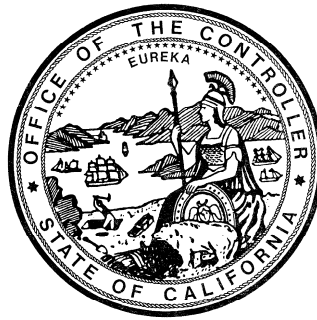


PLACER COUNTY

Audit Report

COURT REVENUES

July 1, 2002, through June 30, 2007



JOHN CHIANG
California State Controller

December 2009



JOHN CHIANG
California State Controller

December 11, 2009

The Honorable Katherine Martinis
Auditor-Controller
Placer County
2970 Richardson Drive
Auburn, CA 95603

John Mendes
Court Executive Officer
Placer County Superior Court
1154 C Avenue
Auburn, CA 95603

Dear Ms. Martinis and Mr. Mendes:

The State Controller's Office audited Placer County's court revenues for the period of July 1, 2002, through June 30, 2007.

Our audit disclosed that the county underremitted \$35,380 in court revenues to the State Treasurer because it underremitted the 50% excess of qualified fines, fees, and penalties.

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

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, in writing, within 60 days after receiving the final report, a request for a review, along with supporting documents and information pertinent to the disputed issue(s), 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 Steve Fujimori, Acting Chief, Special Audits Bureau, State Controller's Office, Division of Audits, Post Office Box 942850, Sacramento, CA 95250-5874.

If you have any questions, please contact Mr. Mar at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk:vb

The Honorable Katherine Martinis
John Mendes

-2-

December 11, 2009

cc: Frank Tang, Senior Budget Analyst
 Judicial Council of California
Julie Nauman, Executive Officer
 Victim Compensation and Government Claims Board
Greg Jolivette
 Legislative Analyst's Office
Scott Taylor, 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 Placer County for the period of July 1, 2002, through June 30, 2007.

Our audit disclosed that the county underremitted \$35,380 in court revenues to the State Treasurer because it underremitted the 50% excess of qualified fines, fees, and penalties.

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 section 68101 to deposit the State's portion of court revenues with the county treasurer as soon as practical and to 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.

Government Code section 68103 requires that the State Controller determine whether or not all court collections remitted to the State Treasurer are complete. Government Code section 68104 authorizes the State Controller to examine records maintained by any court. Furthermore, Government Code section 12410 provides the State Controller 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, 2002, through June 30, 2007. We did not review the timeliness of any remittances the county may be required to make under Government Code 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, Revenue Service Division, and Auditor-Controller's Office.

We performed the following procedures:

- Reviewed the accuracy of distribution reports prepared by the county, which 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.
- Tested for any incorrect distributions.
- 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

Placer County underremitted \$35,380 in court revenues to the State Treasurer. The underremittances are summarized in Schedule 1 and described in the Findings and Recommendations section.

Follow-Up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued December 17, 2003.

Views of Responsible Officials

We issued a draft audit report on February 27, 2009. Katherine J. Martinis, CPA, Auditor-Controller, responded by a letter dated March 18, 2009 (Attachment A), disagreeing with Finding 1. Further, Donald E. Schell, Assistant Court Executive Officer, responded by a letter dated March 23, 2009, stating that the court is taking necessary corrective action.

Restricted Use

This report is solely for the information and use of Placer County, the Superior Court Placer County, 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
Chief, Division of Audits

December 11, 2009

**Schedule 1—
Summary of Audit Findings by Fiscal Year
July 1, 2002, through June 30, 2007**

| Description | Account Title ¹ | Code Section | Fiscal Year | | | | | Total | Reference ² |
|--|---|-----------------------------|------------------|--------------------|------------------|------------------|------------------|------------------|------------------------|
| | | | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | | |
| Underremitted 50% excess of qualified fines, fees, and penalties | Trial Court Improvement Fund | Government Code §77205(a) | \$ 15,998 | \$ (1,290) | \$ 14,357 | \$ 14,691 | \$ 15,579 | \$ 59,335 | Finding 1 |
| Duplicate remittances from summary judgments | State Crime Lab Fund | Health & Safety Code §11502 | — | (20,520) | — | — | — | (20,520) | Finding 1A |
| | Trial Court Improvement Fund—2% Court Automation Fees | Government Code §68090.2 | — | (3,435) | — | — | — | (3,435) | Finding 1A |
| Net amount underpaid (overpaid) to the State Treasurer | | | <u>\$ 15,998</u> | <u>\$ (25,245)</u> | <u>\$ 14,357</u> | <u>\$ 14,691</u> | <u>\$ 15,579</u> | <u>\$ 35,380</u> | |

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

² See the Findings and Recommendations section.

