

# **SACRAMENTO COUNTY**

Audit Report

## **COURT REVENUES**

*July 1, 2006, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

January 2016



**BETTY T. YEE**  
California State Controller

January 14, 2016

Julie Valverde  
Director of Finance  
County of Sacramento  
Department of Finance  
700 H Street, Suite 3650  
Sacramento, CA 95814

Rick Beard, Chief Financial and  
Administrative Officer  
Superior Court of California,  
Sacramento County  
720 Ninth Street, Suite 611  
Sacramento, CA 95814

Dear Ms. Valverde and Mr. Beard:

The State Controller's Office audited Sacramento County's court revenues for the period of July 1, 2006, through June 30, 2012.

Our audit found that the county underremitted a net total of \$1,538,560 in court revenues to the State Treasurer because:

- The Sacramento County Auditor-Controller's Office underremitted by \$1,507,129 the 50% excess of qualified fines, fees, and penalties to the State Treasurer.
- The county's Department of Revenue Recovery underremitted a net of \$31,431 of the 20% State Surcharges for Health and Safety Code violation base fines.

The Sacramento County Auditor-Controller's Office should remit the balance of \$1,538,560 to the State Treasurer.

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, 2006, 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:

Jerry Zhou, 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 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.**

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 at (916) 324-0622.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/lb

Attachment

cc: Honorable Phil Serna, Chairperson  
Sacramento 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 Sacramento County for the period of July 1, 2006, through June 30, 2012.

Our audit found that the county underremitted a net total of \$1,538,560 in court revenues to the State Treasurer because:

- The Sacramento County Auditor-Controller's Office underremitted by \$1,507,129 the 50% excess of qualified fines, fees, and penalties to the State Treasurer.
- The county's Department of Revenue Recovery underremitted a net of \$31,431 of the 20% State Surcharges for Health and Safety Code violation base fines.

The Sacramento County Auditor-Controller's Office should remit the balance of \$1,538,560 to the State Treasurer.

## 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, 2006, 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, Department of Revenue Recovery, 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**

Sacramento County underremitted a net total of \$1,538,560 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.

The Sacramento County Auditor-Controller's Office should remit the balance of \$1,538,560 to the State Treasurer.

## **Follow-Up on Prior Audit Findings**

The county has satisfactorily resolved the findings noted in our prior audit report, issued October 2008.

**Views of  
Responsible  
Officials**

We issued a draft audit report on September 30, 2014. Julie Valverde, Sacramento County Director of Finance, responded by letter dated December 23, 2014 (Attachment A), agreeing with the audit results with the exception of Findings 1 and 2. Further, Rick Beard, Chief Financial and Administrative Officer of Sacramento Superior Court, responded by letter dated October 23, 2014 (Attachment B), disagreeing with Finding 2, and not responding to Findings 1, 3, and 4.

**Restricted Use**

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

January 14, 2016

# Findings and Recommendations

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

The Sacramento County Auditor-Controller's Office underremitted by \$1,507,129 the 50% excess of qualified fines, fees and penalties to the State Treasurer for the six fiscal years starting July 1, 2006, and ending June 30, 2012.

Government Code (GC) section 77201(b)(2) requires Sacramento County, for its base revenue obligation, to remit \$5,937,204 for fiscal year (FY) 1998-99 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 errors occurred as a result of the following conditions:

- As stated in Finding 2, the Sacramento Superior Court inappropriately excluded a portion of county Traffic Violator School fees (TVS), including red-light TVS fees, from the Maintenance-of-Effort (MOE) formula, pursuant to GC 77205. This inappropriate exclusion of General Fund revenues caused the county TVS fund to be understated in the amount of \$3,023,252, which should have been included in the MOE calculation.
- As stated in Finding 3, the Sacramento County Department of Revenue Recovery did not properly distribute the 20% State Surcharge for Health and Safety Code violation fines. This inappropriate distribution caused the County share of the State Penalty Fund to be overstated in the amount of \$8,996, which should not have been included in the MOE calculation.

