

# **KINGS COUNTY**

Audit Report

## **COURT REVENUES**

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



**BETTY T. YEE**  
California State Controller

September 2015



**BETTY T. YEE**  
California State Controller

September 17, 2015

Rebecca Carr, Director of Finance  
Kings County  
1400 West Lacey Boulevard  
Hanford, CA 93230

Sandy Salyer, Director of Finance  
Superior Court of California  
Kings County  
1426 South Drive  
Hanford, CA 93230

Dear Ms. Carr and Ms. Salyer:

The State Controller's Office (SCO) audited Kings 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 \$22,863 in court revenues to the State Treasurer because it underremitted the 50% excess fines, fees, and penalties by \$22,863.

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 amounts, we will calculate a penalty on the underremitted amounts in accordance with Government Code sections 68085, 70353, and 70377.**

Rebecca Carr, Director of Finance  
Sandy Salyer, Director of Finance

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September 17, 2015

If you have any questions, please contact Elizabeth Gonzalez, Chief, Local Government Compliance Bureau, at (916) 324-0622.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/ljs

cc: 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

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## Audit Report

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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 Kings County for the period of July 1, 2006, through June 30, 2012.

Our audit found that the county underremitted a net total of \$22,863 in court revenues to the State Treasurer because it underremitted the 50% excess of fines, fees, and penalties by \$22,863.

## 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, Probation 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**

Kings County underremitted a net total of \$22,863 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 April 2007.

## **Views of Responsible Officials**

We issued a draft audit report on August 11, 2014. Robert Knudson, County Assistant Director of Finance, responded by email on November 19, 2014, agreeing with the audit results; and Sandra Salyer, Court Director of Finance, responded by email on November 20, 2014, agreeing with the audit results.

## **Restricted Use**

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

September 17, 2015

# Findings and Recommendations

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

The Kings County Auditor-Controller's Office underremitted the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the fiscal year period starting July 1, 2006, through June 30, 2012, by \$22,863.

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 fiscal year (FY) 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement Fund.

The error occurred because the county did not properly distribute the traffic violator school (TVS) cases. This inappropriate distribution caused an understatement of county TVS bail by \$59,384. A total of \$45,726 should have been included in the maintenance-of-effort calculation.

The qualified revenues reported for FY 2006-07 were \$1,985,746. The excess, above the base of \$982,208 is \$1,003,538. This amount should be divided equally between the county and the State, resulting in \$501,769 excess due the State. The county has remitted a previous payment of \$498,215 causing an underremittance of \$3,551.

The qualified revenues reported for FY 2007-08 were \$2,093,910. The excess, above the base of \$982,208 is \$1,111,702. This amount should be divided equally between the county and the State, resulting in \$555,851 excess due the State. The county has remitted a previous payment of \$552,066 causing an underremittance of \$3,779.

The qualified revenues reported for FY 2008-09 were \$2,525,567. The excess, above the base of \$982,208 is \$1,543,359. This amount should be divided equally between the county and the State, resulting in \$771,680 excess due the State. The county has remitted a previous payment of \$768,202 causing an underremittance of \$3,479.

The qualified revenues reported for FY 2009-10 were \$2,276,855. The excess, above the base of \$982,208 is \$1,295,647. This amount should be divided equally between the county and the State, resulting in \$647,324 excess due the State. The county has remitted a previous payment of \$643,594 causing an underremittance of \$3,730.

The qualified revenues reported for FY 2010-11 were \$2,380,602. The excess, above the base of \$982,208 is \$1,398,394. This amount should be divided equally between the county and the State, resulting in \$699,197 excess due the State. The county has remitted a previous payment of \$695,184 causing an underremittance of \$4,018.

The qualified revenues reported for FY 2011-12 were \$2,207,265. The excess, above the base of \$982,208 is \$1,225,057. This amount should be divided equally between the county and the State, resulting in \$612,529 excess due the State. The county has remitted a previous payment of \$608,228 causing an underremittance of \$4,306.

