

MONO COUNTY

Audit Report

COURT REVENUES

July 1, 2009, through June 30, 2016



BETTY T. YEE
California State Controller

September 2019



BETTY T. YEE
California State Controller

September 3, 2019

Dear County, Court, and Town Representatives:

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

Our audit found that a net of \$161,618 in state court revenues was underremitted to the State Treasurer. Specifically, we found that the county underremitted a net of \$156,553 in court revenues to the State Treasurer because it:

- Overremitted the 50% excess of qualified fines, fees, and penalties by \$106,014; and
- Underremitted the Traffic Violator School Fee by \$262,567.

In addition, our audit found that the Town of Mammoth Lakes did not remit \$5,065 in equipment violation penalties to the State Treasurer via Mono County. On September 15, 2017, the Town of Mammoth Lakes paid the underremitted amount of \$5,065 via Mono County.

The county should remit \$156,553 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, 2009, 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.

Upon receipt of payment, the Tax Programs Unit (TPU) will calculate penalties and interest, if applicable, pursuant to Government Code sections 68085, 70353, and 70377, and bill the county accordingly.

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

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 payments, TC-31s, or interest and penalties, please contact Jennifer Montecinos, Manager, TPU, by telephone at (916) 322-7952, or by email at lgpsdtaxaccounting@sco.ca.gov.

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.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

Attachment—Recipient Addresses

cc: Bob Gardner, Chair
Mono 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
Sandeep Singh, Manager
Local Government Policy Unit
State Controller's Office
Jennifer Montecinos, Manager
Tax Programs Unit
State Controller's Office

Recipient Addresses

Janet Dutcher, Finance Director
Mono County
P.O. Box 556
Bridgeport, CA 93517

Lester Perpall, Court Executive Officer
Superior Court of California, Mono County
P.O. Box 1037
Mammoth Lakes, CA 93546

Cyndi Myrold, Finance Manager
Town of Mammoth Lakes
P.O. Box 1609
Mammoth Lakes, CA 93546

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
Findings and Recommendations	5
Attachment A—County’s Response to Draft Audit Report	
Attachment B—Superior Court’s Response to Draft Audit Report	

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 Mono 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 a net of \$161,618 in state court revenues was underremitted to the State Treasurer. Specifically, we found that the county underremitted a net of \$156,553 in court revenues to the State Treasurer because it:

- Overremitted the 50% excess of qualified fines, fees, and penalties by \$106,014; and
- Underremitted the Traffic Violator School (TVS) fee by \$262,567.

In addition, we found that the Town of Mammoth Lakes did not remit \$5,065 in equipment violation penalties to the State Treasurer via Mono County.

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, 2009, through June 30, 2016, to the State Treasurer, pursuant to the TC-31 process.

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 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 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 material 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 instances of noncompliance with the requirements described in our audit objective. Specifically, we found that a net of \$161,618 in state court revenues was underremitted to the State Treasurer as follows:

- The county overremitted the 50% excess of qualified fines, fees, and penalties by \$106,014;

- The county underremitted the TVS fee by \$262,567; and
- The Town of Mammoth Lakes did not remit \$5,065 in equipment violation penalties.

These instances of noncompliance are quantified in the Schedule and further described in the Findings and Recommendations section of this audit report.

On September 15, 2017, the Town of Mammoth Lakes paid the underremitted amount of \$5,065 via Mono County.

The county should remit \$156,553 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, 2003, through June 30, 2009, issued March 4, 2011.

Views of Responsible Officials

We issued a draft audit report on June 17, 2019. Stephanie Butters, Assistant Director of Finance, responded by letter dated July 26, 2019 (Attachment A), agreeing with the audit results. In addition, Lester Perpall, Court Executive Officer, responded by letter dated July 30, 2019 (Attachment B). The Town of Mammoth Lakes did not provide a response to the draft audit report. The county and the court's responses are included as attachments to this audit report.