The adjusted qualified revenues reported for FY 2006-07 were \$11,240,229. The excess, above the base of \$5,937,204, is \$5,303,025. This amount should be divided equally between the county and the State, resulting in \$2,651,513 excess due the State. The county has remitted a previous payment of \$2,305,771, causing an underremittance of \$345,742.

The adjusted qualified revenues reported for FY 2007-08 were \$11,612,809. The excess, above the base of \$5,937,204, is \$5,675,605. This amount should be divided equally between the county and the State, resulting in \$2,837,802 excess due the State. The county has remitted a previous payment of \$2,474,507 causing an underremittance of \$363,295.

The adjusted qualified revenues reported for FY 2008-09 were \$10,706,861. The excess, above the base of \$5,937,204, is \$4,769,657. This amount should be divided equally between the county and the State, resulting in \$2,384,829 excess due the State. The county has remitted a previous payment of \$2,183,342, causing an underremittance of \$201,487.

The adjusted qualified revenues reported for FY 2009-10 were \$10,097,495. The excess, above the base of \$5,937,204, is \$4,160,291. This amount should be divided equally between the county and the State, resulting in \$2,080,146 excess due the State. The county has remitted a previous payment of \$1,887,143, causing an underremittance of \$193,003.



The adjusted qualified revenues reported for FY 2010-11 were \$10,760,035. The excess, above the base of \$5,937,204 is \$4,822,831. This amount should be divided equally between the county and the State, resulting in \$2,411,416 excess due the State. The county has remitted a previous payment of \$2,165,579, causing an underremittance of \$245,837.

The adjusted qualified revenues reported for FY 2011-12 were \$10,075,289. The excess, above the base of \$5,937,204 is \$4,138,085. This amount should be divided equally between the county and the State, resulting in \$2,069,043 excess due the State. The county has remitted a previous payment of \$1,911,278, causing an underremittance of \$157,765.

The following table shows the effects of the underremittances:

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
Trial Court Improvement Fund–GC §77205	
FY 2006-07	\$ 345,742
FY 2007-08	363,295
FY 2008-09	201,487
FY 2009-10	193,003
FY 2010-11	245,837
FY 2011-12	157,765
County General Fund	(1,507,129)

#### Recommendation

The county should remit \$1,507,129 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the Trial Court Improvement Fund - GC section 77205. The county also should make the corresponding account adjustments.

#### County's Response

The County of Sacramento Department of Finance, Auditor-Controller's Division (Auditor-Controller's Office) underremittance is based on the findings identified in this report. The Auditor-Controller's Office remitted to the State the amounts it believed were correctly calculated. See County Comments to Finding 2 and Finding 3 for more detail (Attachment A).

#### Superior Court's Response

The Superior Court did not respond to this finding.

#### SCO's Comment

The finding remains as stated. Please see SCO comments to Findings 2 and 3.

**FINDING 2—  
Inappropriate  
exclusion of county  
General Fund  
revenues – Superior  
Court**

The Sacramento County Superior Court inappropriately excluded a portion of county Traffic Violator School fees (TVS), including red-light TVS, from the MOE formula, pursuant to Government Code (GC) 77205. The court deposited the county TVS fees to the county General Fund, but did not correctly calculate the county TVS revenues to be reported for the MOE formula because the court incorrectly applied city-arrest distributions to the county-arrests.

The errors occurred because the Court misinterpreted the application of Penal Code (PC) 1463.002 distributions in TVS cases.

PC 1463.002 prescribes the distribution of base fine amounts only to city-area arrests. Vehicle Code (VC) section 42007, as of December 31, 1997, requires the TVS fees, except for those resulting from city-area arrests, to be deposited in the county General Fund. GC 77205 requires that 77% of the TVS revenues in the county General Fund be included in the MOE formula for remittance to the Trial Court Improvement Fund.

