



2015-2016 SANTA CLARA COUNTY CIVIL GRAND JURY REPORT

DEPARTMENT OF REVENUE: THE COUNTY'S COLLECTION AGENCY

Background

The 2015-2016 Santa Clara County Civil Grand Jury (Grand Jury) received and investigated a complaint that the Santa Clara County (County) Department of Revenue (DOR) failed to credit payments to debtors' accounts until months after receipt and imposed excessive late fees and interest.

The DOR is the central collection agency of unpaid fees and fines for County agencies. It is part of the County's Finance Agency, which also includes the Controller-Treasurer Department, Office of the Tax Collector, and the Clerk-Recorder's Office. The DOR is located on Berger Drive in San Jose.

The DOR has a staff of about 100, including approximately 60 employees in collections. Other employees are in legal, accounting, cashiering, and system administration. The DOR reported that they collected about \$78 million on a \$10 million budget in Fiscal Year (FY) 2014-2015.

Debts determined by a County agency to be delinquent are turned over to the DOR. For example, court debts are delivered to the DOR when 60 days past due, while Santa Clara Valley Medical Center (VMC) debts may be 90 days or more past due when sent to the DOR.

Approximately 10,000 new debts are handed over to the DOR each month. Debtors who are unable to pay in full may negotiate payment plans with their assigned DOR account representative; however, court ordered restitutions may be non-negotiable.

Most debts given to the DOR originate from the courts (traffic, adult probation, victim restitution, parking) and VMC. These sources comprised approximately 82% of the collections in FY 2014-2015.

The DOR provides professional collection services such as:

- Skip trace to locate debtors and assets
- Wage garnishment
- Credit reports
- Small claims court

The DOR is also able to intercept state tax refunds through the California Franchise Tax Board and to suspend driver licenses through court orders.

Payments may be made to the DOR online using a credit card or debit card. Payments may also be made by mail or in person using a credit card, debit card, check, cash, or money order. Mailed payments are credited the day they are received. In addition, over 300 visitors make payments daily at the DOR counter; those payments are also credited the day they are received.

Debtors receive a monthly account statement. Each new DOR account statement shows the charges from the originating agency. For existing accounts, the statement gives the previous balance, payments, any additional charges, the new balance, any past due payments, the current payment due, and warnings of possible actions for past non-payment. The statement also provides the name of the account representative or responsible DOR unit for questions or complaints.

Discussion

The Grand Jury conducted its investigation by familiarizing itself with the DOR website, conducting interviews, reviewing debtor accounts and statements, and touring the DOR offices.

During its investigation the Grand Jury discovered account statements showing payments that did not appear to be credited on a timely basis. However, a review of the corresponding account history provided by the DOR showed all payments had been properly credited. The Grand Jury discovered that the first digit of the two-digit month in the payment date did not appear on the account statement (see Figures 1 and 2) creating confusion about when the payment was posted.

In Figure 1, for example, the 'TRANS DATE' on a November statement appears as 1-06-14, rather than the correct date of 11-06-14. This gives the impression the payment was made in January and not credited until November. The Grand Jury confirmed with the DOR that statement dates always use two digits each for month, day, and year, so a January payment would have appeared as 01-06-14. The Grand Jury examined the account history and verified that a payment was made on 11-06-14.

Analysis of the December statement shown in Figure 2 and corresponding entries in the account history showed similar results. Payment was actually made on 12-03-14, instead of 2-03-14 as printed on the statement.

COUNTY OF SANTA CLARA DEPARTMENT OF REVENUE		MAIL: P.O. BOX 1897, SAN JOSE, CA 95109-1897 OFFICE: 1555 BERGER DR., BLDG #2, SAN JOSE, CA		
TRANS DATE	DESCRIPTION	ITEM	AMOUNT	
1-06-14	PAYMENT - THANK YOU	PYT	-100.00	
PREVIOUS BALANCE	PAYMENTS	CURRENT CHGS & ADJS.	ACCOUNT BALANCE	CURRENT PAYMENT DUE
	-100.00	0.00		
ACCOUNT NUMBER	STATEMENT DATE	REFERENCE (IF REFERENCE BEGINS WITH "VM" SEE REVERSE SIDE)	PAST DUE PAYMENT	
	11-09-14		0.00	
PHONE 408- EXT	PAYMENT DUE DATE	(SEE REVERSE SIDE FOR MORE INFORMATION)		TOTAL PAYMENT DUE
		PAYMENT DUE IMMEDIATELY		
YOUR ACCOUNT REPRESENTATIVE IS:				

Figure 1. November statement shows an apparent January payment (see arrow). Identifying information has been removed.

COUNTY OF SANTA CLARA DEPARTMENT OF REVENUE		MAIL: P.O. BOX 1897, SAN JOSE, CA 95109-1897 OFFICE: 1555 BERGER DR., BLDG #2, SAN JOSE, CA		
TRANS DATE	DESCRIPTION	ITEM	AMOUNT	
2-03-14	PAYMENT - THANK YOU	PYT	-100.00	
PREVIOUS BALANCE	PAYMENTS	CURRENT CHGS & ADJS.	ACCOUNT BALANCE	CURRENT PAYMENT DUE
	-100.00	0.00		
ACCOUNT NUMBER	STATEMENT DATE	REFERENCE (IF REFERENCE BEGINS WITH "VM" SEE REVERSE SIDE)	PAST DUE PAYMENT	
	12-07-14		0.00	
PHONE 408- EXT	PAYMENT DUE DATE	(SEE REVERSE SIDE FOR MORE INFORMATION)		TOTAL PAYMENT DUE
		PAYMENT DUE IMMEDIATELY		
YOUR ACCOUNT REPRESENTATIVE IS:				
STATEMENT OF ACCOUNT		12-07-14	RETURN THIS PORTION WITH YOUR PAYMENT	

Figure 2. December statement shows an apparent February payment (see arrow). Identifying information has been removed.

