

# SHASTA COUNTY

Audit Report

## COURT REVENUES

*July 1, 2006, through June 30, 2013*



**BETTY T. YEE**  
California State Controller

December 2015



**BETTY T. YEE**  
California State Controller

December 31, 2015

Brian Muir  
Auditor-Controller  
Shasta County  
1450 Court Street, #238  
Redding, CA 96001

Melissa Fowler-Bradley  
Court Executive Officer  
Superior Court of California, Shasta County  
1500 Court Street, #201  
Redding, CA 96001

Dear Mr. Muir and Ms. Fowler-Bradley:

The State Controller's Office audited Shasta County's court revenues for the period of July 1, 2006, through June 30, 2013.

Our audit found that the county underremitted a net total of \$143,327 in court revenues to the State Treasurer because it:

- Underremitted 50% excess of qualified fines, fees, and penalties by \$124,190
- Underremitted Health and Safety Bail Bond Forfeitures by \$55,125
- Overremitted Emergency Medical Air Transportation penalties from Traffic Violators School bail by \$35,988

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, 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

Cindy Giese, Collections Supervisor  
Division of Accounting and Reporting  
Bureau of Tax Administration  
Post Office Box 942850  
Sacramento, CA 94250-5872

**Once the county has paid the underremitted Trial Court Improvement Fund amount, we will calculate a penalty on the underremitted amount in accordance with Government Code sections 68085, 70353, and 70377.**

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622 or by email at [egonzalez@sco.ca.gov](mailto:egonzalez@sco.ca.gov).

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/lis

Attachment

cc: Les Baugh, Chairperson  
    Shasta County  
    Board of Supervisors  
John Judnick, Senior Manager  
    Internal Audit Services  
    Judicial Council of California  
Julie Nauman, Executive Officer  
    Victim Compensation and Government Claims Board  
Anita Lee  
    Legislative Analyst's Office  
Michael Gungon, Fiscal Analyst  
    Division of Accounting and Reporting  
    State Controller's Office  
Cindy Giese, Supervisor, Tax Programs Unit  
    Division of Accounting and Reporting  
    State Controller's Office

# Contents

## Audit Report

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>1</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Follow-Up on Prior Audit Findings .....</b>	<b>2</b>
<b>Views of Responsible Officials.....</b>	<b>2</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Findings and Recommendations.....</b>	<b>4</b>
<b>Schedule 1—Summary of Audit Findings by Fiscal Year .....</b>	<b>8</b>
<b>Schedule 2—Summary of Underremittances by Month, Trial Court Improvement Fund .....</b>	<b>9</b>
<b>Schedule 3—Summary of Overremittances by Month.....</b>	<b>10</b>
<b>Attachment A—Shasta County Auditor-Controller’s Response to Draft Audit Report</b>	

# 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, 2006, through June 30, 2013.

Our audit found that the county underremitted a net total of \$143,327 in court revenues to the State Treasurer because it:

- Underremitted 50% excess of qualified fines, fees, and penalties by \$124,190
- Underremitted Health and Safety Bail Bond Forfeitures by \$55,125
- Overremitted Emergency Medical Air Transportation penalties from Traffic Violators School bail by \$35,988

## 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, 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, 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**

Shasta County underremitted a net total of \$143,327 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**

The county has satisfactorily resolved the findings noted in our prior audit report, issued August 22, 2008, with the exception of Finding 2 in this report, which is a repeat finding.

## **Views of Responsible Officials**

We issued a draft audit report on September 18, 2015. Brian Muir, Auditor-Controller, responded by letter dated October 27, 2015 (Attachment A), agreeing with the audit results. We did not receive a response from the Shasta County Court.

**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, CPA  
Chief, Division of Audits

December 31, 2015

# Findings and Recommendations

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

Shasta County Auditor-Controller's Office underremitted by \$124,190 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the seven fiscal years starting July 1, 2006, and ending June 30, 2013.

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

The error occurred because incorrect entries were used in the county's and court's distribution working papers and from the fiscal impact of conditions identified in this report's findings as follows:

- For all seven fiscal years from 2006-07 through 2012-13, the court did not enter a 77/23% split for all Traffic Violator School (TVS) bail. TVS bail should have been reported at 77%. A total of \$168,094 should have been included in the Maintenance-of-Effort (MOE) calculation.
- For all seven fiscal years, the court did not appropriately distribute \$1 to the Court Construction Fund from the county's 23% portion. Instead, it was taken out of the total TVS bail. Therefore, 77% of the TVS bail applicable to the MOE included this amount; \$64,701 should have been included in the MOE calculation.
- As noted in Finding 3, Emergency Medical Air Transportation (EMAT) penalties were distributed from TVS bail from January 2011 through June 2012; \$27,711 ( $35,998 \times 77\%$ ) should have been included in the MOE calculation.
- As stated in Finding 2, in June 2009, 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 Health and Safety Code section 11502. Therefore, \$12,128 ( $16,170 \times 75\%$ ) should not have been included in the MOE calculation.