The immediate result is that less than 77% of the VC section 42007 TVS fees from the county General Fund were used in the MOE formula, and caused an understatement of the revenues reported to the Trial Court Improvement Fund (see Finding 1):

Account Title	Understated/ (Overstated)
County TVS Fees – VC 42007	\$ 3,023,252
County General Fund	(3,023,252)

Recommendation

The court should revise its system to correctly calculate the county TVS fees for MOE calculations in compliance with statutory requirements.

County’s Response

The County’s response is identical to the Superior Court’s response.

Superior Court’s Response

The State Controller’s Office (SCO) recently changed its interpretation of the TVS distribution. Consequently, the Sacramento Superior Court (Court) has revised the distribution system to calculate the TVS fees for MOE calculations in compliance with the new interpretation presented in the findings of this audit. . . .

Until earlier this year the Court was never informed that the distribution of the County base fines being allocated 100% to the County General Fund actually should have been split 23/77% as noted above. The Court had no reason to believe that the distribution method in place was incorrect... Therefore, the Court relied on these previous audits and believed we were fully compliant with the distribution method in place. Therefore we continue to respectfully disagree and view our distribution method as compliant throughout the current audit period, and until January 2014 when we were made aware of this change in distribution interpretation by SCO Auditors.

The Court’s position is that the SCO’s change in its interpretation of the legislation governing distribution of TVS fines should be clearly documented in the current audit and that it be noted that the Court has made the necessary adjustments to its calculations going forward based on the new interpretation. Moreover, the Court continues to take the position that it should not be held responsible for any sums due the State, including any penalties and interest that result from the SCO’s change in the interpretation of the governing statute (Attachment B).

SCO’s Comment

The SCO did not perform testing of prior year TVS distributions because that period falls outside of the engagement scope; therefore, our report does not address whether this specific TVS error was pervasive in the prior audit. Nevertheless, the actions of SCO Division of Audits do not change the interpretation of the statutes in TVS distribution, and any oversight that may have occurred in the prior audit does not preclude that enforcement of those provisions in the current audit.

The finding remains as stated.

**FINDING 3—  
Incorrect distribution  
of the 20% State  
surcharge from Health  
and Safety Code  
violation base fines –  
Superior Court**

The county’s Department of Revenue Recovery did not distribute the 20% State surcharge from Health and Safety Code violation base fines from July 2006 through June 2012. The error occurred because the court’s distribution system was not updated to assess the surcharge for these violations.

Penal Code section 1465.7 stipulates that a State surcharge of 20 percent be levied on the base fine.

The inappropriate distribution had the following effects:

Account Title	Understated/ (Overstated)
20% State Surcharge – General Fund PC 1465.7	\$ 73,990
State Portion Penalty Assessment – PC 1464	(20,991)
State Court Facility Construction Penalty Assessment – GC 70372a	(8,160)
State DNA ID Fund – GC 76104.6	(4,445)
State Court Construction Fund – Immediate Critical Needs Assessment – GC 70372a	(4,069)
State DNA ID Fund – GC 76104.7	(3,119)
State 2% Automation – Trial Court Improvement Fund – GC 68090.8	(1,424)
State Base Fine – HS 11502	(351)
County Portion Penalty Assessment – PC1464	(8,996)
County Criminal Justice Facilities Fund – GC 76101	(7,473)
County Courthouse Construction Fund – GC 76100	(6,008)
County Emergency Medical Services – GC 76104	(5,987)
County Automated Fingerprint Identification Fund – GC 76104	(1,487)
County Drug Program – HS 11372.7	(988)
County Crime Lab – PC 11372.5	(375)
County Local Base Fine – HS 11502	(117)

Failure to properly distribute H&S Code bail affected the revenues reported to the Trial Court Improvement Fund under the MOE formula by a total of \$8,996 (see Finding 1).

