

# **NAPA COUNTY**

Audit Report

## **COURT REVENUES**

*July 1, 2012, through June 30, 2016*



**BETTY T. YEE**  
California State Controller

February 2019



**BETTY T. YEE**  
California State Controller

February 7, 2019

The Honorable Tracy A. Schulze, CPA,  
Auditor-Controller  
Napa County  
1195 Third Street, Suite B-10  
Napa, CA 94559

Richard Feldstein, Court Executive Officer  
Superior Court of California, Napa County  
825 Brown Street  
Napa, CA 94559

Dear Ms. Schulze and Mr. Feldstein:

The State Controller's Office (SCO) audited Napa County's court revenues for the period of July 1, 2012, through June 30, 2016.

Our audit found that the county underremitted a net of \$111,509 in state court revenues to the State Treasurer because it:

- Overremitted the 50% excess of qualified fines, fees, and penalties by \$45,171;
- Underremitted the 2% state automation distributions by \$2,257;
- Underremitted red-light traffic violator school distributions by \$83,805; and
- Underremitted Health and Safety Code bail bond forfeitures distributions by \$70,618.

Upon issuance of the final audit report, the county should remit \$111,509 to the State Treasurer via the TC-31 (Report to State Controller of Remittance to State Treasurer), and include the Schedule of this audit report. On the TC-31, the county should specify the account name identified on the Schedule of this audit report and state that the amounts are related to the SCO audit period of July 1, 2012, through June 30, 2016.

The county should not combine audit finding remittances with current revenues on the TC-31. A separate TC-31 should be submitted for underremitted amounts for the audit period. For your convenience, the TC-31 and directions for submission to the State Treasurer's Office are located at [https://www.sco.ca.gov/ard\\_state\\_accounting.html](https://www.sco.ca.gov/ard_state_accounting.html).

The underremitted amounts are due no later than 30 days after receipt of this final audit report. The SCO will add a statutory one-and-a-half percent (1.5%) per month penalty on applicable delinquent amounts if payment is not received within 30 days of issuance of this final audit report.

Once the county has paid the underremitted amounts, the Tax Programs Unit (TPU) will calculate interest on the underremitted amounts and bill the applicable entities in accordance with Government Code sections 68085, 70353, and 70377.

The Honorable Tracy A. Schulze, CPA,       -1-  
Auditor-Controller  
Richard Feldstein, Court Executive Officer

February 7, 2019

Please mail a copy of the TC-31 and documentation supporting the corresponding adjustments to the attention of the following individual:

Tax Programs Unit Supervisor  
Local Government Programs and Services Division  
Bureau of Tax Administration and Government Compensation  
State Controller's Office  
Post Office Box 942850  
Sacramento, CA 94250

If you have questions regarding the audit findings, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138, or by email at lkurokawa@sco.ca.gov.

If you have questions regarding payments, TC-31s, or interest and penalties, please contact Jennifer Montecinos, Supervisor, TPU, by telephone at (916) 322-7952.

Sincerely,

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

JLS/as

cc: Brad Wagenknecht, Chair  
Napa County Board of Supervisors  
Grant Parks, Manager  
Internal Audit Services  
Judicial Council of California  
Julie Nauman, Executive Officer  
California Victim Compensation Board  
Anita Lee, Senior Fiscal and Policy Analyst  
Legislative Analyst's Office  
Don Lowrie, Fiscal Analyst  
Local Government Policy Unit  
State Controller's Office  
Jennifer Montecinos, Supervisor  
Tax Programs Unit  
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>3</b>
<b>Follow-up on Prior Audit Findings.....</b>	<b>3</b>
<b>Views of Responsible Officials.....</b>	<b>3</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Schedule—Summary of Audit Findings Affecting Remittances to the State Treasurer .....</b>	<b>4</b>
<b>Findings and Recommendations.....</b>	<b>5</b>
<b>Attachment—Superior Court’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 Napa County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2012, through June 30, 2016.

Our audit found that the county underremitted a net of \$111,509 in state court revenues to the State Treasurer because it:

- Overremitted the 50% excess of qualified fines, fees, and penalties by \$45,171;
- Underremitted the 2% state automation distributions by \$2,257;
- Underremitted red-light traffic violator school (TVS) distributions by \$83,805; and
- Underremitted Health and Safety Code bail bond forfeitures distributions by \$70,618.

