

# **RIVERSIDE COUNTY**

Audit Report

## **COURT REVENUES**

*July 1, 2018, through June 30, 2022*



**MALIA M. COHEN**  
California State Controller

March 2024



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

March 18, 2024

Ben J. Benoit, Auditor Controller  
Riverside County  
4080 Lemon Street, 11<sup>th</sup> Floor  
Riverside, CA 92502

Jason B. Galkin, Court Executive Officer  
Superior Court of California,  
Riverside County  
4050 Main Street  
Riverside, CA 92501

Dear Mr. Benoit and Mr. Galkin:

The State Controller's Office (SCO) audited Riverside County's court revenues for the period of July 1, 2018, through June 30, 2022.

Our audit found that the county underremitted \$910,414 in state court revenues to the State Treasurer because it underremitted the State Trial Court Improvement and Modernization Fund (Government Code section 77205) by \$910,414.

In addition, we found that the Superior Court of California, Riverside County made incorrect distributions related to health and safety violations and the priority of installment payments.

The county should remit \$910,414 to the State Treasurer via the Report to State Controller of Remittance to State Treasurer (TC-31), 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, 2018, through June 30, 2022.

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\\_trialcourt\\_manual\\_guidelines.html](https://www.sco.ca.gov/ard_trialcourt_manual_guidelines.html).

The underremitted amount is due no later than 30 days after receipt of this final audit report. The SCO will add a statutory 1.5% per month penalty on the applicable delinquent amount if payment is not received within 30 days of issuance of this final audit report.

Once the county has paid the underremitted amount, the Tax Programs Unit will calculate interest on the underremitted amount and bill the county in accordance with Government Code sections 68085, 70353, and 70377.

Mr. Ben J. Benoit  
Mr. Jason B. Galkin  
March 18, 2024  
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Please mail a copy of the TC-31 and documentation supporting the corresponding adjustments to the attention of the following individual:

Tax Programs Unit Supervisor  
Bureau of Tax Programs  
Local Government Programs and Services Division  
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, Tax Administration Section, by telephone at (916) 324-5961, or by email at [lgpsdtaxaccounting@sco.ca.gov](mailto: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](mailto:lkurokawa@sco.ca.gov).

Sincerely,

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

KT/ac

cc: Kevin Jeffries, Chair  
Riverside County Board of Supervisors  
Matt Espenshade, Manager  
Internal Audit Services  
Judicial Council of California  
Lynda Gledhill, 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 Administration Section  
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 Riverside County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2018, through June 30, 2022.

Our audit found that the county underremitted \$910,414 in state court revenues to the State Treasurer. In addition, we found that the Superior Court of California, Riverside County made incorrect distributions related to health and safety violations and the priority of installment payments.

## 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, 2018, through June 30, 2022.

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 the 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. No errors were identified.
- 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 43 cases for 11 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 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 section 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 an instance of noncompliance with the requirements described in our audit objective. Specifically, we found that Riverside County underremitted \$910,414 in state court revenues to the State Treasurer because it underremitted the State Trial Court Improvement and Modernization Fund (GC section 77205) by \$910,414.

In addition, we found that the court made incorrect distributions related to health and safety violations and the priority of installment payments. These instances of noncompliance are non-monetary and described in the Findings and Recommendations section.

The county should remit \$910,414 to the State Treasurer.

## **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 March 22, 2019, with the exception of Finding 2 of this audit report.

## **Views of Responsible Officials**

We issued a draft report on November 14, 2023. The county's representative responded by letter dated December 14, 2023, agreeing with the audit results. In addition, the court's representative responded by email dated November 29, 2023, agreeing with the audit results. This final audit report includes the county's response as an attachment.

**Restricted Use**

This audit report is solely for the information and use of Riverside County; Superior Court of California, Riverside 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](http://www.sco.ca.gov).

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

March 18, 2024



**Schedule—  
Summary of Audit Findings Affecting Remittances to the State Treasurer  
July 1, 2018, through June 30, 2022**

Finding <sup>1</sup>	Fiscal Year				Total	Reference <sup>2</sup>
	2018-19	2019-20	2020-21	2021-22		
Underremitted 50% excess of qualified revenues State Trial Court Improvement and Modernization Fund — GC §77205	\$ 895,725	\$ 14,689	\$ -	\$ -	\$ 910,414	Finding 1
Total amount underremitted to the State Treasurer	<u>\$ 895,725</u>	<u>\$ 14,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910,414</u>	

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

<sup>2</sup>See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Underremitted 50% excess of qualified revenues**

During our recalculation of the 50% excess of qualified revenues, we found that Riverside County had used an incorrect qualified revenue amount in its calculation for each fiscal year. As a result of these errors, the county underremitted the 50% excess of qualified revenues by a net of \$910,414 for the audit period. The 50% excess of qualified revenues was incorrectly calculated because the court misinterpreted the required calculations.