**Schedule 2—
Summary of Underremittances by Month
Trial Court Trust Fund
July 1, 2002, through June 30, 2007**

| Month | Fiscal Year | | | | |
|--|------------------|-------------------|------------------|------------------|------------------|
| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| July | \$ — | \$ — | \$ — | \$ — | \$ — |
| August | 15,998 | (1,290) | 14,357 | 14,691 | 15,579 |
| September | — | — | — | — | — |
| October | — | — | — | — | — |
| November | — | — | — | — | — |
| December | — | — | — | — | — |
| January | — | — | — | — | — |
| February | — | — | — | — | — |
| March | — | — | — | — | — |
| April | — | — | — | — | — |
| May | — | — | — | — | — |
| June ¹ | — | (3,435) | — | — | — |
| Total underremittance to the State Treasurer | <u>\$ 15,998</u> | <u>\$ (4,275)</u> | <u>\$ 14,357</u> | <u>\$ 14,691</u> | <u>\$ 15,579</u> |

NOTE: Delinquent 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 Government Code section 68085(h). The SCO will calculate and bill the county for the penalty after the county pays the underlying amount owed.

¹ Includes maintenance-of-effort underremittances (Finding 1) as follows:

| Fiscal Year | | | | |
|------------------|-------------------|------------------|------------------|------------------|
| 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
| <u>\$ 15,998</u> | <u>\$ (1,290)</u> | <u>\$ 14,357</u> | <u>\$ 14,691</u> | <u>\$ 15,579</u> |

Findings and Recommendations

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

Placer County underremitted by \$59,335 the 50% excess qualified fines, fees, and penalties to the State Treasurer for the five fiscal year (FY) period starting July 2002 and ending June 30, 2007. Government Code section 77201(b)(2) requires Placer County, for its base revenues obligation, to remit \$1,554,677 for FY 1998-99 and each year thereafter. In addition, Government Code section 77205(a) requires the county to remit 50% of the qualified revenues that exceed the state base for each fiscal year to the State Trial Court Improvement Fund.

The error occurred because the county used incorrect entries in its distribution working papers. The fiscal impact of conditions identified in this report's findings is as follows:

- For all five fiscal years, the court and revenue services did not appropriately distribute \$1 to the Criminal Justice Facility Fund and \$1 to the Court Construction Fund from the county's 23% portion. Instead, the \$1 Criminal Justice Facility and \$1 Court Construction was taken out of the total traffic violator school (TVS) bail. Government Code section 77205 specifies that qualified revenues are to be reported as stated December 31, 1997. Vehicle Code section 42007 specifically required the \$2 to be taken from the county's 23%. Therefore, 77% of the TVS bail applicable to the maintenance-of-effort (MOE) included the \$1 Criminal Justice Facility Fund and \$1 Court Construction Fund penalty amounts; \$156,335 ($\$203,032 \times 0.77$) should have been included in the MOE.
- The county made journal and posting errors on the State audit worksheet; figures were either picked up incorrectly or posted to the wrong line. For FY 2002-03, the following accounts were understated: State Penalties by \$48, Traffic School Bail Fees by \$5,201, Traffic School Fees at \$24 by \$1,703, and Citation Processing Fees by \$8,007. For FY 2002-03, the following accounts were overstated: Recording/Indexing fees by \$3 and Administrative Screening fees by \$16,873.
- As stated in Finding 1A, the County Auditors' Office erroneously duplicated remittances to the state for 20 bail bond forfeitures that were identified as an audit finding in a prior court revenue audit. The overremittance caused the following increases: controlled substance fines by \$20,520 and 2% court automation fees by \$3,435. County base fines decreased; \$35,748 ($\$47,664 \times 0.75$) should not have been included in the MOE.

The qualified revenues reported for FY 2002-03 were \$3,815,337. The excess, above the base of \$1,554,677, is \$2,260,660; this amount should be divided equally between the county and the State, resulting in \$1,130,330 excess due the State. The county remitted a previous payment of \$1,114,332, causing an underremittance of \$15,998.