Figure 3 below shows an example of a properly printed statement.

COUNTY OF SANTA CLARA DEPARTMENT OF REVENUE		MAIL: P.O. BOX 1897, SAN JOSE, CA 95109-1897 OFFICE: 1555 BERGER DR., BLDG #2, SAN JOSE, CA		
TRANS DATE	DESCRIPTION	ITEM	AMOUNT	
01-14-14	PAYMENT - THANK YOU	PYT	-50.00	
PREVIOUS BALANCE	PAYMENTS	CURRENT CHGS & ADJS.	ACCOUNT BALANCE	CURRENT PAYMENT DUE
	-50.00	0.00		
ACCOUNT NUMBER	STATEMENT DATE	REFERENCE (IF REFERENCE BEGINS WITH "VM" SEE REVERSE SIDE)	PAST DUE PAYMENT	
	02-09-14		0.00	
PHONE 408- EXT	PAYMENT DUE DATE	(SEE REVERSE SIDE FOR MORE INFORMATION)		TOTAL PAYMENT DUE
	PAYMENT DUE IMMEDIATELY			
YOUR ACCOUNT REPRESENTATIVE IS:				

Figure 3. An example of a properly printed statement. Identifying information has been removed.

Comparison of the column labeled 'ITEM' in the three figures shows 'PYT' centered in Figure 3 and to the far left of the column in Figures 1 and 2; this indicates that the entire printed line has shifted left. While the DOR stated it does check that statements show two digits for the month, these misprinted statements were missed and they were unable to identify the cause of this problem. The DOR also stated that they check for other possible problems such as perforation anomalies, tears, and upside-down printing.

During interviews, the Grand Jury learned that the DOR does not impose fines, penalties, interest, or late charges. In the case of debts transferred to the DOR from the court, the court is notified of overdue payments. The court may then order penalties for late payments or non-payments. These penalties are shown in the monthly statements each debtor receives.

Debtors with questions or concerns may complain to their assigned account representative or responsible DOR unit. The representative notes the complaint in a short entry in the debtor's computer-based account history. The debtor can leave a phone message if the representative is unavailable. The department's goal is to return the call within two business days; however, the DOR does not maintain formal records regarding the timing of callbacks so there is no way to determine if the DOR has met its goal.

While debtors may also submit questions and complaints directly to DOR management or to the County Board of Supervisors in person or by phone or mail,

they cannot submit questions or complaints through the DOR website. With some County agencies, such as the Office of the Sheriff, it is possible to ask questions or file complaints online.

Currently, debtors are unable to obtain copies of their past statements but may retrieve historical information about their accounts by contacting a DOR representative. Although debtors can access their account through the DOR website, they can only view their current balance or make a payment. They cannot see account statements or their transaction history. The ability to review their current and past statements and transaction history online may prevent confusion such as that caused by incorrectly printed statements.

Conclusions

The Grand Jury found that the DOR does credit debtors' payments to their accounts on a timely basis. The DOR does not add fines, penalties, interest, or late charges but collects them if they are imposed.

The DOR performs an important task in recovering revenue for the County. The management of the DOR has a commendable sense of dedication to serve the people of Santa Clara County. The DOR aids the agencies it serves and the public by helping debtors develop payment plans and by returning millions of dollars to County agencies.

The Grand Jury recommends improvements in the areas of:

- Printing statements
- Complaint handling and tracking
- Online access to accounts

Findings and Recommendations

Finding 1

The Department of Revenue's account statements have been sent to debtors with the leading digit of the month missing. This resulted in statements listing incorrect dates, which could leave debtors confused as to how their payments were being applied. Department of Revenue inspections were not shown to be effective in catching anomalies such as those seen in misprinted statements.

Recommendation 1

The County should improve the account statement printing process at the Department of Revenue to ensure that the type of error discussed in this report is avoided.

Finding 2

The current Department of Revenue complaint system lacks online accessibility for debtors and does not include an internal complaint tracking function.

Recommendation 2a

The County should implement an online complaint system accessible through the Department of Revenue's website.

Recommendation 2b

The County should implement a system for the Department of Revenue to track questions, complaints, and follow-ups.

Recommendation 2c

The County should require the Department of Revenue to monitor and report complaint response times to ensure the goal of two business days is met.

Finding 3

Online access provided by the Department of Revenue to debtors is limited to viewing current account balance and making a payment.

Recommendation 3

The County should improve online access through the Department of Revenue's website to include the ability for debtors to view and download account transactions and past statements.

References

Bibliography

County of Santa Clara, Department of Revenue. (2016). Website. Retrieved from <https://www.sccgov.org/sites/dor/Pages/Department-of-Revenue.aspx>

County of Santa Clara, Department of Revenue (2016). 200 account histories, July 2013 to September 2015.

County of Santa Clara, Department of Revenue. (2015, October). Employee training slides.

County of Santa Clara, Office of the Sheriff. (2014, March 27). Internal Affairs Unit Complaint Form. In *Santa Clara County Sheriff*. Retrieved from www.sccgov.org/sites/sheriff/Pages/iau.aspx

Interviews

Three interviews were conducted between August 27, 2015 and September 29, 2015.

Tour

October 16, 2015 Santa Clara County Department of Revenue offices
1555 Berger Drive, Building 2, San Jose

This report was **ADOPTED** by the 2015-2016 Santa Clara County Civil Grand Jury on this 8th day of June, 2016.



Gil Zamora
Foreperson