

PLUMAS COUNTY

Audit Report

COURT REVENUES

July 1, 2006, through June 30, 2013



BETTY T. YEE
California State Controller

August 2016



BETTY T. YEE
California State Controller

August 12, 2016

Roberta Allen, Auditor-Controller
Plumas County
520 Main Street, Suite 205
Quincy, CA 95971

Deborah Norrie, Court Executive Officer
Superior Court of Plumas
520 Main Street, Suite 104
Quincy, CA 95971

Dear Ms. Allen and Ms. Norrie:

The State Controller's Office (SCO) audited Plumas County's court revenues for the period of July 1, 2006, through June 30, 2013.

Our audit found that the county underremitted \$3,756 in court revenues to the State Treasurer because it underremitted the 50% excess of fines, fees, and penalties to the State Trial Court Improvement and Modernization Fund.

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, 2006, 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

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

Roberta Allen, Auditor-Controller
Deborah Norrie, Court Executive Officer

-2-

August 12, 2016

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/as

cc: Sharon Thrall, Chairperson
Plumas 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

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	1
Conclusion	2
Follow-Up on Prior Audit Findings	2
Views of Responsible Officials	2
Restricted Use	2
Findings and Recommendations	3
Schedule 1—Summary of Audit Findings by Fiscal Year	5
Schedule 2—Summary of Underremittances by Month, State Trial Court Improvement and Modernization Fund	6

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 Plumas County for the period of July 1, 2006, through June 30, 2013.

Our audit found that the county underremitted \$3,756 in court revenues to the State Treasurer because it underremitted the 50% excess of fines, fees, and penalties to the State Trial Court Improvement and Modernization Fund (previously known as the State Trial Court Improvement Fund).

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, 2006, 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, Probation Department, Tax Collector's Office, 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

Plumas County underremitted \$3,756 in court revenues to the State Treasurer. The underremittance 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 December 31, 2008.

Views of Responsible Officials

We issued a draft audit report on March 8, 2016. Roberta Allen, Auditor-Controller, responded in a telephone conversation on May 12, 2016, agreeing with the audit results. Further, Deborah Norrie, Court Executive Officer, responded in a telephone conversation on May 11, 2016, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of Plumas County, the Plumas 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 50%
excess of qualified
fines, fees, and
penalties**

The Plumas County Auditor-Controller’s Office underremitted by \$3,756 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for two fiscal years starting July 1, 2006, and ending June 30, 2008.

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 the 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 because the county did not correctly include 100% of the county share of the State Penalty Fund and the recording index fee in its maintenance-of-effort (MOE) calculation. As a result, a total of \$142,642 should have been included in the MOE calculation.

The qualified revenues reported for FY 2006-07 were \$322,772. The excess, above the base of \$193,772, is \$129,000. This amount should be divided equally between the county and the State, resulting in \$64,500 excess due the State. The county has remitted a previous payment of \$95,087, causing an overremittance of \$30,587.

The qualified revenues reported for FY 2007-08 were \$352,552. The excess, above the base of \$193,772, is \$158,780. This amount should be divided equally between the county and the State, resulting in \$79,390 excess due the State. The county has remitted a previous payment of \$45,047, causing an underremittance of \$34,343.

The underremittances are summarized below:

Account Title	Underremitted/ (Overremitted)
State Trial Court Improvement and Modernization Fund – GC §77205 FY 2006-07	\$ (30,587)
FY 2007-08	34,343
County General Fund	\$ (3,756)

Recommendation

The county should remit \$3,756 to the State Treasurer and should indicate on the TC-31 an increase to the State Trial Court Improvement and Modernization 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 did not respond to Finding 1.

**FINDING 2—
Inadequate
accountability of cash
statements**

The Plumas County Superior Court did not properly record and report cash receipts from January 2009 through June 2013.

GC section 68101 requires that each officer authorized to receive fees shall, in accordance with the SCO's guidelines, keep a monthly record of every fee and fine collected, no matter what type. Furthermore, GC section 71380 requires the Controller to establish, supervise, and revise, as necessary, a uniform accounting system, including a system of audits, for the purpose of properly and uniformly accounting for all fines, penalties, forfeitures, and fees assessed, collected, and disbursed by the courts.

Additionally, sections 3.31 and 1.32 of the SCO's *Manual of Accounting and Audit Guidelines for Trial Courts*, require courts to reconcile amounts collected to amounts deposited.

This finding was also addressed in the Judicial Council's internal audit report issued by Sjoberg Evashenk Consulting Incorporated in January 2011.

A complete and adequate process to record cash receipts would supply an audit trail to help the court accurately record its transactions. We were unable to rely on the cash statements provided by the court because they did not reflect the Traffic Violator School transactions. As mentioned in the audit conducted by the Judicial Council, a lapse in proper recording occurred when the Tax Collector's Office stopped reporting on the cash collections and when the Court assumed the responsibility.

Recommendation

The court administrator should implement procedures to improve the revenue distribution system so that the court's daily output records provide a complete audit trail; doing so would minimize the need for manual adjustments. The system should provide a record starting at the point of entry (cash receipts) and ending at the final month-end report (cash statements).

Additionally, each court and other revenue-collecting entity should provide the city and county Auditor-Controller's Office a complete monthly breakdown of the revenues each entity collected instead of just the revenues that are owed to outside agencies.

County's Response

The Auditor-Controller did not respond to Finding 2.

Superior Court's Response

The Superior Court agreed with Finding 2, and stated that the procedures have been implemented to provide a complete audit trail.

Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2006, through June 30, 2013

Description of Finding ¹	Fiscal Year							Total	Reference ²
	06-07	07-08	08-09	09-10	10-11	11-12	12-13		
Underremitted 50% excess of fines, fees, and Penalties:									
State Trial Court Improvement and Modernization Fund ³ - GC §77205	\$ (30,587)	\$ 34,343						\$ 3,756	Finding 1
Net amount underpaid to the State Treasurer	<u>\$ (30,587)</u>	<u>\$ 34,343</u>	<u>\$ -</u>	<u>\$ 3,756</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, 2006, through June 30, 2013**

Month	Fiscal Year						Total ²
	06-07	07-08	08-09	09-10	10-11	11-12	
July							
August							
September							
October							
November							
December							
January							
February							
March							
April							
May							
June	\$ (30,587)	\$ 34,343					\$ 3,756
Total¹	\$ (30,587)	\$ 34,343	\$ -	\$ -	\$ -	\$ -	\$ 3,756

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 GC 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 MOE underremittances.

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

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

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