

SIERRA COUNTY

Audit Report

COURT REVENUES

July 1, 2017, through June 30, 2021



MALIA M. COHEN
California State Controller

January 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

January 5, 2024

The Honorable Van Maddox, C.P.A.,
Auditor-Controller
Sierra County
P.O. Box 425
Downieville, CA 95936

Ann M. Mendez, Court Executive Officer
Superior Court of California, Sierra County
P.O. Box 476
Downieville, CA 95936

Dear Mr. Maddox and Ms. Mendez:

The State Controller's Office audited Sierra County's court revenues for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county's remittances to the State Treasurer were substantially correct. However, we found that the county and the Superior Court of California, Sierra County made errors related to the 50% excess of qualified revenues, the collection and distribution of parking surcharges, and the priority of installment payments.

The findings identified in this audit report do not have a significant effect on the county's remittances.

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

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/rs

Mr. Van Maddox
Ms. Ann M. Mendez
January 5, 2024
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cc: The Honorable Sharon Dryden, Chair
Sierra County Board of Supervisors
Matt Espenshade, Manager
Internal Audit Services
Judicial Council of California
Lynda Gledhill, Executive Officer
California Victim Compensation Board
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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 Sierra County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county's remittances to the State Treasurer were substantially correct. However, we found that the county and the Superior Court of California, Sierra County made errors related to the 50% excess of qualified revenues, the collection and distribution of parking surcharges, and the priority of installment payments.

The findings identified in this audit report do not have a significant effect on the county's remittances.

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 is 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.

The SCO publishes the *Trial Court Revenue Distribution Guidelines (Distribution Guidelines)* to provide direction on the distribution of fines, fees, forfeitures, penalties, and assessments. The *Distribution Guidelines* group code sections that share similar exceptions, conditions, or distributions into a series of nine tables.

The Judicial Council of California (JCC) provides forms and worksheets to ensure the proper calculation and distribution of fines, fees, forfeitures, penalties, and assessments. The guidance includes forms used to compute the annual maintenance-of-effort (MOE) calculation and worksheets to verify the more complex revenue distributions.

Audit Authority

We conducted this audit under the authority of GC section 68103, which requires the SCO to review the county's reports and records to ensure that all fines and forfeitures have been transmitted. In addition, 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 superintend the fiscal concerns of the State.

Objective, Scope, and Methodology

Our audit objective was to determine the propriety of the court revenues remitted to the State Treasurer pursuant to the TC-31 process.

The audit period was July 1, 2017, through June 30, 2021.

To achieve our objective, we performed the following procedures.

General

- We gained an understanding of the county and the court's revenue collection and reporting processes, and of the criteria that were significant to our audit objective.
- We interviewed county personnel regarding the monthly TC-31 remittance process and the MOE calculation.
- We interviewed court personnel regarding the revenue distribution process and the case management system.
- We reviewed documents supporting the transaction flow.
- We scheduled monthly TC-31 remittances prepared by the county and the court showing court revenue distributions to the State.
- We performed a review of the complete TC-31 remittance process for revenues collected and distributed by the county and the court.
- We assessed the reliability of data from the case management system based on interviews and our review of documents supporting the transaction flow. We determined that the data was sufficiently reliable for purposes of this report.

Cash Collections

- We 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.
- We performed analytical procedures using ratio analysis for state and county revenues to assess the reasonableness of the revenue distributions based on statutory requirements.
- We recomputed the annual MOE calculation for all fiscal years in the audit period to verify the accuracy and completeness of the 50% of qualified revenues remitted to the State.

Distribution Testing

- We assessed the priority of installment payments by haphazardly selecting a non-statistical sample of four installment payments to verify priority. Errors found were not projected to the intended (total) population.
- We 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. Errors found were not projected to the intended (total) population.
- We performed a risk evaluation of the county and the court, and identified violation types that are prone to errors due to either their complexity or statutory changes during the audit period. Based on the

risk evaluation, we haphazardly selected a non-statistical sample of 25 cases for seven violation types.