Recommendation

The county should remit \$31,431 to the State Treasurer and report on the remittance advice form (TC-31) an increase of \$31,431 to The State General Fund – State Surcharge PC 1465.7 and decreases stay per the above-noted State accounts

The County also should make the corresponding account adjustments. A redistribution should be made from July 2012 through the date on which the current system is revised.

County’s Response

The Department of revenue Recovery (DRR) will work with the Department of Finance, Auditor-Controller Division (Auditor-Controller’s Office) to make the recommended TC3 1 adjustments. DRR has made the necessary system adjustments and will work with the Auditor-Controller’s Office to make the corresponding account adjustments to redistribute from July 2012 through the date revised (Attachment A).

Superior Court’s Response

The Superior Court did not respond to this finding.

SCO’s Comment

The finding remains as stated.

**FINDING 4—  
Inappropriate  
distribution of DUI  
violation cases –  
Department of  
Revenue Recovery**

The county’s Department of Revenue Recovery did not distribute victim restitution fines pursuant to PC section 1202.4 from DUI violation cases, but instead combined these fines with the victim indemnity – DUI fine. The error occurred because the county’s distribution system was not properly programmed to distribute the victim restitution fines from DUI cases.

Penal Code section 1463.18(A)(1) requires the first \$20 collected for a conviction to be deposited to the Restitution Fund and used for the purpose of indemnification of victims of alcohol-related traffic offenses. Penal Code section 1202.4(b) requires that a separate additional restitution fine be levied for each conviction.

The incorrect distribution had the following effects:

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
State Victim Restitution – PC 1202.4(b)	\$ 1,463,148
State Victim Indemnity – DUI PC 1463.18	(1,463,148)

Recommendation

The county should make a reclassification adjustment increase of \$1,463,148 to the Victim Restitution Fund (PC 1202.4(b)), and a decrease of \$1,463,148 from the Victim Indemnity – DUI Fund (PC 1463.18) on the remittance advice form (TC-31) and submit it to the State Controller’s Office. The county also should update their system to comply with statutory requirements to identify and report victim restitution and victim indemnity fines separately.

County’s Response

The Department of Revenue Recovery (DRR) will work with the Department of Finance, Auditor-Controller Division to make the recommended TC31 adjustments. DRR has corrected the distribution reporting to identify and report the Victim Restitution Fund (PC 1202.4(b)) and the Victim Indemnity-DUI Fund (PC 1463.18) fines separately (Attachment A).

Superior Court’s Response

The Superior Court did not respond to this finding.

SCO’s Comment

The finding remains as stated.

