

CALAVERAS COUNTY

Audit Report

COURT REVENUES

July 1, 2009, through June 30, 2016



BETTY T. YEE
California State Controller

June 2019



BETTY T. YEE
California State Controller

June 14, 2019

Rebecca Callen, Auditor-Controller
Calaveras County
891 Mountain Ranch Road
San Andreas, CA 95249

Karen Camper, Court Executive Officer
Superior Court of California, Calaveras
County
400 Government Center Drive
San Andreas, CA 95249

Dear Ms. Callen and Ms. Camper:

The State Controller's Office (SCO) audited Calaveras County's court revenues for the period of July 1, 2009, through June 30, 2016.

Our audit found that the county underremitted a net of \$57,531 in state court revenues to the State Treasurer because it:

- Overremitted the 50% excess of qualified fines, fees, and penalties by \$36,015; and
- Underremitted to the State Court Facilities Construction Fund – Immediate and Critical Needs Account by \$93,546.

The county made a payment of \$57,531 in April 2019. The Tax Programs Unit (TPU) will calculate interest on this amount and bill the county in accordance with Government Code sections 68085, 70353, and 70377.

In addition, we found that the Superior Court of California, Calaveras County incorrectly distributed red-light traffic violator school bail.

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 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/hf

cc: Jack Garamendi, Chair
 Calaveras 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

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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 Calaveras County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2009, through June 30, 2016.

Our audit found that the county underremitted a net of \$57,531 in state court revenues to the State Treasurer because it:

- Overremitted the 50% excess of qualified fines, fees, and penalties by \$36,015; and
- Underremitted to the State Court Facilities Construction Fund – Immediate and Critical Needs Account (ICNA) by \$93,546.

In addition, we found that the Superior Court of California, Calaveras County (court), incorrectly distributed red-light traffic violator school (TVS) bail.

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, 2009, 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 (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 revenue 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 26 cases for six 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 and overremittances 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 a net of \$57,531 in state court revenues to the State Treasurer. In addition, we found that the court incorrectly distributed red-light TVS bail. These instances of non-compliance are quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

The county made a payment of \$57,531 in April 2019.

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, 2003, through June 30, 2009, issued April 2011.

Views of Responsible Officials

We issued a draft report on March 29, 2019. Rebecca Callen, Auditor-Controller, responded by letter dated April 15, 2019, agreeing with the audit results. Karen Camper, Court Executive Officer, responded by letter dated April 16, 2019, also agreeing with the audit results.

Restricted Use

This audit report is solely for the information and use of Calaveras County; Superior Court of California, Calaveras 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 14, 2019

Schedule— Summary of Audit Findings Affecting Remittances to the State Treasurer July 1, 2009, through June 30, 2016

Finding ¹	Fiscal Year						Total	Reference ²	
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15			2015-16
Overremitted 50% excess of qualified fines, fees and penalties:									
State Trial Court Improvement and Modernization Fund – GC §77205	\$ (6,837)	\$ (7,080)	\$ (6,314)	\$ (7,786)	\$ (7,998)	\$ -	\$ -	\$ (36,015)	Finding 1
Underremitted the State Court Facilities Construction Fund – ICNA:									
State Court Facilities Construction Fund - ICNA – GC §70372(a)	17,758	18,390	16,400	20,224	20,774	-	-	93,546	Finding 2
Net amount underremitted to the State Treasurer	<u>\$ 10,921</u>	<u>\$ 11,310</u>	<u>\$ 10,086</u>	<u>\$ 12,438</u>	<u>\$ 12,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,531</u>	

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

²See 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 the 50% excess of qualified revenues by \$36,015 to the State Treasurer for the period of July 1, 2009, through June 30, 2014.

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

The following table shows:

- The excess qualified revenues amount above the base; and
- The county 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 to the State ¹	County Remittance to the State Treasurer	County Overremittance to the State Treasurer ²
2009-10	\$ 368,919	\$ 310,331	\$ 58,588	\$ 29,294	\$ (36,131)	\$ (6,837)
2010-11	382,606	310,331	72,275	36,137	(43,217)	(7,080)
2011-12	349,295	310,331	38,964	19,482	(25,796)	(6,314)
2012-13	369,390	310,331	59,059	29,530	(37,316)	(7,786)
2013-14	420,334	310,331	110,003	55,002	(63,000)	(7,998)
Total						\$ (36,015)

¹Differences due to rounding.

