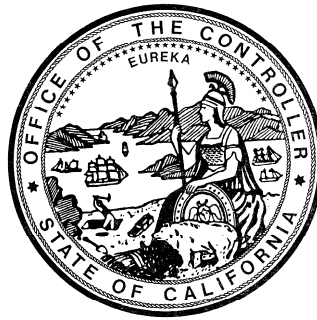


# SHASTA COUNTY

Audit Report

## COURT REVENUES

*July 1, 2002, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

August 2008



**JOHN CHIANG**  
**California State Controller**

August 22, 2008

Honorable Connie Regnell  
Auditor/Controller  
County of Shasta  
1450 Court Street, Room 238  
Redding, CA 96001

Susan Null  
Court Executive Officer  
Superior Court of California, Shasta County  
1500 Court Street, Room 205  
Redding, CA 96001

Dear Ms. Regnell and Ms. Null:

The State Controller's Office audited Shasta County's court revenues for the period of July 1, 2002, through June 30, 2006.

Our audit disclosed that the county underremitted \$285,277 in court revenues to the State Treasurer as follows:

- Underremitted 50% excess of qualified fines, fees and penalties by \$17,455.
- Underremitted state health and safety bail forfeitures by \$183,750.
- Underremitted State Court Facility Construction Fund penalties and overremitted State DNA Fund penalties by \$84,072.

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, 2002, through June 30, 2006.

Please mail a copy of the TC-31 and documentation supporting the corresponding adjustment(s) to the attention of the following individuals:

Greg Brummels, Audit Manager  
Division of Audits  
State Controller's Office  
Post Office Box 942850  
Sacramento, CA 94250-5874

Jaime Delgadillo, Collections Supervisor  
Division of Accounting and Reporting  
Bureau of Tax Administration  
Post Office Box 942850  
Sacramento, CA 94250

**Once the county has paid the underremitted 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.**

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/sk

cc: Frank Tang, Senior Budget Analyst  
Judicial Council of California  
Karen McGagin, Executive Officer  
Victim Compensation and Government Claims Board  
Greg Jolivette  
Legislative Analyst'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 Shasta County for the period of July 1, 2002, through June 30, 2006.

Our audit disclosed that the county underremitted \$285,277 in court revenues to the State Treasurer as follows:

- Underremitted the 50% excess of qualified fines, fees, and penalties by \$17,455.
- Underremitted state health and safety bail forfeitures by \$183,750.
- Underremitted State Court Facility Construction Fund and overremitted State DNA Fund penalties by a net amount of \$84,072.

## 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, 2006. 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 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*.
- Tested for any incorrect distributions.
- Expanded any tests that revealed errors to determine the extent of any incorrect distributions.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. 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**

Shasta County underremitted \$285,277 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 on June 30, 2003.

## **Views of Responsible Officials**

Connie Regnell, Shasta County Auditor-Controller, and Raymond Tickner, Shasta Court Finance Director, agreed with our audit findings and recommendations during telephone conversations on July 11, 2008.

**Restricted Use**

This report is solely for the information and use of Shasta County, the Shasta 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  
Chief, Division of Audits

August 22, 2008

**Schedule 1—  
Summary of Audit Findings by Fiscal Year  
July 1, 2002, through June 30, 2006**

Description	Account Title <sup>1</sup>	Fiscal Year				Total	Reference <sup>2</sup>
		2002-03	2003-04	2004-05	2005-06		
Underremitted 50% excess of fines, fees, and penalties	State Trial Court Improvement Fund – Government Code §77205	\$ 6,113	\$ 2,235	\$ 1,834	\$ 7,273	\$ 17,455	Finding 1
Incorrect distribution of health and safety bail bond forfeiture	State General Fund – Health and Safety Code §11502	183,750	—	—	—	183,750	Finding 2
Incorrect distribution of traffic violator school fees related to state court facilities construction and DNA penalties	State Court Facility Construction Fund – Government Code §70372(a)	—	19,573	42,021	39,296	100,890	Finding 3
	State DNA Fund – Government Code §76104.6	—	—	—	(16,818)	(16,818)	Finding 3
Net amount underpaid to the State Treasurer		<u>\$ 189,863</u>	<u>\$ 21,808</u>	<u>\$ 43,855</u>	<u>\$ 29,751</u>	<u>\$ 285,277</u>	

<sup>1</sup> 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.

