

HUMBOLDT COUNTY

Audit Report

COURT REVENUES

July 1, 2005, through June 30, 2013



BETTY T. YEE
California State Controller

April 2017



BETTY T. YEE
California State Controller

April 7, 2017

Joseph Mellett
Auditor-Controller
Humboldt County
825 Fifth Street, Room 126
Eureka, CA 95501

Kim Bartleson
Court Executive Officer
Superior Court of California, Humboldt
Court
825 Fifth Street, Room 231
Eureka, CA 95501

Dear Mr. Mellett and Ms. Bartleson:

The State Controller's Office (SCO) audited Humboldt County's court revenues for the period of July 1, 2005, through June 30, 2013.

Our audit found that the county underremitted \$225,405 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess of qualified fines, fees, and penalties by \$89,195; and
- Underremitted the parking surcharges by \$136,210.

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 form (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, 2005, 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, Supervisor
Division of Accounting and Reporting
Bureau of Tax Administration and
Government Compensation
Tax Programs Unit
Post Office Box 942850
Sacramento, CA 94250-5872

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

If you have any questions, please contact Elizabeth González, Bureau Chief, 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/lb

Attachment

cc: Mark Lovelace, Chairperson
County Board of Supervisors
Grant Parks, Manager
Internal Audit Services
Judicial Council of California
Julie Nauman, Executive Officer
Victim Compensation and Government Claims Board
Anita Lee
Legislative Analyst's Office
Michael Gungon, Fiscal Analyst
Division of Accounting and Reporting
State Controller's Office
Ranae Harkins, Supervisor, Tax Programs Unit
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Humboldt County for the period of July 1, 2005, through June 30, 2013.

Our audit found that the county underremitted \$225,405 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess of qualified fines, fees, and penalties by \$89,195; and
- Underremitted the parking surcharges by \$136,210.

The county Auditor-Controller's Office should remit the balance of \$225,405 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.

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, 2005, 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, Revenue Recovery Department, and Auditor-Controller's Office.

We performed the following procedures:

- Reviewed the accuracy of distribution reports prepared by the county that show court revenue distributions to the State, the county, and the cities located within the county

- Gained an understanding of the county’s revenue collection and reporting processes by interviewing key personnel and reviewing documents supporting the transaction flow
- Analyzed various revenue accounts reported in the county’s monthly cash statements for unusual variations and omissions
- Evaluated the accuracy of revenue distribution, using as criteria various California codes and the SCO’s *Manual of Accounting and Audit Guidelines for Trial Courts*
- Expanded any tests that revealed errors to determine the extent of any incorrect distributions

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the county’s financial statements. We considered the county’s internal controls only to the extent necessary to plan the audit. This report relates solely to our examination of court revenues remitted and payable to the State of California. Therefore, we do not express an opinion as to whether the county’s court revenues, taken as a whole, are free from material misstatement.

Conclusion

Humboldt County underremitted \$225,405 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

Our prior audit report, issued April 2006, had no findings related to the propriety of court revenues remitted by the county to the State of California.

Views of Responsible Officials

We issued a draft audit report on June 9, 2016. Joseph Mellett, Humboldt County Auditor-Controller, responded by letter dated June 15, 2016 (Attachment A). Further, Kim Bartleson, Humboldt Superior Court Executive Officer, responded by letter dated June 30, 2016 (Attachment B).

Restricted Use

This final report is solely for the information and use of Humboldt County, the Humboldt 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 and is available on the SCO website at www.sco.ca.gov.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

April 7, 2017

Findings and Recommendations

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

The Humboldt County Auditor-Controller's Office underremitted by \$89,195 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the eight-fiscal-year period starting July 1, 2005, and ending June 30, 2013.

GC section 77205 requires Humboldt 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 because the county used incorrect entries in its maintenance-of-effort (MOE) distribution working papers, and as a result of the following conditions:

- As stated in Finding 3, the Humboldt Department of Revenue and Recovery did not properly distribute traffic violator school (TVS) cases. This incorrect distribution caused an understatement of county General Fund revenues in the amount of \$178,210, which should have been included in the MOE calculation.
- As stated in Finding 4, the Humboldt County Auditor-Controller's office did not include the county base fine portion of TVS cases in its MOE calculation. This caused an understatement of county General Fund revenues in the amount of \$184, which should have been included in the MOE calculation.