²Should be identified on the TC-31 as State Trial Court Improvement and Modernization Fund – GC § 77205

The error occurred because the county overstated fines by \$72,030. The actual adjustment is \$36,015, representing 50% of the overstated fines. As stated in Finding 2, the court underremitted the state court construction penalty on non-red-light TVS cases. As a result, a net total of \$72,030 (\$93,546 x 77%) should not have been included in the MOE calculation.

Recommendation

We recommend that the county reduce remittances to the State Treasurer by \$36,015 and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund.

County’s Response

The county agreed with the audit finding.

**FINDING 2—
Underremitted the
State Court Facilities
Construction Fund –
Immediate and
Critical Needs
Account**

During testing of the non-red-light TVS cases, we found that the court underremitted the state court construction penalty. The court is required to distribute \$5 of every \$10 base fine to the State, however, it only distributed \$1 to the State and the remaining \$4 was incorrectly distributed to the county. This error resulted in a total underremittance of \$93,546 to the State Treasurer. The error occurred because court personnel misinterpreted the required distributions.

GC section 70372(a)(1) requires a levied state court construction penalty, in the amount of \$5 for every \$10, or part of \$10, upon every fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

The incorrect distribution had the following effect:

Account Title	Underremitted/ (Overremitted)
State Court Facilities Construction Fund – ICNA – GC §70372(a) County TVS Fee	\$ 93,546 (93,546)

The incorrect distribution of the TVS bail also affects 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 \$72,030 (\$93,546 x 77%) should not have been included in the MOE calculation (see Finding 1).

Recommendation

We recommend that:

- The county remit \$93,546 to the State Treasurer and report on the TC-31 an increase of \$93,546 to the State Court Facilities Construction Fund – ICNA; and
- The court review the required statutory distributions and implement procedures to ensure that state penalties are distributed in accordance with statutory requirements.

County’s Response

The county agreed with the audit finding and remitted the amount required.

Court’s Response

The court agreed with the audit finding and stated that it made the necessary changes to its system to correct the issues identified.

**FINDING 3—
Incorrect distribution
of red-light TVS bail**

During testing of the red-light TVS cases, we found that the court incorrectly distributed red-light TVS bail on one case in 2013. This error resulted in an understatement to the county and city general fund in which the violation occurred. The error occurred because the court’s accounting system has not been programmed to comply with the statutory requirements affecting the distribution of red-light traffic bail. We did not

measure the fiscal impact, as only one case was identified in error; therefore, the amount was not material.

Penal Code (PC) section 1463.11 requires the first 30% of red light violation base fines 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 Emergency Medical Services Fund (EMS).

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 to be distributed pursuant to VC section 42007.

Recommendation

We recommend that the court work with its accounting system administrator to ensure that base fines and state penalties are distributed in accordance with statutory requirements.

Court's Response

The court agreed with the audit finding and stated that it made the necessary changes to its system to correct the issues identified.

**Attachment A—
County’s Response to Draft Audit Report**



COUNTY OF CALAVERAS

Office of AUDITOR-CONTROLLER

Rebecca Callen Auditor-Controller * 891 Mountain Ranch Road San Andreas, CA 95249 * Ph: (209) 754-6343 * Email * RCallen@co.calaveras.ca.us

Monday, April 15, 2019

Lisa Kurokawa
Chief – Compliance Audits Bureau
State Controller's Office – Division of Audits
Post Office Box 942850
Sacramento, CA 94250

RE: Calaveras County's Court Revenues Audit

Dear Ms. Kurokawa,

Calaveras County is in agreement with the audit findings and the draft report as submitted. We have remitted the amount required and have made the necessary changes in our systems to address and correct the issues detailed.

Thank You,

A handwritten signature in black ink, appearing to be 'R. Callen', written over a horizontal line.

Rebecca Callen
Auditor-Controller

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



**Superior Court of California
County of Calaveras**

400 Government Center Drive
San Andreas, CA 95249
(209) 754-9800 Voice (209) 754-6296 Fax
www.calaveras.courts.ca.gov

*Timothy S. Healy
Presiding Judge*

*David M. Sanders
Assistant Presiding Judge*

*Karen Camper
Court Executive Officer*

April 16, 2019

Lisa Kurokawa
Chief -- Compliance Audits Bureau
State Controller's Office -- Division of Audits
PO Box 942850
Sacramento, CA 94250

Re: Calaveras County's Court Revenues Audit

Dear Ms. Kurokawa,

Calaveras Superior Court is in agreement with the audit findings and the draft report as submitted. We had previously made the necessary changes in our system to address and correct the issues detailed.

Thank you,

A handwritten signature in black ink that reads "Karen Camper".

Karen Camper
Court Executive Officer

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

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