

RIVERSIDE COUNTY

Audit Report

COURT REVENUES

July 1, 2008, through June 30, 2016



BETTY T. YEE
California State Controller

March 2019



BETTY T. YEE
California State Controller

March 22, 2019

Dear County, Court, City, and College Representatives:

The State Controller's Office audited Riverside County's court revenues for the period of July 1, 2008, through June 30, 2016.

Our audit found that a net of \$352,651 in state court revenues was overremitted to the State Treasurer as follows:

- Riverside County overremitted \$496,324 because it:
 - Overremitted the 50% excess of qualified fines, fees, and penalties by \$74,333; and
 - Overremitted the bail bond forfeiture distributions by \$421,991;
- College of the Desert did not remit \$105,115 in state parking surcharges; and
- City of Coachella did not remit \$38,558 in state parking surcharges.

Riverside County should reduce subsequent remittances to the State Treasurer by \$496,324 and the College of the Desert and the City of Coachella should remit \$105,115 and \$38,558, respectively, to the State Treasurer via Riverside County. The county is not responsible for collecting the unremitted state amounts owed by the College of the Desert or the City of Coachella, but is responsible for remitting the amounts owed by these entities to the State Treasurer upon receipt.

Our audit also found that the College of the Desert and the City of Coachella did not remit \$85,076 and \$16,386, respectively, in county parking surcharges to Riverside County. The College of the Desert and the City of Coachella should remit the amount owed to the county.

In addition, our audit found that the Superior Court of California, Riverside County:

- Did not impose state and local penalties on Health and Safety violations; and
- Incorrectly prioritized installment payments.

If you have any 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.

If you have questions regarding payments, TC-31s, or interest and penalties, please contact Jennifer Montecinos, Supervisor, Tax Programs Unit, by telephone at (916) 322-7952.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/hf

Attachment—Recipient Addresses

cc: Kevin Jeffries, Chairman
Riverside 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
Don Lowrie, Fiscal Analyst
Local Government Policy Unit
State Controller's Office
Jennifer Montecinos, Supervisor
Tax Programs Unit
State Controller's Office

Recipient Addresses

THE HONORABLE PAUL A. ANGULO, CPA,
MA, AUDITOR-CONTROLLER
RIVERSIDE COUNTY
4080 LEMON STREET, 11TH FLOOR
RIVERSIDE, CA 92501

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RIVERSIDE, CA 92502

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1515 SIXTH STREET
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43-500 MONTEREY AVENUE
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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, 2008, through June 30, 2016.

Our audit found that a net of \$352,651 in state court revenues was overremitted to the State Treasurer as follows:

- Riverside County overremitted \$496,324 because it:
 - Overremitted the 50% excess of qualified fines, fees, and penalties by \$74,333; and
 - Overremitted the bail bond forfeiture distributions by \$421,991;
- College of the Desert did not remit \$105,115 in state parking surcharges; and
- City of Coachella did not remit \$38,558 in state parking surcharges.

Our audit also found that the College of the Desert and the City of Coachella did not remit \$85,076 and \$16,386, respectively, in county parking surcharges to Riverside County.

In addition, our audit found that the Superior Court of California, Riverside County:

- Did not impose state and local penalties on Health and Safety violations; and
- Incorrectly prioritized 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 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 to the State Treasurer, pursuant to the TC-31 process.

The audit period was July 1, 2008, through June 30, 2016.

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

- Assessed the priority of installment payments. Judgmentally selected a non-statistical sample of four installment payments to verify priority;
- 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. Followed up with entities that did not remit the required parking surcharges and reviewed their required distributions; and
- 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 51 cases for eight violation types. Errors found were not projected to the intended population. Then, we:
 - Recomputed the sample case distributions and compared them to the actual distributions; and
 - Calculated the total dollar amount of material underremittances and overremittances to the State and county.

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 financial statements of the county, the court, or the various agencies that issue parking citations. 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 that a net of \$352,651 in state court revenues was overremitted to the State Treasurer (Riverside County overremitted \$496,324, College of the Desert did not remit \$105,115, and the City of Coachella did not remit \$38,558). In addition, we found that \$101,462 in county parking surcharges was not remitted to Riverside County (College of the Desert did not remit \$85,076 and the City of Coachella did not remit \$16,386). We also found that the Superior Court of California, Riverside County, did not impose state and local penalties on Health and Safety violations and incorrectly prioritized installment payments. These instances of non-compliance are quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

Riverside County should reduce subsequent remittances to the State Treasurer by \$496,324, and the College of the Desert and the City of Coachella should remit \$105,115 and \$38,558, respectively, to the State Treasurer via Riverside County. The county is not responsible for collecting the unremitted state amounts owed by the College of the Desert or the City of Coachella, but is responsible for remitting the amounts owed by these entities to the State Treasurer upon receipt.

