed inconsistently. The Court updated the programming of its Traffic & Criminal case management system to no longer allow for the assessment without State Surcharge or Penalty Assessment as of May 2014. Recent case samples were submitted to the SCO audit team and the finding was deemed remediated.

Sincerely,

A handwritten signature in cursive script that reads "Darrendang".

Darren Dang
Chief Financial and Administrative Officer
Orange County Superior Court

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

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