The underremittances had the following effect:

| Account Title   | Underremitted/<br>(Overremitted) |
|---|----------------------------------|
| State Trial Court Improvement Fund – GC section 77205 |                                  |
| FY 2006-07  | \$ 3,551                         |
| FY 2007-08  | 3,779                            |
| FY 2008-09  | 3,479                            |
| FY 2009-10  | 3,730                            |
| FY 2010-11  | 4,018                            |
| FY 2011-12  | 4,306                            |
| County General Fund                                   | (22,863)                         |

#### Recommendation

The county should remit \$22,863 to the State Treasurer and should report on the remittance advice form (TC-31) an increase to the State Trial Court Improvement Fund. The county should also make the corresponding account adjustments.

#### County Auditor's Response

The Auditor-Controller agreed with Finding 1.

#### Superior Court's Response

The Superior Court agreed with Finding 1.

## **FINDING 2— Inadequate distribution of traffic violation school cases**

The Kings County Superior Court did not properly distribute traffic violator school (TVS) cases from July 2006 through June 2012.

The \$1 each for Criminal Facility Construction and Courthouse Construction were deducted from the entire county TVS. It should have been deducted from 23% of the county share of TVS only. The errors occurred because the Court's accounting system has not been programmed properly to comply with the statutory requirements affecting the distribution of TVS cases.

Government Code (GC) section 77205 states that county collects fees pursuant to Vehicle Code (VC) section 42007 that would have been deposited into the general fund pursuant to these sections as they read on December 31, 1997.

VC section 42007, as read on December 31, 1997, declares that \$1 to the county courthouse construction (GC section 76100) and \$1 to the county jailhouse construction (GC section 76101) shall be deducted from the remaining 23% of the county TVS fee collected.

Failure to properly distribute TVS bail caused an understatement of county TVS bail by \$59,384. A total of \$45,726 should have been included in the maintenance-of-effort calculation.



Recommendation

The Court should implement other adjustments noted above to comply with statutory requirements for TVS bail distribution. The Court should also make redistributions for the period of July 2012 through the date the current system is revised.

County Auditor's Response

The Auditor-Controller agreed with Finding 2.

Superior Court's Response

The Superior Court agreed with Finding 2.

**FINDING 3—  
Recording of Parking  
Fines**

Kings County did not properly distribute to the county and the State parking violations from July 2006 through 2012. The error occurred because the required distributions were inadequately overlooked.

Government Code (GC) section 70372 requires the county to distribute to the State Court Facility Construction Fund an additional penalty of \$4.50 for every parking fine or forfeiture starting on January 1, 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 or forfeiture starting on December 7, 2010.

Measuring the dollar effect did not appear to be either material or cost effective due to the difficulty in identifying and redistributing the various accounts.

Recommendation

The county should update its system to properly distribute parking revenues.

County Auditor's Response

The Auditor-Controller agreed with Finding 3.

Superior Court's Response

The Superior Court agreed with Finding 3.

**FINDING 4—  
Inappropriate  
distribution of EMAT  
penalties**

The Kings County Probation Department did not make the required distributions for the \$4 state emergency medical air transportation (EMAT) penalty starting January 2011. Department personnel indicated the required distribution was not updated.

Starting January 1, 2011, Government Code section 76000.10 requires a \$4 penalty upon every fine levied on criminal offenses including traffic offenses, but excluding parking offenses.

Failure to make the required distribution causes distributions to the State and county to be inaccurately stated. Measuring the dollar effect did not appear to be either material or cost effective due to the difficulty in identifying and redistributing the various accounts.

#### Recommendation

The Probation Department should check with the Court periodically for new laws that would affect distributions, and update its system to properly distribute EMAT penalties.

#### County Auditor's Response

The Auditor-Controller agreed with Finding #4.

#### Superior Court's Response

The Superior Court agreed with Finding #4.