Restricted Use

This audit report is solely for the information and use of Mono County; Superior Court of California, Mono County; Town of Mammoth Lakes; 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

September 3, 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:									
<u>Mono County</u>									
State Trial Court Improvement and Modernization Fund – GC §77205	\$ 42,159	\$ (1,787)	\$ (32,166)	\$ (30,352)	\$ (19,775)	\$ (31,103)	\$ (32,990)	\$ (106,014)	Finding 1
Underremitted Traffic Violator School fee:									
<u>Mono County</u>									
State Court Facilities Construction Fund – Immediate Critical Needs Account (ICNA) – VC §42007.1	(4,400)	72,702	59,592	55,413	44,209	53,551	(18,500)	262,567	Finding 2
Unremitted equipment violation penalties:									
<u>Town of Mammoth Lakes</u>									
State General Fund (Equipment Violations) – VC §40225(d)	(1,671)	278	457	778	2,755	518	1,950	5,065	Finding 3 ³
Net underremittances to the State Treasurer	<u>\$ 36,088</u>	<u>\$ 71,193</u>	<u>\$ 27,883</u>	<u>\$ 25,839</u>	<u>\$ 27,189</u>	<u>\$ 22,966</u>	<u>\$ (49,540)</u>	<u>\$ 161,618</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.

³Town of Mammoth Lakes paid \$5,065 to the State Treasurer via Mono County on September 15, 2017.

Findings and Recommendations

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

During our recalculation of the 50% excess of qualified fines, fees, and penalties, we found that Mono County overremitted \$106,014 to the State Treasurer for fiscal year (FY) 2009-10 through FY 2015-16.

GC section 77205 requires the county to remit 50% of qualified revenues that exceed the amount specified in GC section 77201.1(b)(2) for 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 the State	County Remittance to the State Treasurer	Overremittance to the State Treasurer ¹
2009-10	\$ 538,276	\$ 415,136	\$ 123,140	\$ 61,570	\$ (19,411)	\$ 42,159
2010-11	644,513	415,136	229,377	114,689	(116,476)	(1,787)
2011-12	569,038	415,136	153,902	76,951	(109,117)	(32,166)
2012-13	513,910	415,136	98,774	49,387	(79,739)	(30,352)
2013-14	425,141	415,136	10,005	5,003	(24,778)	(19,775)
2014-15	497,841	415,136	82,705	41,353	(72,456)	(31,103)
2015-16	557,331	415,136	142,195	71,098	(104,088)	(32,990)
Total						<u>\$ (106,014)</u>

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

The error occurred because the county overstated qualified revenues by \$212,028. The actual adjustment is \$106,014, representing 50% of the overstated qualified revenues. The \$212,028 is calculated as follows:

- For FY 2009-10, the county did not include the Recording and Indexing Fee in its MOE calculation. We computed the average annual collection of the fee for the period of FY 2010-11 through FY 2015-16, for a total of \$20,752. The exclusion of the Recording and Indexing Fee resulted in an understatement of \$20,752.
- For FY 2010-11, the county used an incorrect MOE base amount of \$409,751 instead of \$415,136 in its MOE calculation. This resulted in an overstatement of \$5,385.
- The county understated county base fine amounts in its MOE calculations. This resulted in an understatement of \$14,870.
- As noted in Finding 2, the county did not correctly distribute the TVS fee from July 2009, through June 30, 2016. The incorrect distribution caused overstatements of \$72,796 to the traffic school bail and \$169,469 to the traffic school fee. This resulted in a total overstatement of \$242,265.

Recommendation

We recommend that the county reduce remittances to the State Treasurer by \$106,014, and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund.

County’s Response

The county agrees with the finding, and indicates that it has taken appropriate steps to prevent future errors.

**FINDING 2—
Underremitted
Traffic Violator
School fee**

During our review of TC-31 remittances, we found that the court incorrectly distributed the entire \$49 TVS fee to the county instead of remitting \$24.99 (51% of \$49) of the TVS fee to the State for the period of July 1, 2009, through August 31, 2015. The error occurred because the court staff misinterpreted the statutorily required distributions.

Vehicle Code (VC) section 42007.1.(b) requires that the revenue from the \$49 fee collected under this section shall be deposited in the county General Fund. Fifty-one percent of the amount collected under this section and deposited into the county General Fund must be transmitted monthly to the Controller for deposit in to the Immediate and Critical Needs Account of the State Court Facilities Construction Fund.

The incorrect distribution for TVS fee 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 \$242,265 was erroneously included in the MOE calculation.