In addition, the College of the Desert and the City of Coachella should remit \$85,076 and \$16,386, respectively, to the county.

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, 2002, through June 30, 2008, issued February 14, 2011.

**Views of
Responsible
Officials**

We issued a draft report on December 19, 2018.

Paul Angulo, CPA, MA, Auditor-Controller, Riverside County, responded by letter on January 24, 2019, agreeing with the audit results. This final audit report includes the county's response.

W. Samuel Hamrick, Jr., Court Executive Officer, Superior Court of California, Riverside County, responded by letter dated January 3, 2019, agreeing with the audit results. This final audit report includes the court's response.

Virginia Ortega, Interim Director, College of the Desert, responded by letter on January 10, 2019, agreeing with the audit results. This final audit report includes the College of the Desert's response.

Bill Pattison, Finance Director, City of Coachella, responded by email on January 7, 2019, agreeing with the audit results.

Restricted Use

This audit report is solely for the information and use of Riverside County; Superior Court of California, Riverside County; College of the Desert; City of Coachella; 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 final 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

March 22, 2019

Schedule— Summary of Audit Findings Affecting Remittances to the State Treasurer July 1, 2008, through June 30, 2016

Finding ¹	Fiscal Year								Total	Reference ²
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16		
Overremitted to the State										
<u>Riverside County</u>										
State Trial Court Improvement and Modernization Fund – GC § 77205	\$ (17,098)	\$ (15,304)	\$ (16,515)	\$ (8,155)	\$ 21,263	\$ (4,385)	\$ (13,421)	\$ (20,718)	\$ (74,333)	Finding 1
Unremitted to Riverside County (Parking Surcharges)										
<u>College of the Desert</u>										
State Trial Court Trust Fund – GC § 76000.3(a)	-	-	3,792	5,298	5,655	6,672	5,166	5,910	32,493	
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC § 70372(b)	5,337	7,962	6,414	5,298	5,655	6,672	5,166	5,910	48,414	
State Court Facilities Construction Fund – GC § 70372(b)	2,669	3,981	3,207	2,649	2,828	3,336	2,583	2,955	24,208	
Total Parking Surcharges Unremitted to Riverside County	8,006	11,943	13,413	13,245	14,138	16,680	12,915	14,775	105,115	Finding 2
Unremitted to Riverside County (Parking Surcharges)										
<u>City of Coachella</u>										
State Trial Court Trust Fund – GC § 76000.3(a)	-	-	141	162	441	1,077	1,410	3,579	6,810	
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC § 70372(b)	288	489	294	207	444	1,086	1,410	3,579	7,797	
State Court Facilities Construction Fund – GC § 70372(b)	144	245	147	104	222	543	705	1,790	3,900	
State General Fund – VC § 40225(d)	1,230	2,488	1,733	900	1,575	3,715	3,795	4,615	20,051	
Total Parking Surcharges Unremitted to Riverside County	1,662	3,222	2,315	1,373	2,682	6,421	7,320	13,563	38,558	Finding 3
Overremitted to the State										
<u>Riverside County</u>										
State General Fund (Health and Safety) – H&S Code § 11502	-	-	-	52,018	30,246	21,262	70,138	-	173,664	
State DNA Identification Fund (Prop 69) – GC § 76104.6	-	-	-	(1,354)	(3,757)	(2,778)	(2,234)	-	(10,123)	
State DNA Identification Fund – GC § 76104.7	-	-	-	(8,657)	(36,554)	(28,431)	(24,042)	-	(97,684)	
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC § 70372(a)	-	-	-	(13,010)	(36,273)	(26,851)	(21,601)	-	(97,735)	
State Court Facilities Construction Fund – GC § 70372(a)	-	-	-	(13,999)	(39,101)	(28,953)	(23,297)	-	(105,350)	
State Penalty Fund – PC § 1464	-	-	-	(37,759)	(105,697)	(78,289)	(63,018)	-	(284,763)	
Total Overremitted Due to Incorrect Bail Bond Distributions	-	-	-	(22,761)	(191,136)	(144,040)	(64,054)	-	(421,991)	Finding 4
Total Net-Overremittance to the State	\$ (7,430)	\$ (139)	\$ (787)	\$ (16,298)	\$ (153,053)	\$ (125,324)	\$ (57,240)	\$ 7,620	\$ (352,651)	

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.

