

ALAMEDA COUNTY

Audit Report

COURT REVENUES

July 1, 2010, through June 30, 2016



BETTY T. YEE
California State Controller

June 2019



BETTY T. YEE
California State Controller

June 28, 2019

Melissa Wilk, Auditor-Controller/Clerk Recorder
Alameda County
1221 Oak Street, Room 249
Oakland, CA 94612

Chad Finke, Court Executive Officer
Superior Court of California
Alameda County
1225 Fallon Street
Oakland, CA 94612

Dear Ms. Wilk and Mr. Finke:

The State Controller's Office (SCO) audited Alameda County's court revenues for the period of July 1, 2010, through June 30, 2016.

Our audit found that the county underremitted \$40,590 in state court revenues to the State Treasurer because it underremitted Health and Safety bail bond forfeitures.

The county should remit \$40,590 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 amount is related to the SCO audit period of July 1, 2010, 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 the underremitted amount 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.

The underremitted amount is 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 amount, the Tax Programs Unit (TPU) will calculate interest on the underremitted amount and bill the county in accordance with Government Code sections 68085, 70353, and 70377.

Melissa Wilk, Auditor-Controller/
Clerk Recorder
Chad Finke, Court Executive Officer

-2-

June 28, 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 finding, 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/lis

cc: Richard Valle, President
Alameda 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

| | |
|--|---|
| Summary | 1 |
| Background | 1 |
| Objective, Scope, and Methodology | 1 |
| Conclusion | 2 |
| Follow-up on Prior Audit Findings | 3 |
| Views of Responsible Officials | 3 |
| Restricted Use | 3 |
| Schedule—Summary of Audit Findings Affecting Remittances to the State Treasurer | 4 |
| Finding and Recommendation | 5 |

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 Alameda County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2010, through June 30, 2016.

Our audit found that the county underremitted \$40,590 in state court revenues to the State Treasurer because it underremitted Health and Safety bail bond forfeitures.

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 to the State Treasurer, pursuant to the TC-31 process.

The audit period was July 1, 2010, through June 30, 2016.

To achieve our objective, we performed the following procedures:

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 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;
- 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 66 cases for nine 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 significant 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 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

As a result of performing the audit procedures, we found that the county underremitted \$40,590 in state court revenues to the State Treasurer. This instance of noncompliance is quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

The county should remit \$40,590 to the State Treasurer via the TC-31.

**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, 2004, through June 30, 2010, issued on January 8, 2013.

**Views of
Responsible
Officials**

We discussed the audit results with county and court representatives at an exit conference on May 28, 2019. Ed Song, Senior Fiscal Specialist; Kevin Hing, Chief Deputy Auditor; and Divina Villanueva, Principal Auditor, agreed with the audit results. The county and court representatives stated that a draft audit report was not necessary, and that the audit report could be issued as final.

Restricted Use

This audit report is solely for the information and use of Alameda County; Superior Court of California, Alameda 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 is available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

June 28, 2019

Schedule—
Summary of Audit Findings Affecting Remittances to the State Treasurer
July 1, 2010, through June 30, 2016

| Finding ¹ | Fiscal Year | | | | | | Total | Reference ² |
|--|-------------|-------------|-----------------|-------------|-------------|------------------|------------------|------------------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | | |
| Underremittance of Health and Safety bail bond forfeitures | | | | | | | | |
| State General Fund (Health and Safety) – Health and Safety Code §11502 | \$ - | \$ - | \$ 4,950 | \$ - | \$ - | \$ 35,640 | \$ 40,590 | Finding |
| Total Underremittance to the State Treasurer | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,950</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,640</u> | <u>\$ 40,590</u> | |

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

²See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Underremittance of
Health and Safety bail
bond forfeitures**

During testing of bail bond forfeiture distributions, we found that the Central Collection Department did not distribute the State’s share (which is 75%) of the Health and Safety bail bond forfeitures to the State for the period of July 1, 2010, through June 30, 2016, thereby causing an underremittance of \$40,590 to the State General Fund. The error occurred because the Central Collection Department staff misinterpreted the statutorily-required distributions.

Health and Safety Code section 11502(a) states:

All moneys, forfeited bail, or fines received by any court under this division shall as soon as practicable after the receipt thereof be deposited with the county treasurer of the county in which the court is situated. Amounts so deposited shall be paid at least once a month as follows: 75 percent to the State Treasurer by warrant of the county auditor drawn upon the requisition of the clerk or judge of the court to be deposited in the State Treasury on order of the Controller; and 25 percent to the city treasurer of the city, if the offense occurred in a city, otherwise to the treasurer of the county in which the prosecution is conducted.

The underremittances had the following effect:

| Account Title | Underremitted/ (Overremitted) |
|--|----------------------------------|
| State General Fund (Health and Safety) – Health and Safety Code §11502 | \$ 40,590 |
| | <u>40,590</u> |
| County General Fund | (8,686) |
| City of Oakland | (12,243) |
| City of Livermore | (8,976) |
| City of Alameda | (6,395) |
| City of Hayward | (4,290) |
| | <u>\$ (40,590)</u> |

Recommendation

We recommend that the county:

- Establish and implement procedures to properly report Health and Safety bail bond forfeitures; and
- Remit \$40,590 to the State Treasurer and report an increase on the TC-31 an increase of \$40,590 to the State General Fund (Health and Safety).

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

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