The qualified revenues reported for FY 2005-06 were \$1,224,492. The excess, above the base of \$1,025,583, is \$198,909. This amount should be divided equally between the county and the State, resulting in \$99,455 excess due the State. The county remitted a payment of \$88,735, causing an underremittance of \$10,720.

The qualified revenues reported for FY 2006-07 were \$1,471,578. The excess, above the base of \$1,025,583, is \$445,995. This amount should be divided equally between the county and the State, resulting in \$222,998 excess due the State. The county remitted a payment of \$212,278, causing an underremittance of \$10,720.

The qualified revenues reported for FY 2007-08 were \$1,594,312. The excess, above the base of \$1,025,583 is \$568,729. This amount should be divided equally between the county and the State, resulting in \$284,365 excess due the State. The county remitted a payment of \$273,645, causing an underremittance of \$10,720.

The qualified revenues reported for FY 2008-09 were \$1,423,913. The excess, above the base of \$1,025,583 is \$398,330. This amount should be divided equally between the county and the State, resulting in \$199,165 excess due the State. The county remitted a payment of \$188,447, causing an underremittance of \$10,718.

The qualified revenues reported for FY 2009-10 were \$1,347,960. The excess, above the base of \$1,025,583, is \$322,377. This amount should be divided equally between the county and the State, resulting in \$161,189 excess due the State. The county remitted a payment of \$150,469, causing an underremittance of \$10,720.

The qualified revenues reported for FY 2010-11 were \$1,339,748. The excess, above the base of \$1,025,583, is \$314,165. This amount should be divided equally between the county and the State, resulting in \$157,083 excess due the State. The county remitted a payment of \$145,438, causing an underremittance of \$11,645.

The qualified revenues reported for FY 2011-12 were \$1,291,888. The excess, above the base of \$1,025,583 is \$266,305. This amount should be divided equally between the county and the State, resulting in \$133,153 excess due the State. The county remitted a payment of \$121,376, causing an underremittance of \$11,777.

The qualified revenues reported for FY 2012-13 were \$1,176,024. The excess, above the base of \$1,025,583 is \$150,441. This amount should be divided equally between the county and the State, resulting in \$75,221 excess due the State. The county remitted a payment of \$63,046, causing an underremittance of \$12,175.

The following table shows the effect of the underremittances:

Account Title	Underremitted/ (Overremitted)
State Trial Court Improvement and Modernization Fund – GC §77205	
FY 2005-06	\$ 10,720
FY 2006-07	10,720
FY 2007-08	10,720
FY 2008-09	10,718
FY 2009-10	10,720
FY 2010-11	11,645
FY 2011-12	11,777
FY 2012-13	12,175
County General Fund	\$ (89,195)

Recommendation

The county should remit \$89,195 to the State Treasurer and indicate on the Report to the State Controller of Remittance to State Treasurer form (TC-31) an increase to the State Trial Court Improvement and Modernization Fund. The county also should make the corresponding account adjustments.

County Auditor's Response

Revenue Recovery made the correction to the Traffic Violator's School (TVS) cases in April 2015. The Auditor-Controller's Office is now flagging the TVS case funding more clearly to add to the MOE, effective October 2014.

Superior Court's Response

The Superior Court did not respond to Finding 1.

**FINDING 2—
Underremitted
parking fees**

The Eureka Police Department, Arcata Police Department, Fortuna Police Department, and the Sheriff's Department did not correctly distribute county and state parking penalties and surcharges from July 1, 2005, through June 30, 2013. The error occurred because department personnel misinterpreted the required distributions.

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 in January 2009.

GC section 76000.3 requires the county to distribute to the State Trial Court Trust Fund an additional penalty of \$3.00 for every parking fine of forfeiture, starting in December 2009.

VC section 40225(d) allows equipment and registration tag violations to be processed as civil penalties. Upon proof of correction, the civil penalty is reduced to \$10.00. Civil penalties collected on equipment and tag violations are distributed as follows: 50% to the issuing/processing agency and 50% to the State Treasurer.

The incorrect distributions had the following effect:

<u>Account Title</u>	<u>Underremitted/ (Overremitted)</u>
State General Fund – VC §40225(d)	\$96,758
State Court Facilities Construction Fund – Immediate and Critical Needs Account (ICNA) – GC §70372(b)	18,956
State Trial Court Trust Fund – GC §76000.3	10,572
State Court Facilities Construction Fund – GC §70372(b)	9,924
Handicap (County) Linkage Fee – PC §1465.5	11,040
Eureka General Fund	(84,082)
Arcata General Fund	(35,950)
Fortuna General Fund	(23,131)
Sheriff's Department General Fund	(4,087)

Recommendation

The county should increase subsequent remittances by \$136,210 to the State Treasurer and report on the TC-31 increases of \$96,758 to the State General Fund, \$18,956 to the State Court Facilities Construction Fund – ICNA, \$10,572 to the State Trial Court Trust Fund, and \$9,924 to the State Court Facilities Construction Fund. The county also should make the corresponding account adjustments.