Findings and Recommendations

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

During recalculation of the 50% excess of qualified fines, fees, and penalties, we found that Riverside County overremitted a net of \$74,333 to the State Treasurer for the audit period.

GC section 77205 requires the county to remit 50% of the qualified revenues that exceed the amount specified in GC section 77201.1(b)(2) for the fiscal year 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’s 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 to the State	County Remittance to the State Treasurer	County (Over)/ Underremittance to the State Treasurer ¹
2008-09	\$ 20,291,731	\$ (11,028,078)	\$ 9,263,653	\$ 4,631,827	\$ (4,648,925)	\$ (17,098)
2009-10	18,986,180	(11,028,078)	7,958,102	3,979,051	(3,994,355)	(15,304)
2010-11	18,457,767	(11,028,078)	7,429,689	3,714,845	(3,731,360)	(16,515)
2011-12	17,289,805	(11,028,078)	6,261,727	3,130,864	(3,139,019)	(8,155)
2012-13	17,229,913	(11,028,078)	6,201,835	3,100,918	(3,079,655)	21,263
2013-14	16,064,712	(11,028,078)	5,036,634	2,518,317	(2,522,702)	(4,385)
2014-15	16,103,267	(11,028,078)	5,075,189	2,537,595	(2,551,016)	(13,421)
2015-16	14,977,584	(11,028,078)	3,949,506	1,974,753	(1,995,471)	(20,718)
Total						\$ (74,333)

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

The error occurred because the county overstated fines by \$148,666. The actual adjustment is \$74,333, representing 50% of the overstated fines. The \$148,666 is calculated as follows:

- For the audit period, the Superior Court of California, Riverside County, erroneously included 75% of the county’s portion of red light revenues per Penal Code (PC) section 1463.11 and red-light traffic violator school revenues per Vehicle Code (VC) section 42007.3 in its MOE calculation. This resulted in an overstatement of \$332,782.
- In June 2014 and June 2015, the county omitted its share of parking surcharges, and recording and indexing fees, from the MOE calculation. This resulted in an understatement of \$20,518.
- As noted in Findings 2 and 3, the City of Coachella and the College of the Desert did not remit revenues from parking surcharges for the audit period. As a result, county General Fund revenues per GC section 76000(c) were understated for the period. This resulted in an understatement of \$40,582.

- As noted in Finding 4, the county did not correctly distribute bail bond forfeitures from July 2011 through January 2015. The incorrect distribution caused an understatement of \$245,057 to the county base fines per PC section 1463.001 and an overstatement of \$122,041 to the county 30% penalties per PC section 1464. This resulted in a net understatement of \$123,016.

Recommendation

We recommend that the county reduce remittances by \$74,333 to the State Treasurer and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund.

County's Response

The County of Riverside concurs with the finding that fines, fees, and penalties were overremitted to the State Treasurer. Our remittance to the State Treasurer is based on the information we receive from other government agencies. As such, the County of Riverside will communicate with the other government agencies to ensure the amounts remitted to the State Treasurer are correct.

In accordance with the recommendation from the State Controller's Office, the TC-31 remittance for the month of April 2019 will be reduced in the amount of \$74,333. We will be in contact with the supervisor of the Tax Programs Unit from the State to ensure we process this correctly and in agreement with the State Controller's Office.

Court's Response

This distribution error was corrected in the court's accounting system in November 2018.

FINDING 2— Unremitted parking surcharges from the College of the Desert

During our inquiry of the entities that issue parking citations, we found that the College of the Desert did not remit the required state parking surcharges, totaling \$105,115, to the State Treasurer and did not remit the required county parking surcharges, totaling \$85,076, to Riverside County.