The incorrect distribution also had the following effect:

<u>Account Title</u>	<u>Underremitted/ (Overremitted)</u>
State Court Facilities Construction Fund – ICNA – VC §42007.1	262,567
County General Fund	(262,567)

Recommendation

We recommend that the county remit \$262,567 to the State Treasurer and report on the TC-31 an increase to the State Court Facilities Construction Fund – ICNA.

Court’s Response

The court confirms that it has been correctly distributing the TVS fee since September 1, 2015.

**FINDING 3—
Unremitted
equipment violation
penalties**

During our testing of parking revenue, we found that the Town of Mammoth Lakes did not remit the statutorily required 50% of equipment violation penalties to the State from January 1, 2009, through June 30, 2016. As a result, the town did not remit \$5,065 to the State. The error occurred because Town of Mammoth Lakes staff members misinterpreted the required equipment violation revenue distributions.

VC section 40225(d) requires 50% of any penalty collected pursuant to this section for registration or equipment violations by a processing agency to be paid to the county for remittance to the State Treasurer, and the remaining 50 percent to be retained by the issuing agency and processing agency subject to the terms of the contract described in VC section 40200.5.

The unremitted distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
State General Fund (Equipment Violations) – VC §40225(d) Town of Mammoth Lakes	\$ 5,065 (5,065)

Recommendation

We recommend that Town of Mammoth Lakes:

- Establish and implement procedures to properly distribute equipment violation penalties; and
- Remit \$5,065 to Mono County for subsequent remittance to the State Treasurer.

We also recommend that Mono County remit to the State Treasurer any portion of the \$5,065 that it receives from the Town of Mammoth Lakes, and report on the TC-31 an increase to the State General Fund (Equipment Violations).

County’s Response

The county agrees with the finding, and indicates that on September 15, 2017, it remitted \$5,065 to the State Treasurer on behalf of the Town of Mammoth Lakes.

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



**DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER
COUNTY OF MONO**

*Stephanie M. Butters
Assistant Finance Director
Auditor-Controller*

*Janet Dutcher, CPA, CGFM
Director of Finance*

*P.O. Box 556
Bridgeport, California 93517
(760) 932-5490
Fax (760) 932-5491*

July 26, 2019

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

RE: Response to Mono County Draft Court Revenue Audit Report

Dear Chief Lisa Kurokawa,

We have received and reviewed the draft Court Revenue Audit Report conducted by your office for the period of July 1, 2009, through June 30, 2016. We would like to thank the State Controller's audit staff for their assistance throughout the audit process and this opportunity to improve our processes.

The County of Mono concurs with the findings and recommendations noted in the Court Revenue Audit Report, with the following comments:

Finding 1 – Appropriate steps have been taken to prevent future errors.

Finding 2 – The Mono Superior Court has corrected the TVS fee calculation error as of September 1, 2015.

Finding 3 – The County of Mono, on behalf of the Town of Mammoth Lakes, has already remitted \$5,065 via TC-31 CO260811, dated September 15, 2017. The Town of Mammoth Lakes has been made aware of the finding and recommendation.

We appreciate the professionalism exhibited by your audit team and the assistance they provided.

Respectfully yours,

A handwritten signature in blue ink, appearing to read "Stephanie Butters".

Stephanie Butters
Assistant Director of Finance
County of Mono

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



**SUPERIOR COURT OF CALIFORNIA
COUNTY OF MONO**

MARK MAGIT
Presiding Judge
GERALD F. MOHUN, JR.
Assistant Presiding Judge

LESTER PERPALL
Court Executive Officer

100 Thompsons Way
Mailing Address: P.O. Box 1037
Mammoth Lakes, CA 93546

July 30, 2019

Lisa Kurokawa, Bureau Chief
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Ms. Kurokawa,

The Superior Court of California Mono would like to comment on the findings of the court revenue audit by the California State Controller for the period of July 1, 2009 through June 30, 2016. With regards to Finding 2, the error was corrected as of September 1, 2015 so the error only occurred during the audit period of July 1, 2009 through August 31, 2015. Therefore, the recommendation should reflect that it was corrected and the TVS fee is being calculated correctly.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lester Perpall", is written over the word "Sincerely,".

Lester Perpall
Court Executive Officer

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

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