For the audit period, the court performed the 50% excess calculation on behalf of the county. The court provided support for its calculations of the 50% excess of qualified revenues. We reviewed the court's calculations and reconciled the qualified revenues to revenue collection reports provided by the court and the county. We noted that qualified revenues in the calculations did not reconcile to the county collection reports due to the omission of a small amount of parking revenue deposits.

Furthermore, we noted that the court incorrectly excluded revenues collected for the Courthouse Construction Fund (GC section 76100), the Criminal Justice Facilities Construction Fund (GC section 76101), the Emergency Medical Services Fund (GC section 76104), the Maddy Emergency Medical Services Fund (GC section 76000.5), and city base fines (Vehicle Code [VC] section 42007[c]) from its calculation of the traffic violator school 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 \$5,987,890 for the audit period.

Qualified revenues were understated as follows:

- The court overstated qualified revenues by \$36,961 for the audit period because it did not include the actual amount of GC section 76000(c) parking revenues collected by the county in fiscal year (FY) 2019-20 and FY 2021-22.
- The court incorrectly excluded the following revenues from its calculation of the traffic violator school fee (VC section 42007):
  - Courthouse Construction Fund (GC section 76100) – \$112,577;
  - Criminal Justice Facilities Construction Fund (GC section 76101) – \$112,577;
  - Emergency Medical Services Fund (GC section 76104) – \$1,282,632;
  - Maddy Emergency Medical Services Fund (GC section 76000.5) – \$1,276,680
  - City base fines (VC section 42007[c]) – \$3,240,385.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Totals
	2018-19	2019-20	2020-21	2021-22	
Qualified revenues reported	\$ 12,441,283	\$ 9,613,719	\$ 9,503,243	\$ 9,286,767	\$ 40,845,012
Audit adjustments:					
GC section 76000(c) overstatements	-	2,553	-	(39,514)	(36,961)
GC section 76100 understatements	34,248	27,118	26,719	24,492	112,577
GC section 76101 understatements	34,248	27,118	26,719	24,492	112,577
GC section 76104 understatements	390,451	303,588	306,340	282,253	1,282,632
GC section 76000.5 understatements	388,372	302,139	305,267	280,902	1,276,680
VC section 42007(c) understatements	944,132	781,221	771,676	743,356	3,240,385
Total	1,791,451	1,443,737	1,436,721	1,315,981	5,987,890
Adjusted qualified revenues	\$ 14,232,734	\$ 11,057,456	\$ 10,939,964	\$ 10,602,748	\$ 46,832,902

As a result of miscalculating the qualified revenues, the county underremitted the 50% excess of qualified revenues by \$910,414 for the audit period.

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 <sup>1</sup>
2017-18	\$ 14,232,734	\$ 11,028,078	\$ 3,204,656	\$ 1,602,328	\$ (706,603)	\$ 895,725
2018-19	11,057,456	11,028,078	29,378	14,689	-	14,689
2019-20	10,939,964	11,028,078	(88,114)	-	-	-
2020-21	10,602,748	11,028,078	(425,330)	-	-	-
Total						\$ 910,414

<sup>1</sup>Should 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 remit \$910,414 to the State Treasurer and report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund.

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

County's Response

In alignment with the audit recommendations, we fully intend to remit the identified underremittance amount of \$910,414 to the State Treasurer. Additionally, we will promptly report this increase to the State Trial Court Improvement and Modernization Fund using the TC-31 as recommended.

Court's Response

The Court concurs with the finding. However, we would like to provide some additional clarification. After much discussion internally and with the State Auditor, it appears that conflicting instructions in the revenue distribution guidelines led to the incorrect calculation. The State Controller's *Trial Court Revenue Distribution Guidelines* explicitly state that 77% of the amounts deposited into the county general fund should be included. This aligns with how the Court calculated [the traffic violator school fee] Vehicle Code [section] 42007. The funds excluded (Courthouse Construction Fund, Criminal Justice Facilities Construction Fund, Emergency Medical Services Fund, Maddy Emergency Medical Services Fund, and City base fines) were not deposited into the County's general fund. As we were informed that many other courts experienced this same finding, we are hopeful the instructions will be clarified for future use.