College of the Desert did not remit the following state surcharges from its parking collections, totaling \$105,115:

- \$3 to the State Trial Court Trust Fund account for every parking fine or forfeiture from January 2010 through June 2016, totaling \$32,493;
- \$3 to the State Court Facilities Construction Fund – Immediate and Critical Needs Account (ICNA) for every parking fine or forfeiture from January 2009 through June 2016, totaling \$48,414; and
- \$1.50 to the State Court Facilities Construction Fund for every parking fine or forfeiture from January 2009 through June 2016, totaling \$24,208.

In addition, the College of the Desert did not remit the following county surcharges to Riverside County from its parking collections, totaling \$85,076:

- \$2.50 to both the County Criminal Justice Facilities Fund and the County Courthouse Construction Fund. \$1 of each distribution should be transferred to the County General Fund to be included as qualified revenues for 50% excess of qualified fines, fees, and penalties calculation. The errors resulted in underremittance of \$85,076 to Riverside County, consisting of \$34,030 to the County General Fund; \$25,523 to the County Criminal Justice Facilities Fund; and \$25,523 to the County Courthouse Construction Fund.

Cause

The errors occurred because College of the Desert was not aware of the required parking distributions.

Criteria

VC section 40200.4 requires the processing agencies to deposit with the County Treasurer all sums due the county from parking violations. GC section 76000(c) requires the county to deposit the \$2.50 parking penalty, from each parking fine or forfeiture collected, in the County Courthouse Construction Fund and the County Criminal Justice Facilities Construction Fund. Furthermore, this section requires \$1 of each \$2.50 parking penalty to be distributed to the County General Fund.

VC section 40225(d) allows equipment and registration violations to be processed as civil penalties. Upon proof of correction, the civil penalty is reduced to \$10. Any penalties collected on equipment and registration violations are distributed as follows: 50% to the issuing processing agency and 50% to the State Treasurer.

GC section 70372(b) requires the issuing agencies to distribute a state surcharge of \$4.50 to the State Court Facilities Construction Fund for every parking fine or forfeiture starting January 2009. GC section 76000.3 requires the issuing agencies to distribute to the State Trial Court Trust Fund an additional State Surcharge of \$3 for every parking fine or forfeiture starting January 2011.

Effect

The incorrect distributions had the following effect on College of the Desert parking surcharges:

Account Title	Underremitted College of the Desert
<u>Underremitted to Riverside County (Parking Surcharges)</u>	
State Trial Court Trust Fund – GC §76000.3	\$ 32,493
State Court Facilities Construction Fund – ICNA – GC §70372(b)	48,414
State Court Facilities Construction Fund – GC §70372(b)	24,208
Total – State Treasurer	<u>105,115</u>
County General Fund	34,030
County Criminal Justice Facilities Fund	25,523
County Courthouse Construction Fund	25,523
Total – County Funds	<u>85,076</u>
Total	<u>\$ 190,191</u>

Recommendation

We recommend that College of the Desert:

- Update its policies and procedures to remit the required parking surcharge distributions to the county;
- Remit \$105,115 to Riverside County for increases of \$32,493 to the State Trial Court Trust Fund; \$48,414 to the State Court Facilities Construction Fund – ICNA; and \$24,208 to the State Court Facilities Construction Fund for subsequent remittance by the county to the State Treasurer; and
- Remit \$85,076 to Riverside County for \$34,030 deposit to the County General Fund; \$25,523 deposit to the County Criminal Justice Facilities Fund; and \$25,523 deposit to the County Courthouse Construction Fund.

We also recommend that Riverside County remit to the State Treasurer any portion of the \$105,115 that it receives from College of the Desert.

College of the Desert’s Response

The District concurs with the finding. As discussed with the State’s audit team, District staff was unaware of the remittance requirement, as we believed our processing company was contracted to perform this service.

The District has taken corrective action to implement new procedures since the time the error was brought to our attention through the course of this audit. As of the date of this notice, all portions of revenues received by the District and due to the County/State have been remitted to the Riverside County Treasurer for processing. We believe we have done what is necessary to bring our account current (outside of the audit period) and ensure payments are processed on a regular, monthly basis.

**FINDING 3—
Unremitted parking
surcharges from the
City of Coachella**

During our inquiry of the entities that issue parking citations, we found that the City of Coachella did not remit the required state parking surcharges, totaling \$38,558, to the State Treasurer and did not remit the required county parking surcharges, totaling \$16,386, to Riverside County.