The qualified revenues reported for FY 2003-04 were \$4,147,445. The excess, above the base of \$1,554,677, is \$2,592,768; this amount should be divided equally between the county and the State, resulting in \$1,296,384 excess due the State. The county remitted a previous payment of \$1,297,674, causing an overremittance of \$1,290.

The qualified revenues reported for FY 2004-05 were \$4,128,058. The excess, above the base of \$1,554,677, is \$2,573,381; this amount should be divided equally between the county and the State, resulting in \$1,286,691 excess due the State. The county remitted a previous payment of \$1,272,334, causing an underremittance of \$14,357.

The qualified revenues reported for FY 2005-06 were \$3,763,102. The excess, above the base of \$1,554,677, is \$2,208,425; this amount should be divided equally between the county and the State, resulting in \$1,104,212 excess due the State. The county remitted a previous payment of \$1,089,522, causing an underremittance of \$14,691.

The qualified revenues reported for FY 2006-07 were \$3,944,336. The excess, above the base of \$1,554,677, is \$2,389,659; this amount should be divided equally between the county and the State, resulting in \$1,194,829 excess due the State. The county remitted a previous payment of \$1,179,250, causing an underremittance of \$15,579.

The under/(over) remittances had the following effect:

| Account Title | Understated/ (Overstated) |
|---|------------------------------|
| Trial Court Improvement Fund–Government Code section 77205: | |
| FY 2002-03 | \$ 15,998 |
| FY 2003-04 | (1,290) |
| FY 2004-05 | 14,357 |
| FY 2005-06 | 14,691 |
| FY 2006-07 | 15,579 |
| General Fund | (59,335) |

Recommendation

The county should remit \$59,335 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the Trial Court Improvement Fund–Government Code section 77205. The county should also make the corresponding account adjustments.

County's Response

The County does not agree with this finding for several reasons:

The audit states that that the \$1 to the Criminal Justice Facility Fund and \$1 to the Court Construction Fund was inappropriately taken out of the traffic violator school bail and thus the excess revenues was underestimated. The 50/50 Excess Split Revenue form which is used to calculate the excess revenues per GC 77205(a) includes specific instructions for calculating the 77% relating to Vehicle Code section 42007. Those instructions state “Excludes distributions to the Maddy Emergency Medical Services Fund, Courthouse Construction Fund,

Criminal Justice Construction Fund, or to the cities.” It should be noted that these calculations were not questioned in the prior audit covering fiscal years 1998/99 through 2001-02.

A closer review of the auditors supporting schedules revealed that a reduction of \$19,059 was erroneously included in the Total Adjusted Qualified Revenues for fiscal year 2002-03. Correcting this error results in an underremittance to the State.

The duplication of the Bail Bond Forfeitures referred to in the “Observation” resulted in an overstatement of base fines included in the 50/50 Excess Revenue Split calculation for fiscal year 2003-04, which created an overremittance to the State in the amount of \$79,582.

SCO’s Comment

The county is responsible for the correct distribution and remittance to the State. The county should have used changes resulting from the passage of AB 3000 relating to traffic violator school bail (Vehicle Code section 42007) when calculating its 77%. The finding remains unchanged.

Upon further review, we noted that the reduction of \$19,059 was erroneously deducted and we made the necessary adjustment for FY 2002-03.

We also reviewed the duplicate remittance of bail bond forfeitures referred to as an “Observation” and determined that it did impact revenues for FY 2003-04. An audit finding addressing the overremittance includes an adjustment to base fines in the calculation of the county’s qualified revenues for that fiscal year.

We do not concur with the amount computed by the county. However, the amount due the State has been adjusted from the amount in the draft audit report to reflect the changes to Finding 1.

We also added Finding 1A to address issues presented in the “Observation” section of the draft report.

FINDING 1A— Duplicate remittances from summary judgments (New)

We noted during the course of the audit that the county made duplicate remittances totalling \$171,750 for 20 summary judgments that we already identified as an audit finding in the prior audit report for the period of July 1, 1998, through June 30, 2002. County personnel indicated that they inadvertently overlooked their resolution to the prior audit report audit finding, which identified underremittances to the State and cities due to undistributed revenues from summary judgments. As a result, when addressing summary judgments received from the court for the current audit period, some of those summary judgments identified in the prior audit report were accidentally included again for distributions.