## 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 receive 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 the SCO to review the reports and records to ensure that all fines and forfeitures have been transmitted. GC section 68104 authorizes the SCO to examine records maintained by the court. Furthermore, GC section 12410 provides the SCO with general audit authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the county and court remitted all court revenues for the period of July 1, 2012, through June 30, 2016, to the State Treasurer, pursuant to the TC-31 process.

To achieve our objective, we:

### General

- Gained an understanding of the county and court's revenue collection and reporting processes by interviewing key personnel, and reviewing documentation supporting the transaction flow;

- Scheduled monthly TC-31 remittances prepared by the county and the court showing court revenue distributions to the State; and
- Performed a review of the complete TC-31 remittance process for revenues collected and distributed by the county and the court.

#### Cash Collections

- Scheduled monthly cash disbursements prepared by the county and the court showing court revenue distributions to the State, county, and cities for all fiscal years in the audit period;
- Performed analytical procedures using ratio analysis for state and county revenues to assess the reasonableness of the revenue distributions based on statutory requirements; and
- Recomputed the annual maintenance-of-effort (MOE) calculation for all fiscal years in the audit period to verify the accuracy and completeness of the 50% excess of qualified revenues remitted to the State.

#### Distribution Testing

- Scheduled parking surcharge revenues collected from entities that issue parking citations within the county to ensure that revenues were correct, complete, and remitted in accordance with state statutory requirements; and
- Performed a risk evaluation of the county and the court, and identified violation types susceptible to errors due to statutory changes during the audit period. Based on the risk evaluation, judgmentally selected a non-statistical sample of 36 cases for eight violation types. Errors found were not projected to the intended (total) population. Then, we:
  - Recomputed the sample case distributions and compared them to the actual distributions; and
  - Calculated the total dollar amount of material overremittances and underremittances to the State.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We did not audit the county and the court's financial statements. We considered the county and court's internal controls only to the extent necessary to plan the audit. We did not review the timeliness of any court revenue remittances that the county and court may be required to make under GC sections 70353 and 77201.1(b), included in the TC-31.

**Conclusion**

Based on the procedures we performed, we found instances of noncompliance with the requirements outlined in our audit objective. These instances are quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

Our audit found that a net of \$111,509 in state court revenues was underremitted to the State Treasurer as follows:

- Overremitted the 50% excess of qualified fines, fees, and penalties by \$45,171;
- Underremitted the 2% state automation distributions by \$2,257;
- Underremitted red-light TVS distributions by \$83,805; and
- Underremitted Health and Safety Code bail bond forfeitures distributions by \$70,618.

The county should remit \$111,509 to the State Treasurer.

**Follow-up on Prior Audit Findings**

The county has satisfactorily resolved the findings noted in our prior audit report for the period of July 1, 2005, through June 30, 2012, issued July 1, 2013.

**Views of Responsible Officials**

We issued a draft report on December 3, 2018. Tracy A. Schulze, Auditor-Controller, responded by email on December 19, 2018, agreeing with the audit results. In addition, Robert E. Fleshman, Court Executive Officer, responded by letter dated December 11, 2018 (Attachment), agreeing with the audit results. This final report includes the court's response.

**Restricted Use**

This audit report is solely for the information and use of Napa County; Superior Court of California, Napa 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 audit report, which is a matter of public record and will be available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