**FINDING 2—  
Incorrect distribution  
of revenues from  
health and safety  
violations (repeat  
finding)**

During testing of health and safety violations, we found that the court had not properly imposed the Criminal Laboratory Analysis Fee (Health and Safety Code [HSC] section 11372.5) and the Drug Program Fee (HSC section 11372.7) as base fine enhancements. This error 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 each sample case, we recomputed the distributions and compared them to the actual distributions. We tested four health and safety cases, and found that revenues from all four cases were incorrectly distributed by the court. The court failed to impose the Criminal Laboratory Analysis Fee (HSC section 11372.5) in one of the four cases tested and failed to impose the Drug Program Fee (HSC section 11372.7) in the other three cases. Furthermore, neither of the two fees were imposed as a base fine enhancement.

We did not measure the effect of the error, as the court cannot retroactively impose the fees.

HSC section 11372.5(a) requires defendants convicted of violating specific Health and Safety Code sections regulating controlled substances to pay a \$50 criminal laboratory analysis fee for each separate offense, and requires the court to increase the total fine as necessary to include the increment.

HSC section 11372.7(a) requires defendants convicted of violating specific Health and Safety Code sections regulating controlled substances to pay a drug program fee in an amount not to exceed \$150 for each

separate offense, and requires the court to increase the total fine as necessary to include the increment.

#### Recommendation

We recommend that the court:

- Impose the Criminal Laboratory Analysis Fee (HSC section 11372.5) and Drug Program Fee (HSC section 11372.7) according to statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

#### Court's Response

The Court concurs with this finding. Once the Court migrates to its new automated case management system (eCourt) for criminal/traffic cases in 2024 there will be capability to properly impose and distribute these fees.

### **FINDING 3— Incorrect prioritization of installment payments**

During testing of 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 correctly prioritized the distributions of installment payments according to Penal Code (PC) section 1203.1d, subparagraph (b).

We tested four cases and found that the court did not distribute installment payments of three cases according to PC section 1203.1d, subparagraph (b). The court incorrectly distributed the priority-three Emergency Medical Air Transportation penalty as a priority-four distribution.

We did not measure the effect of the error because it would be impractical and difficult to redistribute revenues for 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 concurs with this audit finding. The Court corrected the distribution priority in the automated case management system on [October 2, 2023].

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

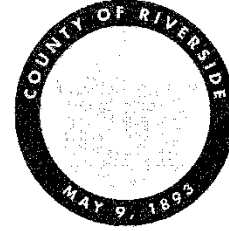
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COUNTY OF RIVERSIDE  
OFFICE OF THE AUDITOR-CONTROLLER

Ben J. Benoit, Auditor-Controller  
Tanya S. Harris, DPA, CPA, Assistant Auditor-Controller

4080 Lemon Street, 11<sup>th</sup> Floor  
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Riverside, CA 92502-1326  
951-955-3800



December 14, 2023

Lisa Kurokawa, Chief  
Compliance Audit Bureau  
State Controller's Office  
Division of Audits  
PO Box 942850  
Sacramento, CA 94250-5874

**Subject: Response to Findings for Audit Period July 1, 2018, through June 30, 2022**

Dear Ms. Kurokawa,

We have reviewed the findings from the recent audit conducted on the calculation of Riverside County's qualified revenues for the specified audit period. The audit has identified errors in the determination and reporting of qualified revenues, leading to an under-remittance of the 50% excess of qualified revenues by a net amount of \$910,414.

In alignment with the audit recommendations, we fully intend to remit the identified under-remittance amount of \$910,414 to the State Treasurer. Additionally, we will promptly report this increase to the State Trial Court Improvement and Modernization Fund using the TC-31 as recommended.

To prevent these errors in the future, we will implement the recommendation to ensure that both the county and the court include all pertinent accounts in the calculation. This step will enable a more accurate representation of qualified revenues and prevent similar discrepancies in subsequent calculations.

We appreciate the diligence and professionalism demonstrated by the audit team in identifying these discrepancies, and we will implement measures to prevent their recurrence.

Should you require any further information or clarification regarding the corrective measures being taken, please do not hesitate to contact us.

Sincerely,

Ben J. Benoit  
Riverside County Auditor-Controller



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

**[www.sco.ca.gov](http://www.sco.ca.gov)**