County Auditor's Response

The Auditor-Controller's office has made changes to the reports for parking for the City of Eureka and City of Fortuna. The Auditor-Controller's office splits the gross amount by the correct distribution factors and does not use the information provided by the cities, as of March 19, 2015. The Humboldt County Sheriff's office has corrected its fee distribution formula also as of March 19, 2015. City of Arcata changed their collection agency as of March 18, 2009.

Superior Court's Response

The Superior Court did not respond to Finding 2.

**FINDING 3—
Inappropriate
distribution of traffic
violator school bail**

Humboldt County Revenue Recovery did not consistently assess the TVS fee from July 1, 2005, through June 30, 2013. The department did not distribute TVS bail consistently pursuant to VC section 42007. The error occurred because the required distribution was inadvertently overlooked.

Criteria

GC section 77205(a) states:

Notwithstanding any other provision of law, in any year in which a county collects fee, fine, and forfeiture revenue for deposit into the county general fund pursuant to Sections 1463.001 and 1464 of the Penal Code, Sections 42007, 42007.1, and 42008 of the Vehicle Code... that would have been deposited into the General Fund pursuant to these sections as they read on December 31, 1997....

VC section 42007 states:

Effective July 1, 1998, when a defendant attends traffic violator school pursuant to VC section 42007 on a city arrest, the city will receive the same portion of the base fine that would have been allotted to it if the defendant had not attended traffic school.

The incorrect distributions for TVS cases affected the revenues reported to the State Trial Court Improvement and Modernization Fund under the MOE formula pursuant to GC section 77205. A total of \$178,210 should have been included in the MOE calculation (see Finding 1).

Recommendation

Revenue Recovery should revise its distribution formula to comply with statutory requirements for TVS bail distribution.

County Auditor's Response

Revenue Recovery has made the correction to TVS cases as of April 2015.

Superior Court's Response

The Superior Court did not respond to Finding 3.

**FINDING 4—
Inappropriate
distribution of traffic
violation school bail**

The Humboldt County Auditor Controller’s Office did not include the county base fine portion of TVS cases in its MOE calculation. The error occurred because the county inadvertently excluded the qualified revenues from its MOE calculation.

Criteria

GC section 77205(a) states:

Notwithstanding any other provision of law, in any year in which a county collects fee, fine, and forfeiture revenue for deposit into the county general fund pursuant to Sections 1463.001 and 1464 of the Penal Code, Sections 42007, 42007.1, and 42008 of the Vehicle Code... that would have been deposited into the General Fund pursuant to these sections as they read on December 31, 1997...

VC section 44207(b)(1) as read on December 31, 1997, states, in part, “Seventy-seven percent of the amount (TVS fee) shall be deposited in the General Fund....”

Failure to correctly distribute TVS bail affected the revenues reported to the State Trial Court Improvement and Modernization Fund under the MOE formula (see Finding 1) by a total of \$184.

Recommendation

The county should revise its distribution formula to comply with statutory requirements for TVS bail distribution.

County Auditor’s Response

The Auditor-Controller’s office is flagging the TVS case funding clearly to add to the MOE effective October 2014.

Superior Court’s Response

The Superior Court did not respond to Finding 4.

**FINDING 5—
Inaccurate case
information recorded**

The Humboldt County Superior Court has a fraud case involving a Humboldt County Court system employee. During a conversation with court management, we were informed that the employee allegedly created false receipts and embezzled money from the Court. News reports and court management confirmed that the Grand Jury is currently investigating, and the courts are in the process of correcting all of the cases.

Revenue distributions for the affected cases will likely change as case information is corrected.

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

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

County Auditor's Response

The Auditor-Controller did not respond to Finding 5.

Superior Court's Response

As soon as the embezzlement was discovered, the Court modified its internal control procedures to ensure that payments are properly recorded and alterations are properly authorized. Additionally, the grand jury returned one indictment, charges were filed, a guilty plea has been entered and will be final/official if sentencing moves forward as planned in August of this year.

Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2005, through June 30, 2013

Finding ¹	Fiscal Year								Total	Reference ²
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13		
Underremitted 50% excess of fines, fees, and penalties										
State Trial Court Improvement and Modernization Fund - GC § 77205	\$ 10,720	\$ 10,720	\$ 10,720	\$ 10,718	\$ 10,720	\$ 11,645	\$ 11,777	\$ 12,175	\$ 89,195	Finding 1
Underremitted parking revenues										
State Court Facilities Construction Fund - GC § 70372(b)	-	-	-	2,185	3,141	439	1,925	2,234	9,924	Finding 2
State Court Facilities Construction - ICNA - GC § 70372(b)	-	-	-	4,023	5,885	877	3,702	4,469	18,956	Finding 2
State Trial Court Trust Fund - GC § 76000.3	-	-	-	-	-	6,091	1,051	3,430	10,572	Finding 2
State General Fund - VC § 40225(d)	12,614	12,614	12,614	12,614	12,614	13,121	12,741	7,826	96,758	Finding 2
Net amount underpaid to the State Treasurer	<u>\$ 23,334</u>	<u>\$ 23,334</u>	<u>\$ 23,334</u>	<u>\$ 29,540</u>	<u>\$ 32,360</u>	<u>\$ 32,173</u>	<u>\$ 31,196</u>	<u>\$ 30,134</u>	<u>\$ 225,405</u>	

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

² See the Findings and Recommendations section.

**Schedule 2—
Summary of Underremittances by Month
State Trial Court Trust Fund
July 1, 2005, through June 30, 2013**

	Fiscal Year							Total ¹	
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12		2012-13
July	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508	\$ 88	\$ 286	\$ 882
August	-	-	-	-	-	508	88	286	882
September	-	-	-	-	-	508	88	286	882
October	-	-	-	-	-	508	88	286	882
November	-	-	-	-	-	508	88	286	882
December	-	-	-	-	-	508	88	286	882
January	-	-	-	-	-	508	88	286	882
February	-	-	-	-	-	507	87	286	880
March	-	-	-	-	-	507	87	286	880
April	-	-	-	-	-	507	87	286	880
May	-	-	-	-	-	507	87	285	879
June	-	-	-	-	-	507	87	285	879
Total underremittances to the State Treasurer	<u>\$ -</u>	<u>\$ 6,091</u>	<u>\$ 1,051</u>	<u>\$ 3,430</u>	<u>\$ 10,572</u>				

NOTE: Delinquent State Trial Court Trust 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 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 grand total is listed to facilitate the review process.

**Schedule 3—
Summary of Underremittances by Month
State Trial Court Improvement and Modernization Fund
July 1, 2005, through June 30, 2013**

	Fiscal Year							Total ²	
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12		2012-13
July	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
August	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-	-	-
December	-	-	-	-	-	-	-	-	-
January	-	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-
June ¹	10,720	10,720	10,720	10,718	10,720	11,645	11,777	12,175	89,195
Total underremittances to the State Treasurer	<u>\$ 10,720</u>	<u>\$ 10,720</u>	<u>\$ 10,720</u>	<u>\$ 10,718</u>	<u>\$ 10,720</u>	<u>\$ 11,645</u>	<u>\$ 11,777</u>	<u>\$ 12,175</u>	<u>\$ 89,195</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 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 represents the underremittances from Finding 1.

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.

**Schedule 4—
Summary of Underremittances by Month
State Court Facilities Construction Fund
July 1, 2005, through June 30, 2013**

	Fiscal Year								Total ¹
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
July	\$ -	\$ -	\$ -	\$ 182	\$ 262	\$ 37	\$ 160	\$ 186	\$ 827
August	-	-	-	182	262	37	160	186	827
September	-	-	-	182	262	37	160	186	827
October	-	-	-	182	262	37	160	186	827
November	-	-	-	182	262	37	160	186	827
December	-	-	-	182	262	37	160	186	827
January	-	-	-	182	262	37	160	186	827
February	-	-	-	182	262	36	161	186	827
March	-	-	-	182	262	36	161	186	827
April	-	-	-	182	261	36	161	186	826
May	-	-	-	182	261	36	161	187	827
June	-	-	-	183	261	36	161	187	828
Total underremittances to the State Treasurer	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,185</u>	<u>\$ 3,141</u>	<u>\$ 439</u>	<u>\$ 1,925</u>	<u>\$ 2,234</u>	<u>\$ 9,924</u>

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 GC 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 grand total is listed to facilitate the review process.