City of Coachella did not remit the following state surcharges from its parking collections, totaling \$38,558:

- \$3 to the State Trial Court Trust Fund account for every parking fine or forfeiture from January 2010 through June 2016, totaling \$6,810;
- \$3 to the State Court Facilities Construction Fund – ICNA for every parking fine or forfeiture from January 2009 through June 2016, totaling \$7,797;
- \$1.50 to the State Court Facilities Construction Fund for every parking fine or forfeiture from January 2009 through June 2016, totaling \$3,900; and
- 50% of any penalties collected from equipment and registration violations from July 2008 through June 2016, totaling \$20,051.

In addition, the City of Coachella did not remit the following county surcharges to Riverside County from its parking collections, totaling \$16,386:

- \$2.50 to both the County Criminal Justice Facilities Fund and the County Courthouse Construction Fund. \$1 of each distribution should be transferred to the County General Fund to be included as qualified revenues for 50% excess of qualified fines, fees, and penalties calculation. The error resulted in underremittance of \$16,386 to Riverside County, consisting of \$6,552 deposit to the County General Fund; \$4,917 deposit to the County Criminal Justice Facilities Fund; and \$4,917 deposit to the County Courthouse Construction Fund.

Cause

The errors occurred because the City of Coachella was not aware of the required parking distributions.

Criteria

VC section 40200.4 requires the processing agencies to deposit with the County Treasurer all sums due the county from parking violations. GC section 76000(c) requires the county to deposit the \$2.50 parking penalty, from each parking fine or forfeiture collected, in the County Courthouse Construction Fund and the County Criminal Justice Facilities Construction Fund. Furthermore, this section requires \$1 of each \$2.50 parking penalty to be distributed to the County General Fund.

VC section 40225(d) allows equipment and registration violations to be processed as civil penalties. Upon proof of correction, the civil penalty is reduced to \$10. Any penalties collected on equipment and registration violations are distributed as follows: 50% to the issuing processing agency and 50% to the State Treasurer.

GC section 70372(b) requires the issuing agencies to distribute a state surcharge of \$4.50 to the State Court Facilities Construction Fund for every parking fine or forfeiture starting January 2009. GC section 76000.3 requires the issuing agencies to distribute to the State Trial Court Trust Fund an additional State Surcharge of \$3 for every parking fine or forfeiture starting January 2011.

Effect

The incorrect distributions had the following effect on the City of Coachella parking surcharges:

Account Title	Underremitted City of Coachella
<u>Underremitted to Riverside County (Parking Surcharges)</u>	
State Trial Court Trust Fund – GC §76000.3	\$ 6,810
State Court Facilities Construction Fund – ICNA – GC §70372(b)	7,797
State Court Facilities Construction Fund – GC §70372(b)	3,900
State General Fund – GC §40225(d)	<u>20,051</u>
Total – State Treasurer	<u>38,558</u>
County General Fund	6,552
County Criminal Justice Facilities Fund	4,917
County Courthouse Construction Fund	<u>4,917</u>
Total – County Funds	<u>16,386</u>
Total	<u>\$ 54,944</u>

Recommendation

We recommend that the City of Coachella:

- Update its policies and procedures to remit the required parking surcharge distributions to the county;
- Remit \$38,558 to Riverside County for increases of \$6,810 to the State Trial Court Trust Fund; \$7,797 to the State Court Facilities Construction Fund – ICNA; \$3,900 to the State Court Facilities Construction Fund; and \$20,051 to the State General Fund for subsequent remittance by the county to the State Treasurer; and
- Remit \$16,386 to Riverside County for \$6,552 deposit to the County General Fund; \$4,917 deposit to the County Criminal Justice Facilities Fund; and \$4,917 deposit to the County Courthouse Construction Fund.

We also recommend that Riverside County remit to the State Treasurer any portion of the \$38,558 that it receives from the City of Coachella.

City of Coachella's Response

The City of Coachella agrees with the finding.

**FINDING 4—
Overremitted bail
bond forfeiture
distributions**

During testing of bail bond forfeitures, we found that the county failed to distribute bail bond forfeitures as required under PC section 1463.009 and Health and Safety (H&S) Code section 11502 from October 2011 through January 2015. The county incorrectly distributed revenues to the state and county penalty funds. County personnel indicated that the required distribution was inadvertently overlooked.