**Schedule 1—  
Summary of Audit Findings by Fiscal Year  
July 1, 2006, through June 30, 2012**

Description of Finding Account Title <sup>1</sup> -Code Section	Fiscal Year						Total	Reference
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12		
<b>Auditor-Controller</b>								
<b>Underremitted 50% excess of fines, fees, and penalties:</b>								
Trial Court Improvement Trust Fund-GC §70205	\$ 345,742	\$ 363,295	\$ 201,487	\$ 193,003	\$ 245,837	\$ 157,765	\$ 1,507,129	Finding 1
<b>Superior Court</b>								
<b>20% State Surcharge PC 1465.7</b>								
State Portion Penalty Assessment – PC 1464	(1,951)	(2,917)	(4,763)	(5,167)	(3,962)	(2,231)	(20,991)	Finding 3
State Court Facility Construction Penalty Assessment – GC 70372a	(674)	(1,058)	(1,853)	(2,053)	(1,607)	(915)	(8,160)	Finding 3
State DNA ID Fund – GC 76104.6	(958)	(1,254)	(707)	(658)	(542)	(327)	(4,445)	Finding 3
State Court Construction Fund – Immediate Critical Needs Assessment – GC 70372a	–	–	(205)	(1,363)	(1,342)	(1,159)	(4,069)	Finding 3
State DNA ID Fund – GC 76104.7	–	(323)	(620)	(604)	(1,019)	(553)	(3,119)	Finding 3
State 2% Automation – Trial Court Improvement Fund – GC 68090.8	(129)	(195)	(300)	(347)	(284)	(169)	(1,424)	Finding 3
State Base Fine – HS 11502	(31)	(52)	(91)	(94)	(55)	(28)	(351)	Finding 3
20% State Surcharge – General Fund PC 1465.7	6,677	10,165	15,708	18,082	14,697	8,661	73,990	Finding 3
<b>Department of Revenue Recovery</b>								
<b>DUI Cases</b>								
Victim Restitution Fund – PC 1202.4(b)	–	–	162,498	434,038	502,567	364,047	1,463,148	Finding 4
Victim Indemnity Fund (DUI) – PC 1463.18	–	–	(162,498)	(434,038)	(502,567)	(364,047)	(1,463,148)	Finding 4
Net amount underpaid (overpaid) to the State Treasurer	<u>\$ 348,676</u>	<u>\$ 367,661</u>	<u>\$ 208,656</u>	<u>\$ 200,799</u>	<u>\$ 251,723</u>	<u>\$ 161,044</u>	<u>\$ 1,538,560</u>	

Legend: GC = Government Code; H&SC = Health and Safety Code; PC = Penal Code; VC = Vehicle Code

<sup>1</sup> 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.

**Schedule 2—  
Summary of Underremittances by Month  
Trial Court Improvement Fund  
July 1, 2006, through June 30, 2012**

Month	Fiscal Year						Total
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
July	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
August	—	—	—	—	—	—	
September	—	—	—	—	—	—	
October	—	—	—	—	—	—	
November	—	—	—	—	—	—	
December	—	—	—	—	—	—	
January	—	—	—	—	—	—	
February	—	—	—	—	—	—	
March	—	—	—	—	—	—	
April	—	—	—	—	—	—	
May	—	—	—	—	—	—	
June	345,742	363,295	201,487	193,003	245,837	157,765	1,507,129
Total under-remittances to the State Treasurer <sup>1</sup>	\$ 345,742	\$ 363,295	\$ 201,487	\$ 193,003	\$ 245,837	\$ 157,765	\$ 1,507,129

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.

<sup>1</sup> The amounts are from maintenance-of-effort (MOE) (Finding 1)

**Schedule 3—  
Summary of Overremittances by Month  
July 1, 2006, through June 30, 2012**

Month	Fiscal Year						Total
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
July	\$ (311)	\$ (483)	\$ (711)	\$ (857)	\$ (734)	\$ (448)	
August	(311)	(483)	(711)	(857)	(734)	(448)	
September	(311)	(483)	(711)	(857)	(734)	(448)	
October	(312)	(483)	(711)	(857)	(734)	(448)	
November	(312)	(483)	(712)	(857)	(734)	(448)	
December	(312)	(483)	(712)	(857)	(734)	(448)	
January	(312)	(483)	(712)	(857)	(734)	(449)	
February	(312)	(483)	(712)	(857)	(734)	(449)	
March	(312)	(483)	(712)	(857)	(734)	(449)	
April	(312)	(484)	(712)	(857)	(735)	(449)	
May	(312)	(484)	(712)	(858)	(735)	(449)	
June	(312)	(484)	(712)	(858)	(735)	(449)	
Total overremittances to the State Treasurer <sup>2</sup>	<u>\$ (3,741)</u>	<u>\$ (5,799)</u>	<u>\$ (8,540)</u>	<u>\$ (10,286)</u>	<u>\$ (8,811)</u>	<u>\$ (5,382)</u>	<u>\$ (42,559)</u>

<sup>2</sup> Includes State Penalty Fund (PC 1464), State Court Facilities Construction Fund (GC 70372, including the Immediate Critical Needs Account [ICNA]), Trial Court Improvement Fund (GC 77209), and the State DNA Fund (GC 76104.6 and GC 76104.7); see Finding 3.



