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July 28, 2009

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Treasurer-Tax Collector/Public Administrator
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SUBJECT: DNA TRUST FUND AUDIT

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing and the Internal Controls and Cash Manual (ICCM), we have completed an audit of the Treasurer-Tax Collector/Public Administrator DNA trust funds. Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditors.

Background

Proposition 69 (DNA Initiative) was passed on November 2, 2004, and became effective the next day. The DNA Initiative added Government Code (GC) section 76104.6 which provides for a \$1 penalty for every \$10 or fraction thereof upon every fine, penalty and forfeiture levied on criminal offenses including traffic offenses, but excluding parking offenses.

Assembly Bill (AB) 1806 was enacted on July 12, 2006, and became effective on that day. AB 1806 added GC section 76104.7 which provides for a \$1 penalty for every \$10 or fraction thereof upon every fine, penalty and forfeiture levied on criminal offenses including traffic offenses, but excluding parking offenses. The DNA Penalty Assessment is in addition to the DNA Identification Penalty Assessment (created by GC section 76104.6, Proposition 69). This DNA Additional Penalty Assessment (created by GC section 76104.7) was effective July 12, 2006, for violations that occurred on or after July 12, 2006. The DNA Identification Penalty Assessment is levied and collected in the same manner as the State Penalty imposed per Penal Code (PC) section 1464 and the DNA Identification Penalty Assessment per GC 76104.6.

The California State Controller's Office established a uniform accounting system to ensure that trial court revenues (fines, penalties, fees etc.) are properly and uniformly accounted for and distributed to all levels of government. County of San Bernardino trial courts are to comply with the accounting system.

Objectives, Scope and Methodology

Our overall objective was to determine whether internal controls over trust funds practiced by the department effectively safeguard its assets. Specific audit objectives were to determine whether:

1. All monies received are held in trust and deposited to the appropriate fund with the County Treasurer.
2. Records are maintained to account for all receipts and disbursements from the trust fund.

We reviewed internal controls over cash for the period of September 1, 2008 through October 31, 2008. Our audit included verification of deposit records, inquiries of staff, observation of cash handling procedures and other audit procedures considered necessary.

Conclusion

As a result of our analysis and tests performed, we concluded that internal controls practiced by the department effectively safeguard its assets. We determined that:

1. All monies received are held in trust and deposited with the County Treasurer.
2. Records were maintained to account for all receipts and disbursements from the trust fund.

We identified an area that could be improved. We have listed this area and our recommendations for improvement in the Findings and Recommendations section of this report.

We sent a draft report to the department on June 17, 2009 and discussed our observations with management on July 9, 2009. Management's responses have not been altered in any way and are included below as they were provided to us.

Findings and Recommendations

Finding: No Interest Earning Account for DNA trust funds

The DNA Identification Penalty Assessment (Proposition 69) is required to be deposited in an interest earning county fund called the DNA Identification Fund effective March 31, 2005. The DNA Additional Penalty Assessment (Assembly Bill 1806) is required to be deposited in an interest earning county fund effective September 30, 2006. Our audit results indicated that DNA trust funds were not held in interest earning accounts for Proposition 69 and Assembly Bill 1806 DNA assessments. Department upon being

notified of this oversight has begun the process to establish an interest bearing account for the DNA trust funds.

Recommendation:

The Department should establish an interest earning account as required for DNA trust funds under Government Code sections 76104.6 and 76104.7.

Management's Response:

The Treasurer-Tax Collector Office concurs with the finding and recommendation of the Auditor/Controller's Office. These funds are now interest-bearing and on April 27, 2009, interest was posted to the appropriate DNA Trust Funds.

Auditor's Response:

The Department's response addresses planned actions to correct deficiencies noted in the finding.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
~~Howard~~ Ochi, CPA
Chief Deputy Auditor
Internal Audits Section

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