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



**Schedule 2—  
Summary of Underremittances by Month  
Trial Court Improvement Fund  
July 1, 2002, through June 30, 2006**

<u>Month</u>	<u>Fiscal Year</u>			
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
August	\$ 6,113	\$ 2,235	\$ 1,834	\$ 7,273
Total underremittances to the State Treasurer	\$ 6,113	\$ 2,235	\$ 1,834	\$ 7,273

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.

<sup>1</sup> Includes maintenance-of-effort underremittances (Finding 1) as follows.

<u>Fiscal Year</u>			
<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
\$ 6,113	\$ 2,235	\$ 1,834	\$ 7,273

**Schedule 3—  
Summary of Underremittances by Month  
State Court Facilities Construction Fund  
July 1, 2002, through June 30, 2006**

Month	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
July	\$ —	\$ —	\$ 4,102	\$ 3,281
August	—	—	4,149	3,269
September	—	—	3,654	3,197
October	—	—	3,433	3,862
November	—	—	3,381	3,702
December	—	—	3,047	3,097
January	—	3,310	3,327	3,556
February	—	3,143	3,616	2,535
March	—	3,280	3,484	2,795
April	—	3,590	3,412	3,218
May	—	3,096	3,322	3,526
June	—	3,154	3,094	3,258
Total underremittances to the State Treasurer	\$ —	\$ 19,573	\$ 42,021	\$ 39,296

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 Government Code section 70377. The SCO will calculate and bill the county for the penalty after the county pays the underlying amount owed.

# Findings and Recommendations

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

The County Auditor-Controller's Office underremitted by \$17,455 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the four fiscal year (FY) period that began July 1, 2002, and ended June 30, 2006.

Government Code section 77201(b)(2) requires Shasta County, for its base revenue obligation, to remit \$1,044,700 for FY 1998-99 and each fiscal year thereafter. In addition, Government Code section 77205(a) requires the county to remit to the Trial Court Improvement Fund 50% of qualified revenues that exceed the stated base for each fiscal year.

The error occurred because the county used incorrect entries in its maintenance-of-effort (MOE) distribution working papers and as a result of conditions identified as follows:

- When calculating the FY 2002-03 MOE, accruals posted from the prior year were inadvertently included as an offset against the current year totals. \$131,001 should have been included in the MOE.
- As stated in Finding 2, in March 2003, a distribution of a health and safety bail bond forfeiture was made by erroneously depositing the revenues pursuant to Penal Code section 1463 instead of to Health and Safety Code section 11502. Therefore, \$137,813 ( $\$183,750 \times .75$ ) should not have been posted to the MOE.
- For all four fiscal years, the court did not appropriately distribute \$1 to the Jail Facility Fund and \$1 to the Court Construction Fund from the county's 23% portion of the traffic violator school (TVS) bail. Instead, the \$1 was taken out of the total TVS bail. Therefore, 77% of the TVS bail applicable to the MOE included this amount. Therefore, \$40,088 ( $\$52,062 \times .77$ ) should have been included in the MOE.
- For all four fiscal years, the court did not appropriately distribute TVS bail from city base fines. The portion allocated to the cities was only taken from the 77% MOE account. To equitably distribute a 77%/23% ratio, \$65,073 should have been included in the MOE.
- As stated in Finding 3, the Shasta County Superior Court did not deduct State Court Facility Construction Fund penalties from TVS fees as required. In addition, from January 2005, through June 2006, DNA penalties were inappropriately taken out of TVS bail. Therefore, \$77,685 ( $\$100,890 \times .77$ ) should not have been included in the MOE for State Court Construction Facility Fund penalties and \$14,245 ( $\$18,500 \times .77$ ) should have been included in the MOE from State DNA Fund penalties.

The qualified revenues reported for FY 2002-03 were \$2,116,111. The excess, above the base of \$1,044,700, is \$1,071,411, which should be divided equally between the county and State, resulting in \$535,706

excess due the State. A previous payment of \$529,593 has been remitted by the county, causing a net underremittance of \$6,113.

The qualified revenues reported for FY 2003-04 were \$2,162,691. The excess, above the base of \$1,044,700, is \$1,117,991 and should be divided equally between the county and State, resulting in \$558,995 excess due the State. A previous payment of \$556,760 has been remitted by the county, causing a net underremittance of \$2,235.