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

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**Internal Services**

**Department of Finance**

Julie Valverde,  
Director

Bradley J. Hudson,  
County Executive

David Villanueva,  
Chief Deputy County Executive

## County of Sacramento

December 23, 2014

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

### **SUBJECT: RESPONSE TO FINDINGS FOR AUDIT PERIOD JULY 1, 2006 THROUGH JUNE 30, 2012**

Dear Ms. Gonzalez,

Below are the County of Sacramento's (County) comments to the audit findings in your audit report of the County's court revenues for the period of July 1, 2006 through June 30, 2012.

#### **FINDING 1 – Underremitted excess of qualified fines, fees, and penalties**

**County Comment:** The County of Sacramento Department of Finance, Auditor-Controller's Division (Auditor-Controller's Office) underremittance is based on the findings identified in this report. The Auditor-Controller's Office remitted to the State the amounts it believed were correctly calculated. Please see County Comments to Finding 2 and Finding 3 for more detail.

#### **FINDING 2 – Inappropriate exclusion of county General Fund revenues-Superior Court**

**County Comment:** The State Controller's Office (SCO) recently changed its interpretation of the TVS distribution. Consequently, the Sacramento Superior Court (Court) has revised the distribution system to calculate the TVS fees for MOE calculations in compliance with the new interpretation presented in the findings of this audit. As we have pointed out the previous TVS distribution interpretation has been utilized by the Court for well over 20 years and has been an area of approved audit review by the SCO in previous revenue audits with no noted changes or findings of an incorrect interpretation of the TVS fee distribution. Thus, the Court disagrees with any penalties that are assessed for distributions made under the prior interpretation.

Prior audits of the Court conducted by both SCO and the AOC focused on TVS calculations, including the 2001 SCO Audit which addressed TVS EMS distributions, the 2004 AOC audit (TVS disposition review, p. 25-26), and the 2007 SCO Audit which addressed TVS Jail/Court Construction fund distributions. None of these audits addressed County base fines being allocated 100% to the County General Fund and not split 23% to the County General Fund and 77% to the County General Fund applicable to the AB233 split.

Until earlier this year the Court was never informed that the distribution of the County base fines being allocated 100% to the County General Fund actually should have been split 23/77% as noted above. The Court had no reason to believe that the distribution method in place was incorrect. Three audits were performed without any

mention of this issue. In fact, the 2004 AOC audit states "... the original fine portion is distributed with the appropriate monetary split between the county and city depending on the arresting agency, jurisdiction where the violation occurred, and location of the county and city – with the appropriate percentage split pursuant to Penal Code Section 1463.002." Therefore, the Court relied on these previous audits and believed we were fully compliant with the distribution method in place. Therefore we continue to respectfully disagree and view our distribution method as compliant throughout the current audit period, and until January 2014 when we were made aware of this change in distribution interpretation by SCO Auditors.

The Court's position is that the SCO's change in its interpretation of the legislation governing distribution of TVS fines should be clearly documented in the current audit and that it be noted that the Court has made the necessary adjustments to its calculations going forward based on the new interpretation. Moreover, the Court continues to take the position that it should not be held responsible for any sums due the State, including any penalties and interest that result from the SCO's change in the interpretation of the governing statute.

**FINDING 3 – Incorrect distribution of the 20% State surcharge from Health and Safety Code violation base fines- Superior Court**

**County Comment:** The Department of Revenue Recovery (DRR) will work with the Department of Finance, Auditor-Controller Division (Auditor-Controller's Office) to make the recommended TC31 adjustments. DRR has made the necessary system adjustments and will work with the Auditor-Controller's Office to make the corresponding account adjustments to redistribute from July 2012 through the date revised.