PC section 1463.009 requires that revenues from forfeited bail be distributed pursuant to PC section 1463. PC section 1463.001(b)(1) further states that the base that is subject to specific distribution shall be distributed to the specified funds of the State or the local agency. H&S Code section 11502, a specific distribution, requires that 75% of all forfeited bail within Division 10 (H&S Code sections 11000-11592) be remitted to the State Treasurer. The remaining 25% should be distributed pursuant to the arresting agency in accordance with PC section 1463.001. Additionally, GC section 68090.8 requires that 2% be deducted from all fines, penalties, and forfeitures for automation purposes.

The incorrect distributions for bail bond forfeitures affect the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to GC section 77205. A net total of \$123,016 should have been included in the MOE calculation.

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State General Fund (Health & Safety) – H&S Code § 11502	\$ 173,664
State DNA Identification Fund (Prop 69) – GC § 76104.6	(10,123)
State DNA Identification Fund – GC § 76104.7	(97,684)
State Court Facilities Construction Fund – GC § 70372(a)	(105,350)
State Court Facilities Construction Fund – ICNA – GC § 70372(a)	(97,735)
State Penalty Fund - PC § 1464	(284,763)
Total	\$ (421,991)
County Base Fines & Forfeitures – PC § 1463.001	\$ 326,742
County General Fund (Health & Safety) – H&S Code § 11502	21,520
County Courthouse Construction Fund – GC § 76100	(97,735)
County Criminal Justice Facilities Construction Fund – GC § 76101	(82,059)
County Automated Fingerprint Identification Fund – GC § 76102	(19,802)
County Forensic Laboratory Fund – GC § 76103	(4,569)
County Maddy Emergency Medical Services Fund – GC § 76104	(82,059)
County Additional Emergency Medical Services Fund – GC § 76000.5	(82,059)
County DNA Identification Fund – GC § 76104.6	(30,368)
County General Fund (State Penalty 30%) – PC § 1464	(122,041)
Banning, City of	18,869
Blythe, City of	3,188
Cathedral City, City of	2,185
Coachella, City of	2,089
Corona, City of	28,234
Hemet, City of	47,768
Indio, City of	5,244
La Quinta, City of	4,554
Lake Elsinore, City of	44,700
Menifee, City of	11,445
Moreno Valley, City of	136,328
Murrieta, City of	6,484
Norco, City of	3,421
Palm Desert, City of	13,573
Palm Springs, City of	19,669
Perris, City of	53,795
Rancho Mirage, City of	2,277
Riverside, City of	149,044
San Jacinto, City of	26,925
Temecula, City of	14,629
Total	\$ 421,991

Recommendation

We recommend that the county reduce remittances to the State Treasurer by \$421,991 and report on the TC-31 decreases of \$10,123 to the State DNA Identification Fund, \$97,684 to the State DNA Additional Penalty Assessment, \$105,350 to the State Court Facilities Construction Fund, \$97,735 to the State Court Facilities Construction Fund – ICNA, \$284,763 to the State Penalty Fund, and increases of \$173,664 to the State General Fund. We also recommend that the county make the corresponding account adjustments.

County's Response

The County of Riverside concurs with the finding and will reduce the TC-31 in accordance to the recommendation. Further, the account adjustments to the impacted cities and county will be applied and the funds in the amounts identified will be refunded to all agencies as listed in the finding. The process and formula that led to the error in distributed amounts was corrected in February of 2015. The county's current process ensures the distribution of bail bond forfeitures is in accordance with government codes.

**FINDING 5—
Inaccurate
distribution of Health
& Safety violations**

During testing of health and safety violation distributions, we found that the court did not impose state and local penalties on the criminal lab analysis fees (fine) and drug program fees (fine) as a base fine enhancement with applicable state and county penalties. Court personnel indicated that the required distribution was inadvertently overlooked.

H&S Code section 11372.5 requires a \$50 criminal analysis fee (fine) for each conviction of a specific controlled substance violation identified in the statute. As the state provides the testing, the required fee, net of allowable overhead costs, is to be distributed monthly to the State General Fund. H&S Code section 11372.7 requires that a drug program fee (fine) of up to \$150 for each conviction be deposited into the county's Drug Program Fund to help support the county's drug abuse programs in the schools and community. State and county penalties are allocated in the same manner as violations pursuant to PC section 1463.001.

The inaccurate distributions affect the revenues allocated to the county and state for health and safety violations. We did not measure the fiscal effect, as the amount did not appear material.

Recommendation

We recommend that the court revise its accounting system and change its distribution formulas to accurately distribute health and safety fines, penalties, and fees as noted.