We were not able to identify the case population due to the inconsistent timing of when tickets were issued versus when they were paid, and the multitude of entities that remit collections to the county for remittance to the State. We tested the sample as follows:

- We recomputed the sample case distributions and compared them to the actual distributions.
- We calculated the total dollar amount of significant underremittances and overremittances to the State and the county.

Errors found were not projected to the intended (total) population.

We did not audit the financial statements of the county, the court, or the various agencies that issue parking citations. 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.

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.

Conclusion

As a result of performing the audit procedures, we found that the county's remittances to the State Treasurer were substantially correct. However, we found that the county and court made errors related to the 50% excess of qualified revenues, the collection and distribution of parking surcharges, and the priority of installment payments. These instances of noncompliance are non-monetary; they are described in the Findings and Recommendations section.

The findings identified in this audit report do not have a significant effect on the county's remittances.

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, 2008, through June 30, 2016, issued June 20, 2017, with the exception of Finding 2 of this audit report.

Views of Responsible Officials

We issued a draft report on October 18, 2023. The court's representative responded via email on October 18, 2023, stating that the court "does not have any further comments for a response." The county's representative responded by letter dated October 30, 2023, agreeing with the audit results. This final report includes the county's response as an attachment.

Restricted Use

This audit report is solely for the information and use of Sierra County; the Superior Court of California, Sierra County; the JCC; 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

KIMBERLY TARVIN, CPA
Chief, Division of Audits

January 5, 2024

Findings and Recommendations

FINDING 1— Incorrect calculation of 50% excess of qualified revenues

During our recalculation of the 50% excess of qualified revenues, we found that the county had used incorrect qualified revenue amounts in its calculation for the last two fiscal years. However, these errors did not result in underremittances to the State Treasurer, as the qualified revenues were below the base amount in both years. The qualified revenues were incorrectly calculated because the county misinterpreted the required calculations.

For the audit period, the county provided support for its calculation of the 50% excess of qualified revenues. We reviewed the county's calculations and reconciled the qualified revenues to revenue collection reports provided by the court and the county. We noted that the qualified revenues in the calculations did not reconcile to the county collection reports because qualified revenue calculations for base fines (Penal Code [PC] section 1463.001), administrative screening fees (PC section 1463.07), citation processing fees (PC section 1463.07), the State penalty assessment (PC section 1464), Traffic Violator School (TVS) fee revenues (Vehicle Code [VC] section 42007.1), and the TVS fee (VC section 42007) did not reconcile to the court's revenue collection reports.

Furthermore, we noted that, for TVS cases, the county had incorrectly excluded revenues collected for the Criminal Justice Facilities Construction Fund (GC section 76101) from its calculation of the TVS fee (VC section 42007) during the audit period.

We recalculated the county's qualified revenues based on actual court revenues collected for each fiscal year. After our recalculation, we found that the county had understated qualified revenues by \$4,173 for the audit period.

Qualified revenues were understated for the following reasons:

- The county understated qualified revenues by \$657 for the audit period because it miscalculated qualified revenues for base fines (PC section 1463.001). For fiscal year (FY) 2020-21, the qualified revenues for base fines (PC section 1463.001) did not reconcile to the court's revenue collection reports.
- The county understated qualified revenues by \$1,020 for the audit period because it miscalculated qualified revenues for administrative screening fees (PC section 1463.07).
- The county understated qualified revenues by \$41 for the audit period because it miscalculated qualified revenues for citation processing fees (PC section 1463.07).
- The county overstated qualified revenues by a net of \$36 for the audit period because it miscalculated qualified revenues for the state penalty assessment (PC section 1464).

- The county understated qualified revenues by \$2,427 for the audit period because it miscalculated qualified revenues for TVS revenues (VC section 42007.1).
- The county understated qualified revenues by a net of \$64 for the audit period because it miscalculated qualified revenues for the TVS fee (VC section 42007).