**Schedule 5—
Summary of Underremittances by Month
State Court Facilities Construction Fund – Immediate and
Critical Needs Account
July 1, 2005, through June 30, 2013**

	Fiscal Year								Total ¹
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
July	\$ -	\$ -	\$ -	\$ 335	\$ 490	\$ 73	\$ 309	\$ 372	\$ 1,579
August	-	-	-	335	490	73	309	372	1,579
September	-	-	-	335	490	73	309	372	1,579
October	-	-	-	335	490	73	309	372	1,579
November	-	-	-	335	490	73	309	372	1,579
December	-	-	-	335	490	73	309	372	1,579
January	-	-	-	335	490	73	309	372	1,579
February	-	-	-	335	490	73	309	372	1,579
March	-	-	-	335	490	73	309	372	1,579
April	-	-	-	335	490	73	309	372	1,579
May	-	-	-	335	490	73	309	372	1,579
June	-	-	-	338	495	74	303	377	1,587
Total underremittances to the State Treasurer	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,023</u>	<u>\$ 5,885</u>	<u>\$ 877</u>	<u>\$ 3,702</u>	<u>\$ 4,469</u>	<u>\$ 18,956</u>

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 GC 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 grand total is listed to facilitate the review process.

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



COUNTY OF HUMBOLDT
AUDITOR – CONTROLLER
COURTHOUSE ROOM 126
825 FIFTH STREET
EUREKA, CALIFORNIA 95501-1153
(707) 476-2452

June 15, 2016

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

Dear Ms., Gonzalez:

The County of Humboldt hereby submits the following comments with regard to the Humboldt County Court Revenue Audit Report issued by your office for the period of July 1, 2005 through June 30, 2013. Changes to procedures or methods of collection distribution as recommended in your audit report are described below.

Finding 1 – Maintenance of Effort

Collections subject to current Maintenance of Effort requirements under GC Sec 77205: Revenue Recovery made the correction to the Traffic Violator's School (TVS) cases in April 2015. The Auditor-Controller's office is now flagging the TVS case funding more clearly to add to the MOE, effective October 2014.

Finding 2 – Parking Fees

The Auditor-Controller's office has made changes to the reports for parking for the City of Eureka and City of Fortuna. The Auditor-Controller's office splits the gross amount by the correct distribution factors and does not use the information provided by the cities, as of March 19, 2015. The Humboldt County Sheriff's office has corrected its fee distribution formula also as of March 19, 2015. City of Arcata changed their collection agency as of March 18, 2009.

Finding 3 – TVS Fee

Revenue Recovery has made the correction to the TVS cases as of April 2015.

Finding 4 – TVS Cases

The Auditor-Controller's office is flagging the TVS case funding clearly to add to the MOE effective October 2014.

Finding 5 – Superior Court

This response should come from the Superior Court.

Minor corrections: Cheryl Dillingham's title at the time of the exit interview was Assistant County Administrative Officer. Also, the correct department title is Revenue Recovery not Department of Revenue and Recovery.

If you have any questions regarding the above comments, please contact Charlotte Merkel, Senior Accountant-Auditor at (707) 476-2456

Sincerely,



Joseph Mellett, CPA
Auditor-Controller

MJM/cm

cc: Kim Bartleson, Court Executive Officer

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



**SUPERIOR COURT OF CALIFORNIA
COUNTY OF HUMBOLDT**

Kim M. Bartleson
Court Executive Officer
Jury Commissioner

Joyce D. Hinrichs
Presiding Judge

Response to Finding 5 of the Audit Report

Finding 5 (Inaccurate case information recorded):

The Humboldt County Superior Court has a fraud case involving a Humboldt County Court system employee. During a conversation with court management, we were informed that the employee allegedly created false receipts and embezzled money from the Court. The news reports and court management confirmed that the Grand Jury is currently investigating, 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 include procedures to ensure that actual case information is recorded and alterations are properly authorized.

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

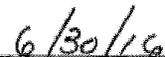
Court Response:

As soon as the embezzlement was discovered, the Court modified its internal control procedures to ensure that payments are properly recorded and alterations are properly authorized. Additionally, the grand jury returned one indictment, charges were filed, a guilty plea has been entered and will be final/official if sentencing moves forward as planned in August of this year.

Respectfully Submitted,



Kim M. Bartleson


Date

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Division of Audits
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