Court's Response

The Court concurs with the finding. After a more thorough analysis of the distributions required and, due to limitations with our current case management system, the solution needed to correct this error would require extensive programming and cost. The court is migrating to a new case management system (eCourt) for criminal cases in the next few years and staff will ensure the proper distributions are included in the initial programming to guarantee an accurate distribution of funds per this recommendation. The court will continue to work towards an interim manual solution prior to this time.

**FINDING 6—
Incorrect
prioritization of
installment payments**

During testing of installment payments, we found that the court prioritized collections in a manner that incorrectly gave a distribution priority to installment payment fees (Category 4) over state 20% surcharges, fines, penalties, and restitution (Categories 2 and 3). County personnel indicated that the required distribution was inadvertently overlooked.

PC section 1203.1(d) requires a mandatory prioritization in the distribution of all installment payments as follows:

1. Restitution Orders to victims
2. 20% State Surcharge
3. Fines, penalty assessments, and restitution fines
4. Other reimbursable costs

The collection of installment fees should be included in Category 4 with other reimbursable costs.

Failure to make the required priority distribution causes distributions to the state and county to be inaccurately stated. We did not measure the fiscal effect, as the amount did not appear material.

Recommendation

We recommend that the court take steps to ensure that all surcharges, fines, penalties, and fees are distributed in accordance with the statutory requirements under PC section 1203.1(d).

Court's Response

The Court concurs with the finding. This issue was fixed and the proper priority of payments created on July 1, 2017.

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



**COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER**

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

ACO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Oscar Valdez
Assistant Auditor-Controller

January 24, 2019

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

Dear Ms. Kurokawa,

We received the draft audit report for the audit performed by your office on court revenues for the period of July 1, 2008, through June 30, 2016. Below are our responses and plan of action for the findings pertaining to the County of Riverside.

Finding 1

Overremitted 50% excess of qualified fines, fees, and penalties

Audit Recommendation

County reduce remittances by \$74,333 to the State Treasurer and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund.

County of Riverside Response

The County of Riverside concurs with the finding that fines, fees, and penalties were overremitted to the State Treasurer. Our remittance to the State Treasurer is based on the information we receive from other government agencies. As such, the County of Riverside will communicate with the other government agencies to ensure the amounts remitted to the State Treasurer are correct.

In accordance with the recommendation from the State Controller's Office, the TC-31 remittance for the month of April 2019 will be reduced in the amount of \$74,333. We will be in contact with the supervisor of the Tax Programs Unit from the State to ensure we process this correctly and in agreement with the State Controller's Office.

Finding 4

Overremitted bail bond forfeiture distributions

Audit Recommendation

County reduce remittances to the State Treasurer by \$421,991 and report on the TC-31 decreases of \$10,123 to the State DNA Identification Fund, \$97,684 to the State DNA Additional Penalty Assessment, \$105,350 to the State Court Facilities Construction Fund, \$97,735 to the State Court Facilities Construction Fund – ICNA, \$284,763 to the State Penalty Fund, and

increases of \$173,664 to the State General Fund. Also, it is recommended that the county make the corresponding account adjustments.

County of Riverside Response

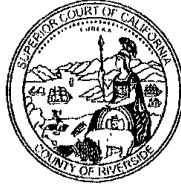
The County of Riverside concurs with the finding and will reduce the TC-31 in accordance to the recommendation. Further, the account adjustments to the impacted cities and county will be applied and the funds in the amounts identified will be refunded to all agencies as listed in the finding. The process and formula that led to the error in distributed amounts was corrected in February of 2015. The county's current process ensures the distribution of bail bond forfeitures is in accordance with government codes.

Thank you for the opportunity to comment on the results of your findings. Please contact Rene Casillas, Chief Accountant, at 951.955.8140 for any questions.

Sincerely,

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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



W. SAMUEL HAMRICK, JR.
Court Executive Officer

Superior Court of California
County of Riverside

4050 Main Street
Riverside, CA 92501
951-777-3163 Phone
951-777-3164 Fax

January 3, 2019

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

Dear Ms. Kurokawa,

The Superior Court of California, County of Riverside, is in receipt of the draft audit performed by the State Controller's Office on court revenues for the period of July 1, 2008 through June 30, 2016. Below are the portions of the audit that pertain to the court and our responses/comments/actions.