The qualified revenues reported for FY 2006-07 were \$1,992,862. The excess, above the base of \$1,044,700, is \$948,162. This amount should be divided equally between the county and the State, resulting in \$474,081 excess due the State. The county has remitted a previous payment of \$465,946, causing an underremittance of \$8,135.

The qualified revenues reported for FY 2007-08 were \$1,897,701. The excess, above the base of \$1,044,700, is \$853,001. This amount should be divided equally between the county and the State, resulting in \$426,500 excess due the State. The county has remitted a previous payment of \$407,817, causing an underremittance of \$18,684.



The qualified revenues reported for FY 2008-09 were \$2,134,207. The excess, above the base of \$1,044,700, is \$1,089,507. This amount should be divided equally between the county and the State, resulting in \$544,753 excess due the State. The county has remitted a previous payment of \$528,361, causing an underremittance of \$16,392.

The qualified revenues reported for FY 2009-10 were \$1,942,125. The excess, above the base of \$1,044,700, is \$897,425. This amount should be divided equally between the county and the State, resulting in \$448,713 excess due the State. The county has remitted a previous payment of \$428,669, causing an underremittance of \$20,043.

The qualified revenues reported for FY 2010-11 were \$1,670,159. The excess, above the base of \$1,044,700, is \$625,459. This amount should be divided equally between the county and the State, resulting in \$312,730 excess due the State. The county has remitted a previous payment of \$294,013, causing an underremittance of \$18,717.

The qualified revenues reported for FY 2011-12 were \$1,755,830. The excess, above the base of \$1,044,700, is \$711,130. This amount should be divided equally between the county and the State, resulting in \$355,565 excess due the State. The county has remitted a previous payment of \$334,040, causing an underremittance of \$21,525.

The qualified revenues reported for FY 2012-13 were \$1,604,480. The excess, above the base of \$1,044,700, is \$559,780. This amount should be divided equally between the county and the State, resulting in \$279,890 excess due the State. The county has remitted a previous payment of \$259,197, causing an underremittance of \$20,694.

The following table shows the effect of the underremittances:

Account Title	Underremitted (Overremitted)
Trial Court Improvement Fund–GC §77205	
FY 2006-07	\$ 8,135
FY 2007-08	18,684
FY 2008-09	16,392
FY 2009-10	20,043
FY 2010-11	18,717
FY 2011-12	21,525
FY 2012-13	20,694
County General Fund	(124,190)

#### Recommendation

The county should remit \$124,190 to the State Treasurer and report on the remittance advice form (TC-31) a decrease to the Trial Court Improvement Fund–GC section 77205. The county also should make the corresponding account adjustments.

County’s Response

The Auditor-Controller agreed with Finding 1.

Superior Court’s Response

The Superior Court did not respond to this finding.

SCO’s Comment

The finding remains as stated.

**FINDING 2—  
Underremitted health  
and safety bail bond  
forfeitures**

The Superior Court did not make a proper distribution of one bail forfeiture, as required under Health and Safety (H&S) Code section 11502. The Superior Court distributed the entire forfeited bail as a city arrest. The forfeiture was posted on June 17, 2009. Court personnel indicated that the required distribution was inadvertently overlooked.

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

This finding was addressed in the State Controller’s Office audit of the Shasta County and Superior Court for the period of July 2002 through June 2006 (report issued August 22, 2008).

The inappropriate distributions for health and safety bail forfeitures effect 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:

<u>Account Title</u>	<u>Underremitted/ (Overremitted)</u>
State General Fund – Health and Safety Code section 11502	\$ 55,125
County General Fund	(16,170)
City of Redding	(38,955)

Recommendation

The county should remit \$55,125 to the State Treasurer and report on the remittance advice (TC-31) an increase to the State General Fund – H&S Code section 11502. The county should also make the corresponding account adjustments.

County’s Response

The Auditor-Controller agreed with Finding 2.

Superior Court’s Response

The Superior Court did not respond to this finding.

SCO’s Comment

The finding remains as stated.

**FINDING 3—  
Overremitted  
Emergency Medical  
Air Transportation  
penalties from Traffic  
Violator School bail**

The Superior Court of Shasta County levied a \$4 State Emergency Medical Air Transportation (EMAT) penalty on TVS bail starting January 2011. Court personnel indicated the required distribution was inadvertently overlooked.

Starting January 1, 2011, GC section 76000.1 requires a \$4 penalty upon every fine levied on criminal offenses including traffic offenses, but excluding parking offenses. However, upon the election of traffic school, the fine and penalties are converted to TVS bail, as mandated by Vehicle Code (VC) section 42007. Therefore, because EMAT penalties are not included in the exceptions listed within Vehicle Code (VC) section 42007, they should remain as TVS bail.