Penal Code section 1463.009 requires that bail forfeitures be distributed pursuant to Penal Code section 1463. Penal Code section 1463.001(b)(1) further states that base fines that are subject to specific distribution shall be distributed to the specified funds of the State or local agency. The base fines that are not subject to specific distribution should be distributed as county base fines for county arrests, and as county and city base fines in accordance with the percentages required by Penal Code section 1463.002 for city arrests.

The revenue, after the allowable 2% court automation fees, should be distributed to the County General Fund for county arrests, and to the county and city accounts in accordance with the percentages established by the statute. The controlled substance bail bonds forfeitures should be handled as specific distribution under Health and Safety Code section 11502 in the following manner: 75% to the State General Fund and 25% to the county or city, depending on whether the arrest took place in the county or city.

The duplicate remittances to the State and cities resulted in an overremittance in distributions that had the following effect:

| Account Title | Understated/ (Overstated) |
|---|------------------------------|
| State General Fund–Health & Safety Code §11502 | \$ (20,520) |
| State Trial Court Improvement Fund–Government Code §68090.8 | (3,435) |
| County Fines & Forfeitures | (50,275) |
| County Counsel Charges | (14,280) |
| City of Roseville | (40,644) |
| City of Tahoe | (35,054) |
| City of Rocklin | (6,370) |
| City of Lincoln | (1,172) |
| County General Fund | 171,750 |

Recommendation

The county should reduce subsequent remittances to the State Treasurer by \$23,955 and report on the remittance advice form (TC-31) decreases of \$20,520 to the State General Fund–Health & Safety Code section 11502 and \$3,435 to the State Trial Court Improvement Fund–Government Code section 68090.8. The county should also make the corresponding account adjustments to include those for the incorporated cities.

**FINDING 2—
Failure to implement
distribution for red
light violations**

The Placer County Revenue Services Division did not incorporate in its distribution collection accounts distributions for red-light offenses for the period of July 1, 2002, through June 30, 2007. Personnel from the Revenue Services division stated that they were not aware of the statutory requirements affecting the specific distribution of fines for red-light offenses when referred by the court for collection.

Effective January 1, 1998, after deducting the allowable 2% court automation fee, 30% of the total bail (including state and local penalties) should be posted to the county or city general fund in which the offenses occurred, and the balance (70%) should be distributed pursuant to Penal Code section 1463.001, 1464 and Government Code section 76000.

Effective July 1, 1998, when a defendant attends traffic violator school pursuant to Vehicle Code 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 violator school.

Penal Code section 1463.11 requires that 30% of red-light violations be distributed to the county or city general fund in which the offense occurred. In addition, if the red-light violation is referred to traffic school, Vehicle Code section 42001 requires that 30% of the traffic violator fee to be distributed to the county or city where the offense occurred.

Failure to implement distributions for red-light offenses causes an understatement of revenues to cities and an overstatement of revenues to the county and state. We did not measure the full dollar effect since a sample measurement determined it would not be cost effective to do so because of the difficulty of redistributing the various accounts.

Recommendation

The Placer County Revenue Services Division should implement procedures to make specific distributions for fines for red-light offenses to comply with statutory requirements. Also, the revenue services division should make redistribution for the period of July 2007 through the date the current system is revised.

County's Response

The Department agrees with this finding. However, the county was not provided with correct distribution information from the courts upon transfer of these accounts to the county. The county has implemented procedures to make specific distributions for fines of red-light offense. Red-light violation collections report for the period of July 1, 2007 through June 30, 2008 was provided to the County Auditor for redistribution.

SCO's Comment

The county agrees with the finding.

**FINDING 3—
Failure to implement
distribution of
evidence of financial
responsibility fees**

The Placer County Revenue Services Division did not incorporate in its distribution collection accounts distributions for State General Fund and State Transportation Fund for evidence of financial responsibility fees for the period of July 1, 2002, through June 30, 2007. Personnel from the Revenue Services division stated that they were not aware of the statutory requirements affecting the specific distribution for convictions for evidence of financial responsibility offenses when referred by the court for collection.

Effective January 1, 1998, a \$30.50 fee on each conviction of an “evidence of financial responsibility violation” identified under Penal Code section 16028 must be distributed, per conviction, in the following manner: \$17.50 to the County General Fund pursuant to Penal Code section 1463.22(a), \$10 to the State General Fund pursuant to Penal Code section 1463.22(c), and \$3 to the State Transportation Fund pursuant to Penal Code section 1463.22(b).