February 7, 2019

## Schedule— Summary of Audit Findings Affecting Remittances to the State Treasurer July 1, 2012, through June 30, 2016

Finding <sup>1</sup>	Fiscal Year					Reference <sup>2</sup>
	2012-13	2013-14	2014-15	2015-16	Total	
<b>Overremitted 50% Excess of Qualified Fines, Fees, and Penalties</b>						
State Trial Court Improvement and Modernization Fund – GC §77205	\$ (11,293)	\$ (11,293)	\$ (11,293)	\$ (11,292)	\$ (45,171)	Finding 1
<b>Underremitted 2% State Automation Fee</b>						
State Trial Court Improvement and Modernization Fund (2% Automation) – GC §68090.8	614	549	549	545	2,257	Finding 2
<b>Underremitted Due to Incorrect Distribution of Red-Light TVS Bail Distributions</b>						
State Court Facilities Construction Fund – GC §70372(a) – Criminal Violations	16,761	16,761	16,761	16,761	67,044	
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC §70372(a) Criminal Violations	4,190	4,190	4,190	4,191	16,761	
	20,951	20,951	20,951	20,952	83,805	Finding 3
<b>Underremitted Due to Incorrect Distribution of Health and Safety Code Bail Bond Forfeitures</b>						
State General Fund – Health and Safety Code §11502	5,849	12,266	5,020	47,483	70,618	Finding 4
<b>Total Amount Underremitted to the State Treasurer</b>	<b>\$ 16,121</b>	<b>\$ 22,473</b>	<b>\$ 15,227</b>	<b>\$ 57,688</b>	<b>\$ 111,509</b>	

<sup>1</sup>The identification of state revenue account titles should be used to ensure proper recording when preparing the TC-31.

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



# Findings and Recommendations

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

During recalculation of the 50% excess of qualified fines, fees, and penalties, we found that the county overremitted \$45,171 to the State Treasurer for the audit period.

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

The following table calculates:

- The excess qualified revenues amount above the base; and
- The county’s overremittances to the State Treasurer by comparing 50% of the excess qualified revenues amount above the base to actual county remittances.

Fiscal Year	Qualifying Revenues	Base Amount	Excess Amount Above the Base	50% Excess Amount Due the State	County Remittance to the State Treasurer	County Overremittance to the State Treasurer <sup>1</sup>
2012-13	\$ 1,320,756	\$ 719,168	\$ 601,588	\$ 300,794	\$ (312,087)	\$ (11,293)
2013-14	1,307,509	719,168	588,341	294,170	(305,463)	(11,293)
2014-15	1,143,934	719,168	424,766	212,383	(223,676)	(11,293)
2015-16	978,656	719,168	259,488	129,744	(141,036)	(11,292)
Total						\$ (45,171)

<sup>1</sup> Should be identified on the TC-31 as State Trial Court Improvement and Modernization Fund – GC §77205.

The county overstated fines in the MOE calculation by \$90,342. The actual adjustment is \$45,171, representing 50% of the overstated fines. As stated in Finding 2, the court incorrectly distributed red-light TVS bail for the audit period. As a result, a net total of \$90,342 should not have been included in the MOE calculation.

Recommendation

We recommend that the county reduce remittances by \$45,171 to the State Treasurer and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund.

County’s Response

The county agreed with this finding.

Court’s Response

The court agrees with this finding.

**FINDING 2—  
Underremitted the  
2% state automation  
fee**

During testing of the state automation fee, we found that the court did not deduct the 2% automation fee from the Alcohol Abuse Education and Prevention Fund in accordance with Penal Code (PC) section 1463.25. The court made the error because its accounting system was not programmed to calculate the correct distribution.

GC section 68090.8 requires that a 2% automation fee should be deducted from all fines, penalties, forfeitures and restitutions.

The incorrect distribution had the following effect:

Account Title	Underremitted/ (Overremitted)
State Trial Court Improvement and Modernization Fund (2% Automation) – GC §68090.8	\$ 2,257
Alcohol Abuse Education and Prevention Fund – PC §1463.25	(2,257)

Recommendation

We recommend that the county remit \$2,257 to the State Treasurer and report on the TC-31 an increase of \$2,257 to the State Trial Court Improvement and Modernization Fund (2% automation), and make the corresponding account adjustments.

We also recommend that the court implement procedures to correct the formulas in its distribution system to reflect the 2% automation fee.

County’s Response

The county agreed with this finding.

Court’s Response

The Court agrees with this finding. Court action taken: The ‘AAEP’ journal was corrected in the case management system after close of business on May 24, 2017, so that all future payments will have the correct 2% Automation split.

**FINDING 3—  
Incorrect distribution  
of red-light traffic  
violator school bail**

During testing of red-light TVS bail, we found that the court incorrectly deducted 30% of State Court Facilities Construction Fund (SCFCF), SCFCF – Immediate and Critical Needs Account (ICNA) and Maddy Emergency Medical Services (EMS) Penalty Fund and distributed the revenues to the general fund of the county or city in which the violation occurred. The court made the error because its accounting system was not programmed to calculate the correct distribution.