The qualified revenues reported for FY 2004-05 were \$2,120,413. The excess, above the base of \$1,044,700, is \$1,075,713 and should be divided equally between the county and State, resulting in \$537,857 excess due the State. A previous payment of \$536,023 has been remitted by the county, causing a net underremittance of \$1,834.

The qualified revenues reported for FY 2005-06 were \$2,025,983. The excess, above the base of \$1,044,700, is \$981,283 and should be divided equally between the county and State, resulting in \$490,642 excess due the State. A previous payment of \$483,369 has been remitted by the county, causing a net underremittance of \$7,273.

The under- and overremittances had the following effect:

Account Title	Understated/ (Overstated)
Trial Court Improvement Fund–Government Code §77205:	
FY 2002-03	\$ 6,113
FY 2003-04	2,235
FY 2004-05	1,834
FY 2005-06	7,273
County General Fund	(17,455)

Recommendation

The county should remit \$17,455 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 its corresponding account adjustments.

**FINDING 2—  
Incorrect distribution  
of health and safety  
bail bond forfeiture**

The Shasta County Superior Court did not make a proper distribution of forfeited bail as required under Health and Safety Code section 11502. Instead, the Superior Court distributed the entire forfeited bail amounts into the county’s General Fund. The forfeiture occurred in March 2003. Court personnel indicated that the required distribution was inadvertently overlooked.

Health and Safety Code section 11502, requires 75% of all forfeited bail within Division 10 (Health and Safety Code sections 11000-11592) be remitted to the State Treasurer. The remaining 25% should be distributed to the arresting agency pursuant to Penal Code section 1463.001.

The inappropriate distributions for health and safety bail forfeitures affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula, pursuant to Government Code section 77205. In addition, the inappropriate distribution had the following effect:

Account Title	Understated/ (Overstated)
State General Fund–Health and Safety Code §11502	\$ 183,750
County General Fund	(183,750)

Recommendation

The county should remit \$183,750 to the State Treasurer and report on the remittance advice (TC-31) an increase to the State General Fund–Health and Safety Code section 11502. The county should also make the corresponding account adjustments.

**FINDING 3—  
Incorrect distribution of  
TVS fees related to the  
State Court Facility  
Construction Fund  
penalties and State DNA  
Fund penalties**

The Shasta County Superior Court did not deduct State Court Facility Construction Fund penalties from TVS fees from January 2004 through June 2006. In addition, the court inappropriately deducted State DNA Fund penalties from TVS fees from January 2005 through June 2006. Court personnel indicated that the required distribution was inadvertently overlooked.

From January 1, 2003, through December 31, 2003, State Court Facility Construction Fund penalties were not eligible for any distribution from traffic school violations. However, effective January 1, 2004, for all traffic school violations, Vehicle Code section 42007 requires the Shasta County Courts to include a \$1.50 per violation penalty that would have been collected pursuant to Government Code section 70372(a) on a fine distribution to be deposited in the State Court Facilities Construction Fund.

Starting November 3, 2004, Government Code section 76104.6 requires a \$1 penalty for every \$10 or fraction thereof upon every fine, penalty, and forfeiture levied on criminal offenses including traffic offenses, but excluding parking offenses. The DNA Identification Penalty Assessment is levied and collected in the same manner as the state penalty imposed per Penal Code section 1464 and is not included in the exceptions listed in Vehicle Code section 42007.

The inappropriate distributions for TVS fees affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to Government Code section 77205.

In addition, the inappropriate distribution had the following effect:

Account Title	Understated/ (Overstated)
State Court Facilities Construction Fund—	
Government Code §70372(a)	\$ 100,890
State DNA Penalty Fund—Government Code §76104.6	(16,818)
County General Fund	(76,864)
County DNA Fund	(7,208)

Recommendation

The county should remit \$84,072 to the State Treasurer and report on the remittance advice form (TC-31) an increase of \$100,890 to the State Court Facility Construction Fund—Government Code section 70372(a) and a decrease of \$16,818 to the State DNA Fund—Government Code section 76104.6. The county should also make the corresponding account adjustments.

The Shasta County Superior Court should prepare a redistribution adjustment for State Court Construction Facility Fund and State DNA Fund penalties starting July 2006 through the date the current system is revised.

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

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