Failure to implement distributions for evidence of financial responsibility fees causes the county and city general fund to be overstated and both State General Fund and State Transportation Fund to be understated. We did not measure the dollar effect because doing so would not be cost-effective due to the difficulty of identifying and redistributing the various accounts.

Recommendation

The Placer County Revenue Services Division should implement procedures to make specific distributions for convictions under evidence of financial responsibility offenses to comply with statutory requirements. Also, the revenue services division should make redistribution for the period of July 2007 through the date the current system is revised.

County’s Response

The Department agrees with this finding. However, the County’s Revenue Services collects partial payments on traffic accounts therefore it is not possible to calculate the distribution of Proof of Correction violations based on these partial payments. The county has implemented a new procedures that queries monthly reporting of Proof of Correction violations that have been paid in full during the month. Distribution is then calculated and distributed to the appropriate accounts.

Effective April 2008, County’s Revenue Services does not perform the distribution function. New accounts are assigned to us only on the full dollar amount and the distribution process is done through the Court’s SUSTAIN System.

SCO’s Comment

The county agrees with the finding.

**FINDING 4—
Incorrect distribution
on traffic violator
school bail**

The Superior Court inappropriately made distributions from the Traffic Violator School Fee to DNA Identification Penalty Assessment, and in some cases involving red-light infractions, a distribution for 2% Court Automation Fees on the 30% red-light distribution. The error occurred because the court treated the DNA Identification Fund distribution and 2% Court Automation Fee on traffic violator school bail as specific distributions.

For traffic school violations, the DNA Additional Penalty Assessment is part of the total bail. Therefore, it is part of the Traffic Violator School Fee pursuant to Vehicle Code section 42007. There is no specific distribution to the DNA Identification Fund from the Traffic Violator School Fee.

Penal Code section 1463.11 provides specific distributions for red-light violations; however, if a red light violation is referred to traffic violator school, 30% of the Traffic Violator School Fee is distributed to the city or county where the offense occurred per Vehicle Code section 42007.3 and the 2% court automation fee does not apply. The balance of the Traffic Violator School Fee should be distributed pursuant to Vehicle Code section 42007.

Failure to properly distribute the Traffic Violator School Fee causes the DNA Identification Penalty Assessment to be overstated and traffic violator school bail to be understated. We did not measure the dollar effect, as it did not appear to be either material or cost-effective.

Recommendation

The Court should make adjustments to comply with statutory requirements for the DNA Identification Penalty Assessment distribution. Also, the court should make redistribution for the period of July 2007 through the date the current system is revised.

Court's Response

The Court has advised its case management vendor and the Administrative Offices of the Court that this issue of incorrect distribution needs to be corrected.

SCO's Comment

The county agrees with the finding.

**FINDING 5—
Incorrect distribution
for restitution fines**

The Superior Court did not make the required distributions for Restitution Fines on Fish and Game offenders. The incorrect distribution was the result of a clerical error by a clerk who only had the job for about two months. Court personnel discovered the clerical error and made the corrections thinking that they had identified all of the incorrect distributions. Penal Code section 1202.4 requires restitution fines of not less than \$200 if the person is convicted of a felony and shall not be less than \$100 if the person is convicted of a misdemeanor.

Failure to properly distribute restitution fines causes the restitution fines to be understated and other distributions to be overstated. We did not measure the dollar effect, as it did not appear to be either material or cost-effective due to the limited number of related cases.

Recommendation

The court should make adjustments to comply with statutory requirements for Restitution Fines. Also, the court should make redistribution for the period of July 2007 through the date the current system is revised.

Court's Response

The Court assures that better staff training materials have been made available for reference by clerks when handling unfamiliar and infrequent case transactions.

SCO's Comment

The court agrees with the finding.

OBSERVATION

County's Response

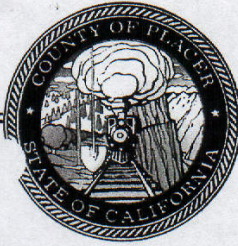
The auditor points out [in the "Observation" section of the draft report] that the county made duplicate remittances from bail forfeitures identified as underremittances to the State in a prior audit. Again, we are unclear as to why the duplicate payment was not quantified in the report nor in the calculation of amounts under/(over) – remitted to the State. We identified \$27,322 that the County overremitted in fiscal year 2003-04, as follows:

| | |
|--|----------|
| Health and Safety Code Section 11372.5 | \$23,887 |
| Government Code section 68090.8 | \$ 3,435 |

SCO's Comment

We have addressed this issue in Finding 1, incorporating our comments as Finding 1A.