### **DISCUSSION ITEM (no finding)— Inadequate accounting by the Probation Department**

The Kings County Probation Department discarded records before the SCO's auditors were able to perform the audit.

The Administrative Office of the Court's policy on record retention states: "Current year plus four additional years or from the close date of the State Controller's Office audit, whichever is longer."

The error occurred because the Probation Department was unaware of the Court's record retention policy.

Penal Code (PC) section 1203.1 (k) declares that fines, except those as cited within the section, collected by a county probation officer in any of the courts of California, as a condition of the granting of probation, shall be paid into the county treasury and placed in the county general fund.

PC section 1463.004 declares that percentage calculations may be employed to establish the components of total fines or forfeitures provided that the aggregate monthly distributions resulting from the calculations are the same as would be produced by strict observance of the statutory distributions.

Government Code (GC) section 68101 requires any judge imposing or collecting fines or forfeitures to keep a record of them. Therefore, it is the department's responsibility to maintain a complete and valid recordkeeping system.

There was no fiscal effect of the above error because the Probation Department had summary records that they supplied electronically to the County Auditor-Controller's Office at month's end. These summary records reconciled; therefore there were no issues of accuracy.

Recommendation

GC section 38104 authorizes the State Controller to examine records maintained by a court. Therefore, the Probation Department should ensure that it maintains adequate records until audited by the SCO.

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

| <u>Description of Finding</u><br><u>Account Title<sup>1</sup>—Code Section</u> | <u>Fiscal Year</u> |                 |                 |                 |                 |                 | <u>Total</u>     | <u>Reference <sup>2</sup></u> |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-------------------------------|
|  | <u>2006-07</u>     | <u>2007-08</u>  | <u>2008-09</u>  | <u>2009-10</u>  | <u>2010-11</u>  | <u>2011-12</u>  |                  |                               |
| Trial Court Improvement Trust Fund—GC §70205                                   | \$ 3,551           | \$ 3,779        | \$ 3,479        | \$ 3,730        | \$ 4,018        | \$ 4,306        | \$ 22,863        | Finding 1                     |
| Net amount underpaid (overpaid) to the State Treasurer                         | <u>\$ 3,551</u>    | <u>\$ 3,779</u> | <u>\$ 3,478</u> | <u>\$ 3,730</u> | <u>\$ 4,018</u> | <u>\$ 4,306</u> | <u>\$ 22,863</u> |                               |

Legend: GC = Government 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.

<sup>2</sup> See the Findings and Recommendations section.

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

| Month   | Fiscal Year |          |          |          |          |          | Total <sup>2</sup> |
|---|-------------|----------|----------|----------|----------|----------|--------------------|
|   | 2006-07     | 2007-08  | 2008-09  | 2009-10  | 2010-11  | 2011-12  |                    |
| July  | —           | —        | —        | —        | —        | —        | —                  |
| August  | —           | —        | —        | —        | —        | —        | —                  |
| September   | —           | —        | —        | —        | —        | —        | —                  |
| October   | —           | —        | —        | —        | —        | —        | —                  |
| November  | —           | —        | —        | —        | —        | —        | —                  |
| December  | —           | —        | —        | —        | —        | —        | —                  |
| January   | —           | —        | —        | —        | —        | —        | —                  |
| February  | —           | —        | —        | —        | —        | —        | —                  |
| March   | —           | —        | —        | —        | —        | —        | —                  |
| April   | —           | —        | —        | —        | —        | —        | —                  |
| May   | —           | —        | —        | —        | —        | —        | —                  |
| June  | \$ 3,551    | \$ 3,779 | \$ 3,479 | \$ 3,730 | \$ 4,018 | \$ 4,306 | \$ 22,863          |
| Total underremittances<br>to the State Treasurer <sup>1</sup> | \$ 3,551    | \$ 3,779 | \$ 3,479 | \$ 3,730 | \$ 4,018 | \$ 4,306 | \$ 22,863          |

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 (Finding 1).

<sup>2</sup> 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.

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

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