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Total
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	
Qualified revenues reported	\$ 44,369	\$ 47,485	\$ 29,855	\$ 20,653	\$ 142,362
Auditor adjustments:					
PC § 1463.001 understatements	-	-	-	657	657
PC § 1463.07 understatements	-	-	633	387	1,020
PC § 1463.07 understatements	-	-	-	41	41
PC § 1464 overstatements	-	-	(199)	163	(36)
VC § 42007.1 understatements	-	-	889	1,538	2,427
VC § 42007 understatements	-	-	66	(2)	64
Total	-	-	1,389	2,784	4,173
Adjusted qualified revenues	\$ 44,369	\$ 47,485	\$ 31,244	\$ 23,437	\$ 146,535

Despite the understatement of qualified revenues, the errors did not result in an underremittance to the State Treasurer, as the adjusted qualified revenues were below the county's base amount in FY 2019-20 and FY 2020-21.

The following table shows the excess qualified revenues, and—by comparing the 50% excess amount due to the State to the county's actual remittance—the county's underremittance to the State Treasurer.

Fiscal Year	Qualifying Revenues	Base Amount	Excess Amount Above the Base	50% Excess Amount Due the State	County Remittance to the State Treasurer	County Underremittance to the State Treasurer ¹
2017-18	\$ 44,369	\$ 42,533	\$ 1,836	\$ 918	\$ (918)	\$ -
2018-19	47,485	42,533	4,952	2,476	(2,476)	-
2019-20	31,244	42,533	(11,289)	-	-	-
2020-21	23,437	42,533	(19,096)	-	-	-
Total						\$ -

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

GC Section 77205(a) requires the county to remit 50% of the 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.

Recommendation

We recommend that the county ensure that the proper accounts are included in the calculation of each line item on the 50-50 Excess Split Revenue Computation Form.

County Response

The County agrees with the finding. The County and Court staff will strive to ensure proper calculation and reporting of the 50% excess of qualified revenues going forward.

FINDING 2— Incorrect collection and distribution of revenues from parking surcharges (repeat finding)

During our analysis of parking and equipment violations, we found that the county had not properly distributed parking surcharge revenues for the audit period. The county failed to consistently and correctly distribute parking surcharge revenues to the required state and county accounts. The error occurred because the county misinterpreted the *Distribution Guidelines* and statutory requirements relating to parking surcharges.

Parking entities are required to collect revenues for parking violations and remit the revenues to the county. Revenues are remitted to the county on a monthly basis and collection reports are included to support the remitted revenues. We performed a ratio analysis of parking surcharge revenues and found that the ratios were not within expectations. The county did not consistently impose \$10.00 for each citation. In fact, the average amount collected per citation for each fiscal year ranged from \$8.00 to \$11.28 throughout the audit period.

As the county has transferred responsibility for the courthouse to the JCC, has no bond indebtedness, and does not have a County Courthouse Construction Fund, it should have collected a total of \$10.00 in state and county parking surcharges per infraction.

During further analysis of parking and equipment violations remitted to the county, we noted that the county had not consistently distributed \$1.50 to the County Criminal Justice Facilities Construction Fund (GC section 76101) or \$3.00 to the State's Trial Court Trust Fund (GC section 76000.3). We also noted that although the county did not have a County Courthouse Construction Fund (GC section 76101), distributions to the county's general fund still included \$1.00 for the fund.

We performed a revenue analysis of the parking revenues and determined that the errors do not result in material underremittances to the State.

This is a repeat finding, as the county did not correct the distribution errors noted in our prior audit report dated June 20, 2017. As discussed in Finding 3 of our prior audit report, the county did not distribute the \$3.00 state parking surcharge per GC section 76000.3 from December 2010 through June 2016.

GC section 76000(b) requires, provided that the board of supervisors has adopted a resolution stating that the implementation of this subdivision is

necessary to the county, that for each authorized fund established pursuant to GC section 76100 or GC section 76101, for every parking offense where a parking penalty, fine, or forfeiture is imposed, an added penalty of \$2.50 be included in the total penalty, fine, or forfeiture.

GC section 76000(c) requires the county treasurer to deposit \$1.00 of every \$2.50 collected for the County Courthouse Construction Fund and County Criminal Justice Facilities Construction Fund into the county's general fund.