**FINDING 4 – Inappropriate distribution of DUI violation cases – Department of Revenue Recovery**

**County Comment:** The Department of Revenue Recovery (DRR) will work with the Department of Finance, Auditor-Controller Division to make the recommended TC31 adjustments. DRR has corrected the distribution reporting to identify and report the Victim Restitution Fund (PC 1202.4(b)) and the Victim Indemnity-DUI Fund (PC 1463.18) fines separately.

If you have any additional questions or comments, please contact me at (916)874-7248.

Sincerely,



**Julie Valverde**  
Director of Finance

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

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SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SACRAMENTO

RICK BEARD  
CHIEF FINANCIAL & ADMINISTRATIVE OFFICER

720 9TH STREET, SUITE 505  
SACRAMENTO, CALIFORNIA 95814  
(916) 874-8133

October 23, 2014

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

RE: Sacramento County Court Revenue Audit – Superior Court Response

Ms. Gonzalez,

This correspondence provides the California Superior Court, County of Sacramento (Court) response to the finding directly related to the Court in the September 2014 draft audit report on court revenues for the period July 1, 2006, through June 30, 2012. The finding title, SCO recommendation, and the Court's response follow. This response will also be included with the Sacramento County's submission of responses to the findings that directly affect the County.

Should you have questions or require additional information, please contact me at (916) 874-8133.

Sincerely,

Rick Beard  
Chief Financial and Administrative Officer  
Sacramento Superior Court

Attachment

**FINDING 2 – Inappropriate exclusion of county General Fund revenues – Superior Court**

*SCO Recommendation* – The court should revise its system to correctly calculate the county TVS fees for MOE calculations in compliance with statutory requirements.

***Sacramento Superior Court Response:***

The State Controller's Office (SCO) recently changed its interpretation of the TVS distribution. Consequently, the Sacramento Superior Court (Court) has revised the distribution system to calculate the TVS fees for MOE calculations in compliance with the new interpretation presented in the findings of this audit. As we have pointed out the previous TVS distribution interpretation has been utilized by the Court for well over 20 years and has been an area of approved audit review by the SCO in previous revenue audits with no noted changes or findings of an incorrect interpretation of the TVS fee distribution. Thus, the Court disagrees with any penalties that are assessed for distributions made under the prior interpretation.

Prior audits of the Court conducted by both SCO and the AOC focused on TVS calculations, including the 2001 SCO Audit which addressed TVS EMS distributions, the 2004 AOC audit (TVS disposition review, p. 25-26), and the 2007 SCO Audit which addressed TVS Jail/Court Construction fund distributions. None of these audits addressed County base fines being allocated 100% to the County General Fund and not split 23% to the County General Fund and 77% to the County General Fund applicable to the AB233 split.

Until earlier this year the Court was never informed that the distribution of the County base fines being allocated 100% to the County General Fund actually should have been split 23/77% as noted above. The Court had no reason to believe that the distribution method in place was incorrect. Three audits were performed without any mention of this issue. In fact, the 2004 AOC audit states "*... the original fine portion is distributed with the appropriate monetary split between the county and city depending on the arresting agency, jurisdiction where the violation occurred, and location of the county and city – with the appropriate percentage split pursuant to Penal Code Section 1463.002.*" Therefore, the Court relied on these previous audits and believed we were fully compliant with the distribution method in place. Therefore we continue to respectfully disagree and view our distribution method as compliant throughout the current audit period, and until January 2014 when we were made aware of this change in distribution interpretation by SCO Auditors.

The Court's position is that the SCO's change in its interpretation of the legislation governing distribution of TVS fines should be clearly documented in the current audit and that it be noted that the Court has made the necessary adjustments to its calculations going forward based on the new interpretation. Moreover, the Court continues to take the position that it should not be held responsible for any sums due the State, including any penalties and interest that result from the SCO's change in the interpretation of the governing statute.

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

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