PC section 1463.11 requires the first 30% of red light violation base fines, state and county penalties, (PC sections 1463 and 1464, GC section 76100, respectively) to be distributed to the general fund of the county or city in which the violation occurred. GC section 70372(a) State Court Construction penalties are not referenced in the statute; however, GC section 70372(a) is subject to the distribution requirements in accordance

with PC section 1463. Therefore, State Court Construction penalties are subject to the 30% allocation. The remaining 70% should be distributed in accordance with PC section 1463 or Vehicle Code (VC) section 42007 when TVS is elected. Additionally, pursuant to PC section 1463.11, the 30% excludes the State Surcharge and other penalty assessments, such as GC section 76000.5.

VC section 42007.3 requires 30% of the total TVS bail to be allocated to the arresting agency for red-light TVS violations. After the specific distributions are made, the remaining portion is distributed pursuant to VC section 42007.

The incorrect distribution had the following effect:

Account Title	Underremitted/ (Overremitted)
State Court Facilities Construction Fund – GC §70372(a)	\$ 67,044
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC §70372 (a)	16,761
County Emergency Medical Services Fund – GC §76104	33,522
Traffic Violator School Fee – VC §42007	(117,327)

The incorrect distributions of TVS bail affected the revenues reported to the State Trial Court Improvement and Modernization Fund under the MOE formula pursuant to GC section 77205. A net total of \$90,342 (\$117,327 x 77%) should not have been included in the MOE calculation (see Finding 1).

Recommendation

We recommend that the county remit \$83,805 to the State Treasurer and report on the TC-31 increases of \$67,044 to the SCFCF and \$16,761 to the SCFCF-ICNA.

We also recommend that the court implement procedures to correct the formulas in its distribution system for red-light TVS cases.

County’s Response

The county agreed with this finding.

Court’s Response

The Court agrees with this finding. Court action taken: The Red Light Distribution for TVS cases was changed in our case management system after close of business on May 26, 2017, so that all future payments will have the correct distribution.

**FINDING 4—  
Incorrect distribution  
of Health and Safety  
code bail bond  
forfeitures**

During testing of bail bond forfeitures, we found that the court underremitted the State’s share of revenues from Health and Safety Code bail bond forfeitures for the audit period. The Health and Safety (H&S) Code section 11502 requires the distribution of controlled substance revenues (net of the 2% automation fee). The county made the incorrect

distribution because it was unaware of the statutory requirement to remit 75% of the Health and Safety bail bond forfeitures to the State.

H&S Code section 11502 requires that controlled substance revenues are distributed in the following manner: 75% to the State General Fund and 25% to the county or city, depending on where the arrest took place. In addition, GC section 68090.8 requires the deduction of a 2% automation fee from all fines, penalties, forfeitures and restitutions.

The incorrect distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
State General Fund – Health and Safety Code § 11502	\$ 70,618
County General Fund	(70,618)

Recommendation

We recommend that the county remit \$70,618 to the State Treasurer and report on the TC-31 an increase of \$70,618 to the State General Fund – Health and Safety.

We also recommend that the court correct the distribution formula to comply with statutory requirements for forfeited Health and Safety bail bond distributions.

County’s Response

The county agreed with this finding.

Court’s Response

The Court agrees with this finding. Court/County action taken: The Court and County started remitting all HSSGF collections directly to the State effective with March 2017 Collections.

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

---



## Superior Court of California County of Napa

Court Executive Officer  
Robert E. Fleshman

Deputy Court  
Executive Officer  
Maureen Larsen

Deputy Court  
Executive Officer  
Kim Miller

Chief Financial Officer  
Lisa M. Skinner

Chief Information Officer  
Jeannette Vannoy

Telephone  
(707) 299-1100

Historic Courthouse  
825 Brown Street  
Napa, CA 94559-3031  
FAX: (707) 299-1250

Criminal Courthouse  
1111 Third Street  
Napa, CA 94559-3001  
FAX: (707) 253-4673

Juvenile Courthouse  
2350 Old Sonoma Road  
Napa, CA 94559-3703  
(site address only -  
no mail delivery)

December 11, 2018

Lisa Kurokawa, Chief, Compliance Audits Bureau  
State Controller's Office, Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250

Dear Ms. Kurokawa,

The Napa Superior Court has received and reviewed the SCO's draft audit report for Napa County's Court revenues for the period of July 1, 2012 through June 30, 2016. In response, we have a few comments that we have summarized in the attached document. In this document, we have re-stated SCO's four recommendations and provided our response to each of those recommendations. Please be aware that the Court has already taken action on all recommendations.