GC section 76000(d) states that, upon the transfer of responsibility for court facilities from the county to the JCC, the authority to impose the \$2.50 penalty from the County Courthouse Construction Fund shall be reduced to \$1.00.

GC section 70372(b) requires the issuing agencies to collect a state surcharge of \$4.50 for every parking penalty, fine, or forfeiture, for deposit in the State Court Facilities Construction Fund.

During the audit period, GC section 70372(f) required that one-third of the \$4.50 be deposited in the State Court Facilities Construction Fund and two-thirds be deposited in the Immediate and Critical Needs Account. GC section 70372 was amended by Statutes of 2021, Chapter 79, which abolished the Immediate and Critical Needs Account and made various changes to existing law.

GC section 76000.3 requires that parking agencies pay to the State Treasurer a state surcharge of \$3.00 on each parking violation, for deposit in the State's Trial Court Trust Fund.

Recommendation

We recommend that the county and parking entities collect and remit the required state and county parking surcharges, totaling \$10.00 per infraction, to the county.

We also recommend that the county ensure proper allocation of parking surcharges between the County Criminal Justice Facilities Construction Fund (GC section 76101) and the State's Trial Court Trust Fund (GC section 76000.3) to comply with statutory requirements.

County Response

The County agrees with the finding. The County and Court staff will strive to collect and distribute parking surcharge revenue going forward.

FINDING 3— Incorrect prioritization of installment payments

During our distribution testing of superior court cases, we found that the court had incorrectly prioritized distributions of installment payments. The errors occurred because the court misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court using its case management system for installment payments. For each sample case, we reviewed the distributions to determine whether the court had correctly prioritized the distributions of installment payments according to PC section 1203.1d, subparagraph (b).

We tested four cases and found that the court had not properly distributed revenues from two of the four cases according to PC section 1203.1d, subparagraph (b). We found that for these two cases, the court had not evenly distributed installment payments to priority-three revenues. In addition, we found that for one of these two cases, the court had incorrectly distributed installment payments to priority-three revenues before fully distributing installment payments to all priority-two revenues.

We did not measure the effect of the error because it would be impractical and difficult to redistribute revenues on every case involving installment payments.

PC section 1203.1d, subparagraph (b) requires that installment payments be disbursed in the following order of priority:

1. Restitution ordered to victims (PC section 1202.4[f]);
2. State surcharge (PC section 1465.7);
3. Fines, penalty assessments, and restitution fines (PC section 1202.4[b]); and
4. Other reimbursable costs.

Recommendation

We recommend that the court ensure that all surcharges, fines, penalties, and fees are distributed in accordance with the statutory priority requirements of PC section 1203.1d, subparagraph (b).

Court's Response

The court's representative responded via email on October 18, 2023, stating that the court "does not have any further comments for a response."

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Sierra County's corrective actions related to the findings contained in our prior audit report dated June 20, 2017.

Prior Audit Finding Number	Finding Title	Implementation Status
1	Underremitted the 50% excess of qualified fines, fees, and penalties.	Fully implemented.
2	Underremitted umbilical cord blood collection fees.	Fully implemented.
3	Underremitted state parking surcharges.	Not implemented – see current Finding 2

**Attachment—
County's Response to Draft Audit Report**

SIERRA COUNTY

County Auditor

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**Sierra County Audit Report****Court Revenues**

July 1, 2017 through June 30, 2021

County response to Findings 1 and 2

Van A. Maddox, C.P.A.
Auditor/Treasurer-Tax Collector

Roberta Allen, C.P.A.
Chief Deputy Auditor

Jenny Varn
Assistant Treasurer-Tax Collector

Finding 1:

Incorrect calculation of 50% excess of qualified revenues

Response:

The County agrees with the finding. The County and Court staff will strive to ensure proper calculation and reporting of the 50% excess of qualified revenues going forward.

Finding 2:

Incorrect collection and distribution of revenues from parking surcharges (repeat finding).

Response:

The County agrees with the finding. The County and Court staff will strive to collect and distribute parking surcharge revenue going forward.

**State Controller's Office
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www.sco.ca.gov