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



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

KATHERINE J. MARTINIS, CPA
Auditor-Controller
E-mail: kmartini@placer.ca.gov

ANDREW C. SISK, CPA
Assistant Auditor-Controller
E-mail: asisk@placer.ca.gov

March 18, 2009

Steven Mar, Chief
Local Government Audits Bureau
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Audit of Placer County's Court Revenues July 1, 2002 through June 30, 2007.

Dear Mr. Mar,

This letter is in response to the State Controller's February 27, 2009 audit report of court revenues. As mentioned five years ago in a previous audit response, the length of time between audits has created a financial imposition on the County that may have been avoided had an audit been performed sooner. In addition, the County's memorandum of understanding with the Placer County Courts stipulates the Courts shall provide all changes that relate to revenue distributions to the County. It is imperative that these changes are provided in a timely fashion to ensure that future audit findings have minimal risk of financial liabilities for the County.

We have reviewed the findings and present the following responses.

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

Recommendation:

The county should remit \$67,681 to the State Treasurer and report on the remittance advise form (TC-31) an increase to the Trial Court Improvement Fund – Government Code Section 77205. The county should also make the corresponding account adjustments.

Response:

The County does not agree with this finding for several reasons:

- A. The audit states that the \$1 to the Criminal Justice Facility Fund and \$1 to the Court Construction Fund was inappropriately taken out of the total traffic violator school bail and thus the excess revenue was underestimated. The 50/50 Excess Split Revenue form which is used to calculate the excess revenue per GC 77205(a) includes specific instructions for calculating the 77% relating to Vehicle Code 42007. Those instructions state "Excludes distributions to the Maddy Emergency Medical Services Fund, Courthouse Construction Fund, Criminal Justice Construction Fund, or to the cities." It should also be noted that these

calculations were not questioned in the prior audit covering fiscal years 1998/1999 through 2001/2002.

- B. A closer review of the auditors supporting schedules revealed that a reduction of \$19,059 was erroneously included in the Total Adjusted Qualified Revenues for fiscal year 2002/2003. Correcting this error results in an underremittance to the State.
- C. The duplication of the Bail Bond Forfeitures referred to in the "Observation" resulted in an overstatement of base fines included in the 50/50 Excess Revenue Split calculation for fiscal year 2003/2004, which created an overremittance to the State in the amount of \$79,582. We are unclear as to why the monetary impact of this duplication was not included in the determination of amounts under/(over)-remitted to the State.

Each of these issues is illustrated on the attached spreadsheet. Additional detail is available for your review if needed.

2. Failure to implement distribution for red light violations.

Recommendation:

The Placer County Revenue Services Division should implement procedures to make specific distributions for fines for red-light offenses to comply with statutory requirements. Also, the revenue services division should make redistribution for the period of July 2007 through the date the current system is revised.

Response:

The department agrees with this finding. However, it should be noted that Revenue Services was not provided correct distribution information when these accounts were transferred from the Courts.

Revenue Services has implemented procedures to make specific distributions for fines of red-light offenses. A table has been created of accounts in our collection system and a query is done each month to pull red-light violation accounts with payments so that distribution can be calculated correctly.

A report of red-light violation collections for the period of July 2007 through June 2008 has been provided to the County Auditor for redistribution. Effective July 2008 the query has been run each month and red-light distribution is accurate.

As of April 2008, Revenue Services is no longer involved in the account distribution process. New accounts are assigned to us only on the full dollar amount and the distribution process is now done through the Court's SUSTAIN System.

3. Failure to implement distribution of evidence of financial responsibility fees.

Recommendation:

The Placer County Revenue Services Division should implement procedures to make specific distributions for convictions under evidence of financial responsibility offenses to comply with statutory requirements. Also, the revenue services division should make redistribution for the period of July 2007 through the date the current system is revised.

Response:

The department agrees with this finding. However, it should be noted that Revenue Services collects partial payments on traffic accounts and it is not possible for us to calculate the distribution of Proof of Correction violations based on partial payments.

Revenue Services has implemented procedures that queries monthly reporting of Proof of Correction violations that have been paid in full during the month. Distribution is then calculated and distributed to the appropriate accounts.