If you have questions or need any additional information regarding our responses, please contact Chief Financial Officer, Lisa Skinner, at 707-299-1248.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Fleshman", is written over a circular stamp or seal.

Robert E. Fleshman  
Court Executive Officer

REF/lms  
Enclosure

cc: Hon. Elia Ortiz, Presiding Judge, Superior Court of Napa County  
Ms. Lisa Skinner, Chief Financial Officer, Superior Court of Napa County  
Ms. Tracy Schulze, Auditor-Controller, County of Napa

**Napa County Court Revenues  
Audit Report for the period of  
July 1, 2012 – June 30, 2016**

Draft report dated 12/3/18 received on 12/4/18  
Court responses to SCO Recommendations submitted 12/11/18

**FINDING 1— Overremitted 50% Excess of Qualified Fines, Fees, and Penalties**

The county overremitted by \$45,171, the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the audit period.

**SCO Recommendation:**

We recommend that the county reduce remittances by \$45,171 to the State Treasurer and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund.

**Court Response:**

The Court agrees with this finding.

**FINDING 2— Underremitted the 2% State Automation Fee**

The court did not deduct the 2% Automation Fee from the Alcohol Abuse Education and Prevention Fund in accordance with Penal Code (PC) section 1463.25. The court made the error because its accounting system was not programmed to calculate the correct distribution.

**SCO Recommendation:**

We recommend that the county remit \$2,257 to the State Treasurer and report on the TC-31 an increase of \$2,257 to the State Trial Court Improvement and Modernization Fund (2% automation), and make the corresponding account adjustments.

We also recommend that the court implement procedures to correct the formulas in its distribution system to reflect the 2% Automation Fee.

**Court Response:**

The Court agrees with this finding. Court action taken: The 'AAEP' journal was corrected in the case management system after close of business on May 24, 2017, so that all future payments will have the correct 2% Automation split.

**FINDING 3— Incorrect Distribution of Red-light Traffic Violator School (TVS) Bail**

The court incorrectly deducted 30% of State Court Facilities Construction Fund (SCFCF), SCFCF – Immediate and Critical Needs Account (ICNA) and Maddy Emergency Medical Services (EMS) Penalty Fund and distributed the revenues to the general fund of the county or city in which the violation occurred. The court made the error because its accounting system was not programmed to calculate the correct distribution.

**SCO Recommendation:**

We recommend that the county remit \$83,805 to the State Treasurer and report on the TC-31 increases of \$67,044 to the SCFCF and \$16,761 to the SCFCF-ICNA.

We also recommend that the court implement procedures to correct the formulas in its distribution system for red-light TVS cases.

**Court Response:**

The Court agrees with this finding. Court action taken: The Red Light Distribution for TVS cases was changed in our case management system after close of business on May 26, 2017, so that all future payments will have the correct distribution.

**FINDING 4— Incorrect Distribution of Health and Safety Code Bail Bond Forfeitures**

The court underremitted the State's share of revenues from Health and Safety Code Bail Bond Forfeitures for the audit period. Health and Safety (H&S) Code section 11502 requires the distribution of controlled substance revenues (net of the 2% Automation Fee). The county made the incorrect distribution because it was unaware of the statutory requirement to remit 75% of the Health and Safety bail bond forfeitures to the State.

**SCO Recommendation:**

We recommend that the county remit \$70,618 to the State Treasurer and report on the TC-31 an increase of \$70,618 to the State General Fund – Health and Safety.

We also recommend that the court correct the distribution formula to comply with statutory requirements for forfeited Health and Safety bail bond distributions.

**Court Response:**

The Court agrees with this finding. Court/County action taken: The Court and County started remitting all HSSGF collections directly to the State effective with March 2017 collections.



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

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