The inappropriate distributions of county and state penalties affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula, pursuant to GC section 77205. In addition, the inappropriate distribution had the following effects:

<u>Account Title</u>	<u>Underremitted/ (Overremitted)</u>
Emergency Medical Air Transportation Act Fund	\$ (35,988)
County General Fund	35,988

Recommendation

The county should offset subsequent remittances by \$35,988 to the State Treasurer and report on a TC-31 remittance advice form, a decrease to the State Emergency Medical Air Transportation Act Fund. The court should take steps to insure that EMAT penalties are distributed in accordance with the statutory requirements. A redistribution should be made for the period of July 2013 through the date the distribution system is revised.

County’s Response

The Auditor-Controller agreed with Finding 3.

Superior Court’s Response

The Superior Court did not respond to this finding.

SCO’s Comment

The finding remains as stated.

## Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2006, through June 30, 2013

Description	Code	Fiscal Year							Total	Reference <sup>2</sup>
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13		
<b>Changes to the MOE 50% split due to Findings</b>										
Trial Court Improvement Fund	GC §77205	\$ 8,135	\$ 18,684	\$ 16,392	\$ 20,043	\$ 18,717	\$ 21,525	\$ 20,694	\$ 124,190	Finding 1
<b>Underremitted Health &amp; Safety Bail Bond Forfeitures</b>										
State General Fund	H&S §11502	–	–	55,125	–	–	–	–	55,125	Finding 2
<b>Overremitted EMAT Penalties</b>										
Emergency Medical Air Transportation Act Fund	GC §76000.1	–	–	–	–	(7,852)	(14,728)	(13,408)	(35,988)	Finding 3
Total		<u>\$ 8,135</u>	<u>\$ 18,684</u>	<u>\$ 71,517</u>	<u>\$ 20,043</u>	<u>\$ 10,865</u>	<u>\$ 6,797</u>	<u>\$ 7,286</u>	<u>\$ 143,327</u>	

Legend

GC = Government Code

H&S = Health and Safety 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, 2013**

Month	Fiscal Year							Total <sup>2</sup>
	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 <sup>1</sup>	8,135	18,684	16,392	20,043	18,717	21,525	20,694	
Total under-remittances to the State Treasurer	\$ 8,135	\$ 18,684	\$ 16,392	\$ 20,043	\$ 18,717	\$ 21,525	\$ 20,694	\$ 124,190

NOTE 1: Delinquent Trial Court Improvement Fund remittances not remitted to the SCO within 45 days of the end of the month in which the fees were collected are subject to penalty, pursuant to Government Code section 68085(h). The SCO will calculate and bill the county for the penalty amount after the county pays the underlying amount owed.

<sup>1</sup> The amounts are from Maintenance-of-Effort (MOE) underremittances (Finding 1).

<sup>2</sup> This is a supplemental schedule for 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 Overremittances by Month  
July 1, 2006, through June 30, 2013**

Month	Fiscal Year <sup>1</sup>			Total <sup>2</sup>
	2010-11	2011-12	2012-13	
July	\$ —	\$ (1,259)	\$ (1,054)	
August	—	(1,470)	(1,277)	
September	—	(1,395)	(930)	
October	—	(1,266)	(1,007)	
November	—	(1,278)	(1,144)	
December	—	(1,245)	(1,161)	
January	(68)	(1,353)	(1,202)	
February	(473)	(1,337)	(1,090)	
March	(1,419)	(904)	(1,100)	
April	(1,442)	(943)	(1,101)	
May	(1,684)	(1,138)	(1,160)	
June	(2,766)	(1,140)	(1,182)	
Total overremittances to the State Treasurer:	\$ (7,852)	\$ (14,728)	\$ (13,408)	\$ (35,988)

<sup>1</sup> No overremittances were identified for fiscal years 2006-07 through 2009-10.

<sup>2</sup> This is a supplemental schedule for 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**

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# Shasta County

## OFFICE OF THE AUDITOR-CONTROLLER

1450 Court Street, Suite 238  
Redding, California 96001-1671  
Phone (530) 225-5771

**BRIAN MUIR**  
AUDITOR-CONTROLLER

**NOLDA SHORT**  
ASST. AUDITOR-CONTROLLER

October 27, 2015

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

Dear Ms. Gonzalez:

The Shasta County Auditor-Controller's Office agrees with your findings in relation to the audit performed on the Shasta County's court revenues for the period of July 1, 2006 through June 30, 2013. We will remit the under remitted total of \$143,327 on our next claim.

Thank you for your courtesy during the audit.

Sincerely,

Brian Muir  
Auditor-Controller



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

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