A report of Proof of Collection violations based on the total number of accounts that were paid in full during the period of July 1, 2007 through June 30, 2008 has been provided to the County Auditor for redistribution.

As of April 2008, Revenue Services is no longer involved in the account distribution process. New accounts are assigned to us only on the full dollar amount and the distribution process is now done through the Court's SUSTAIN System.

4. Incorrect distribution on traffic violator school bail

Recommendation:

The Court should make adjustments to comply with statutory requirements for the DNA Identification Penalty Assessment distribution. Also, the court should make redistribution for the period of July 2007 through the date the current system is revised.

Response:

The response to this finding must come from the Court.

5. Incorrect distribution for restitution fines

Recommendation:

The Court should make adjustments to comply with statutory requirements Restitution Fines. Also, the court should make redistribution for the period of July 2007 through the date the current system is revised.

Response:

The response to this finding must come from the Court.

OBSERVATION – Duplicate remittances from bail bond forfeitures

The auditor points out that the county made duplicate remittances from bail bond forfeitures identified as underremittances to the State in a prior audit. Again, we are unclear as to why the duplicate payment was not quantified in the report nor in the calculation of amounts under/(over)-

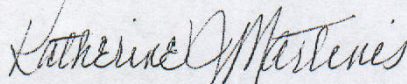
remitted to the State. However, our research confirms that the County overremitted \$27,322 to the State in fiscal year 2003/2004 as follows:

| | |
|--|----------|
| Health and Safety Code Section 11372.5 | \$23,887 |
| Government Code Section 68090.8 | \$ 3,435 |

In summary, our review of the presented findings and observation disclose that the County overremitted \$70,671 in court revenues to the State Treasurer.

Should you have any questions, please contact me at (530) 889-4160.

Sincerely,



KATHERINE J. MARTINIS, CPA
AUDITOR-CONTROLLER

Attachment

Cc: Jeff Brownfield, Chief, Division of Audits
Jody Patel, Regional Director, Administrative Office of the Courts

PLACER COUNTY
COUNTY AUDITOR SECTION
MEASUREMENT TEST - 50% EXCESS REVENUES
JULY 1, 2002 THROUGH JUNE 30, 2007
S08-CRV-002