Court Findings

Finding #5 – Inaccurate distribution of Health and Safety violations

Recommendation – that the court revise its accounting system and change its distribution formulas to accurately distribute health and safety fines, penalties and fees as noted.

Action – The Court concurs with the finding. After a more thorough analysis of the distributions required and, due to limitations with our current case management system, the solution needed to correct this error would require extensive programming and cost. The court is migrating to a new case management system (eCourt) for criminal cases in the next few years and staff will ensure the proper distributions are included in the initial programming to guarantee an accurate distribution of funds per this recommendation. The court will continue to work towards an interim manual solution prior to this time.

Finding #6 – Incorrect prioritization of installment payments

Recommendation – that the court take steps to ensure that all surcharges, fines, penalties, and fees are distributed in accordance with the statutory requirements under PC section 1203.1(d).

Lisa Kurokawa
January 3, 2019
Page 2

Action – The Court concurs with the finding. This issue was fixed and the proper priority of payments created on July 1, 2017.

County Findings

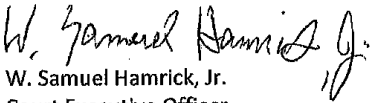
Finding #1 – Over-remitted 50% excess of qualified fines, fees, and penalties

Recommendation – that the county reduce remittance by \$74,333 to the State Treasurer and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund. Although this is a finding for the county and not the court, we wanted to address one portion that pertains to court functions. On Page 6, 3rd bullet from the top, the finding states: *“For the audit period, the Superior Court of California, Riverside County, erroneously Included 75% of the county’s portion of red light revenues per Penal Code (PC) section 1463.11 and red-light traffic violator school revenues per Vehicle Code (VC) section 42007.3 in its MOE calculation. This resulted in an overstatement of \$332,782.”*

Action –This distribution error was corrected in the court’s accounting system in November 2018.

Thank you for the opportunity to comment. Please contact Marita Ford, Chief Financial Officer, at 951-777-3158 with any questions or concerns.

Sincerely,


W. Samuel Hamrick, Jr.
Court Executive Officer

**Attachment C—
College of the Desert's Response to Draft Audit Report**

Becky Broughton
Chair, Board of Trustees

Bonnie Stefan, Ed.D.
Vice Chair

Fred E. Jandt, Ph.D.
Clerk

Mary Jane Sanchez-Fulton
Member

Aurora Wilson
Member

Jonathan Ramont
Student Trustee

Joel L. Kinnamon, Ed.D.
Superintendent/President



January 10, 2019

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

RE: Audit of Court Revenues - 7/1/08 to 6/30/16

Dear Ms. Kurokawa,

College of the Desert (Desert Community College District) is in receipt of the audit performed by the State Controller's Office on court revenues for the period July 1, 2008 through June 30, 2016. Please see our responses below to the portions of the report pertaining to our agency.

Finding #2 - Unremitted Parking Surcharges

Recommendation:

- 1) *College of the Desert update its policies and procedures to remit the required parking surcharge distributions to the county*
- 2) *College of the Desert remit \$105,115 to Riverside County for subsequent remittance to the State Treasurer for state parking surcharges*
 - *State Trial Court Trust Fund (\$32,493)*
 - *State Court Facilities Construction Fund - ICNA (\$48,414)*
 - *State Court Facilities Construction Fund (\$24,208)*
- 3) *College of the Desert remit \$85,076 to Riverside County for county parking surcharges*
 - *County General Fund (\$34,030)*
 - *County Criminal Justice Facilities Fund (\$25,523)*
 - *County Courthouse Construction Fund (\$25,523)*





Action:

The District concurs with the finding. As discussed with the State's audit team, District staff was unaware of the remittance requirement, as we believed our processing company was contracted to perform this service.

The District has taken corrective action to implement new procedures since the time the error was brought to our attention through the course of this audit. As of the date of this notice, all portions of revenues received by the District and due to the County/State have been remitted to the Riverside County Treasurer for processing. We believe we have done what is necessary to bring our account current (outside of the audit period) and ensure payments are processed on a regular, monthly basis.

We appreciate the opportunity to provide our comments and responses to the information contained in the audit report. Please do not hesitate to contact me directly at (760) 773-2513 if you should have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Virginia Ortega', is written over a faint, illegible typed name.

Virginia Ortega,
INTERIM DIRECTOR, FISCAL SERVICES



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

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