SCO Auditor Working Papers
Revised 3/09 by TW after verifying Auditor Figures

| Accounts | Code | FISCAL YEAR 2002-03 | FISCAL YEAR 2003-04 | FISCAL YEAR 2004-05 | FISCAL YEAR 2005-06 | FISCAL YEAR 2006-07 | Total |
|--|--------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------|
| Realignment Revenues | | | | | | | |
| Base Fines/Forfeitures Co @ 0.75 | pc1463.001co | 673,634 | 677,030 | 929,663 | 765,996 | 849,373 | 3,895,696 |
| Summary Judgment Duplication | | (79,582) | | | | | (79,582) |
| Base Fines/Forfeitures Cy @ 0.75 | pc1463.001cy | | | | | | |
| State Penalty County @ 0.30 | pc1464(a) | 470,037 | 476,141 | 562,449 | 594,022 | 665,639 | 2,768,287 |
| Traffic School Balance of Fee @ 0.77 | vc42007 | 1,195,391 | 1,560,215 | 1,295,745 | 1,246,081 | 1,329,984 | 6,627,415 |
| Per Excess Revenue Calc. Form | | (39,114) | (33,169) | (28,714) | (29,381) | (31,158) | (161,536) |
| Traffic School \$24 | vc42007.1 | 530,221 | 516,915 | 447,484 | 457,891 | 485,581 | 2,438,091 |
| Recording/Indexing Fee | gc27361 | 909,088 | 885,585 | 811,484 | 732,962 | 574,908 | 3,914,027 |
| \$25 Admin Screening Fee | pc1463.07 | 7,180 | 37,887 | 54,413 | (67,672) | 7,174 | 38,982 |
| \$10 Citation Processing Fee | pc1463.07 | 8,007 | | | 6,948 | 4,063 | 19,018 |
| Parking Surcharge | gc76000c | 2,724 | 29,420 | 26,821 | 26,874 | 27,614 | 113,453 |
| Reduction Error | | 19,059 | | | | | 19,059 |
| Total Adjusted Qualified Revenues | | 3,776,226 | 4,070,442 | 4,099,344 | 3,733,721 | 3,913,178 | 19,592,910 |
| Base Year Amount | | 1,564,677 | 1,554,677 | 1,554,677 | 1,554,677 | 1,554,677 | 7,773,385 |
| Actual Excess Amount | | 2,221,549 | 2,515,765 | 2,544,667 | 2,179,044 | 2,358,501 | 11,819,525 |
| 50% of Actual Excess Amount | | 1,110,774 | 1,257,882 | 1,272,333 | 1,089,522 | 1,179,250 | 5,909,763 |
| Amount Paid to State | | 1,114,332 | 1,297,674 | 1,272,334 | 1,089,522 | 1,179,250 | 5,953,112 |
| Net Amt Under (Overpaid) to State | | (3,558) | (39,791) | (0) | 0 | 0 | (43,349) |
| Original Totals | | 3,783,341 | 4,150,025 | 4,099,344 | 3,733,721 | 3,913,178 | 19,679,608 |
| Additions: | | | | | | | |
| State Penalty County @ 0.30 | pc1464(a) | 48 | | | | | 48 |
| Traffic School Balance of Fee @ 0.77 | vc42007 | 39,114 | 33,169 | 28,714 | 29,381 | 31,158 | 161,536 |
| Traffic School \$24 | vc42007.1 | 1,703 | | | | | 1,703 |
| \$10 Citation Processing Fee | pc1463.07 | 8,007 | | | | | 8,007 |
| Deductions: | | | | | | | |
| \$25 Admin Screening Fee | pc1463.07 | (16,873) | | | | | (16,873) |
| Parking Surcharge | gc76000c | (19,059) | | | | | (19,059) |
| Total Adjusted Qualified Revenues | | 3,796,281 | 4,183,193 | 4,128,058 | 3,763,102 | 3,944,336 | 19,814,969 |
| Base Fines/Forfeitures Co @ 0.75 | pc1463.001co | (79,582) | | | | | (79,582) |
| Traffic School Balance of Fee @ 0.77 | vc42007 | (39,114) | (33,169) | (28,714) | (29,381) | (31,158) | (161,536) |
| Parking Surcharge | gc76000c | 19,059 | | | | | 19,059 |
| Total Revised Adjusted Qualified Revenues | | 3,776,226 | 4,070,442 | 4,099,344 | 3,733,721 | 3,913,178 | 19,592,910 |

PURPOSE: To schedule 50% Excess revenues per AB233 and note any adjustments.

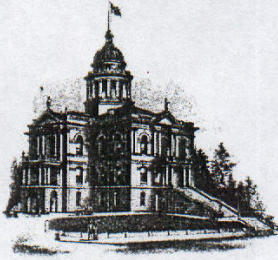
SOURCE: SCO working papers and County A/Cs 50% excess working papers.

SCOPE: FY 02-03 through FY 06-07.

CONCLUSION: The adjustments are as noted above. The total underpayment to the State is \$67,681.

| <u>DISTRIBUTION RECAP</u> | <u>Underpaid/ (Overpaid)</u> |
|---|----------------------------------|
| 50 % Excess Revenue: | |
| Trial Court Improvement Fund - GC 77205 | (43,349) |
| Summary Judgments Duplication & Prior Audit Error: | |
| Controlled Substance - H&S 11052 75% | (23,887) |
| Trial Court Improvement Fund - GC 68090.8 - 2% Automation | (3,435) |
| County General Fund | 70,671 |

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



Superior Court
of the State of California
In and For
The County of Placer
Roseville, California

DON SCHELL
ASSISTANT COURT EXECUTIVE OFFICER
OF THE SUPERIOR COURT
P.O. Box 619072
ROSEVILLE, CALIFORNIA 95661
(916) 408-6186
FAX (916) 408-6188

March 23, 2009

Mr. Steven Mar, Chief
Local Government Audits Bureau
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Audit of Placer County's Court Revenues July 1, 2002 through June 30, 2007

Dear Mr. Mar:

We have reviewed the findings and present the following responses:

Finding 4. The Court has advised our case management vendor, Sustain Inc. and the Administrative Office of the Court (AOC) as of September 24, 2008 that this issue of incorrect distribution needs to be corrected. AOC concurs and is to schedule the programming update.

Finding 5. The Court assures that better staff training materials have been made available for reference by clerks when handling unfamiliar and infrequent case transactions (i.e. Fish and Game).

Sincerely,

Donald E. Schell,
Assistant Court Executive Officer
Superior Court of Placer County

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

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