

LOS ANGELES COUNTY

Audit Report

COURT REVENUES

July 1, 2014, through June 30, 2018



BETTY T. YEE
California State Controller

April 2021



BETTY T. YEE
California State Controller

April 12, 2021

Arlene Barrera, Auditor-Controller
Los Angeles County
500 West Temple Street, Suite 525
Kenneth Hahn, Hall of Administration
Los Angeles, CA 90012

Sherri R. Carter, Court Executive Officer
Superior Court of California, Los Angeles
County
111 North Hill Street
Los Angeles, CA 90012

Dear Ms. Barrera and Ms. Carter:

The State Controller's Office audited Los Angeles County's court revenues for the period of July 1, 2014, through June 30, 2018.

Our audit found that the county underremitted a net of \$1,940,431 in state court revenues to the State Treasurer because it:

- Underremitted the State Trial Court Improvement and Modernization Fund (Government Code [GC] section 77205) by \$2,311,436;
- Overremitted the Emergency Medical Air Transportation Act Fund (GC section 76000.10(c)(1)) by \$437,372;
- Overremitted the State Penalty Fund (Penal Code [PC] section 1464) by \$67,617;
- Underremitted the State DNA Identification Fund (GC section 76104.6) by \$2,758;
- Underremitted the State DNA Identification Fund (GC section 76104.7) by \$51,480;
- Underremitted the State Court Facilities Construction Fund (Vehicle Code [VC] section 42007.1) by \$40,399;
- Underremitted the State Court Facilities Construction Fund – Immediate and Critical Needs Account (VC section 42007.1) by \$26,933; and
- Underremitted the State General Fund – 20% Surcharge on Criminal Fines (PC section 1465.7) by \$12,414.

In addition, we found that the court made incorrect distributions related to Red Light Traffic Violator School and Fish and Game Violations.

The county made a payment of \$2,311,436 in November 2020. The county should reduce subsequent remittances to the State Treasurer by \$371,005.

If you have questions regarding payments, TC-31s, or interest and penalties, please contact Jennifer Montecinos, Manager, Tax Programs Unit, by telephone at (916) 324-5961, or by email at lgpsdtaxaccounting@sco.ca.gov.

The county disputes certain facts related to the conclusions and recommendations contained in this audit report. The State Controller's Office has an informal audit review process for resolving disputes. To request a review, the county should submit a written request for a review, along with supporting documents and information pertinent to the disputed issues, within 60 days of receiving this final audit report. The review request should be submitted to Richard J. Chivaro, Chief Counsel, State Controller's Office, Post Office Box 942850, Sacramento, California 94250. In addition, please provide a copy of the request letter to Lisa Kurokawa, Chief, Compliance Audits Bureau, State Controller's Office, Division of Audits, Post Office Box 942850, Sacramento, California 94250.

If you have questions regarding the audit findings, please contact Ms. Kurokawa by telephone at (916) 327-3138, or by email at lkurokawa@sco.ca.gov.

Sincerely,

Original signed by

MICHAEL REEVES, CPA
Acting Chief, Division of Audits

MR/ac

cc: Hilda Solis, Chair
Los Angeles County Board of Supervisors
Grant Parks, 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
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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 Los Angeles County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2014, through June 30, 2018.

Our audit found that the county underremitted a net of \$1,940,431 in state court revenues to the State Treasurer. In addition, we found that the court made incorrect distributions related to Red Light Traffic Violator School and Fish and Game Violations.

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.

Audit Authority

We conducted this audit under the authority of GC section 68103, which requires the SCO to review 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 court revenues remitted to the State Treasurer pursuant to the TC-31 process.

The audit period was July 1, 2014, through June 30, 2018.

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. Haphazardly selected a non-statistical sample of four installment payments to verify priority. No errors were identified;
- 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;
- Performed a risk evaluation of the county and court and identified violation types that are prone to errors due to either their complexity and/or statutory changes during the audit period. Based on the risk evaluation, haphazardly selected a non-statistical sample of 50 cases for 11 violation types.¹ Then we:
 - Recomputed the sample case distributions and compared them to the actual distributions; and
 - 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 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.

¹ We were not able to identify the case population due to the inconsistent timing of when tickets are issued versus when they are paid, and the multitude of entities that remit collections to the county for remittance to the State.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. Specifically, we found that the county underremitted a net of \$1,940,431 in state court revenues to the State Treasurer because it:

- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 77205) by \$2,311,436;
- Overremitted the Emergency Medical Air Transportation Act Fund (GC section 76000.10(c)(1)) by \$437,372;
- Overremitted the State Penalty Fund (PC section 1464) by \$67,617;
- Underremitted the State DNA Identification Fund (GC section 76104.6) by \$2,758;
- Underremitted the State DNA Identification Fund (GC section 76104.7) by \$51,480;
- Underremitted the State Court Facilities Construction Fund (VC section 42007.1) by \$40,399;
- Underremitted the State Court Facilities Construction Fund – Immediate and Critical Needs Account (VC section 42007.1) by \$26,933; and
- Underremitted the State General Fund – 20% Surcharge on Criminal Fines (PC section 1465.7) by \$12,414.

These instances of noncompliance are quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

In addition, we found that the court made incorrect distributions related to Red Light Traffic Violator School and Fish and Game Violations. These instances of noncompliance are non-monetary and described in the Findings and Recommendations section.

The county made a payment of \$2,311,436 in November 2020.

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, 2007, through June 30, 2011, issued May 28, 2013, with the exception of Findings 1 and 3 of this audit report.

Views of Responsible Officials

We issued a draft report on February 16, 2021. Arlene Barrera, Auditor-Controller, responded by letter dated February 26, 2021 (Attachment A), agreeing with the audit results with the exception of Finding 1. In addition, Sherri R. Carter, Court Executive Officer, responded by letter dated February 25, 2021 (Attachment B), agreeing with the audit results. The county and court's responses are included as attachments to this audit report.

Restricted Use

This audit report is solely for the information and use of Los Angeles County; Superior Court of California, Los Angeles County; the Judicial Council of California; and 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

MICHAEL REEVES, CPA
Acting Chief, Division of Audits

April 12, 2021

Schedule—
Summary of Audit Findings Affecting Remittances to the State Treasurer
July 1, 2014, through June 30, 2018

Finding ¹	Fiscal Year				Total	Reference ²
	2014-15	2015-16	2016-17	2017-18		
Underremitted 50% Excess of Qualified Revenues State Trial Court Improvement and Modernization Fund – GC §77205	\$2,311,436	\$ -	\$ -	\$ -	\$ 2,311,436	Finding 1
Incorrect Distribution of Red Light (Non-TVS) Cases Emergency Medical Air Transportation Act Fund – GC §76000.10(c)(1)	(107,150)	(113,671)	(123,293)	(93,258)	(437,372)	Finding 2
Incorrect Distribution of Probation Department Cases						
State Penalty Fund – PC §1464	(20,568)	(19,093)	(15,195)	(12,761)	(67,617)	
State DNA Identification Fund – GC §76104.6	893	753	596	516	2,758	
State DNA Identification Fund – GC §76104.7	15,823	13,602	12,377	9,678	51,480	
State Court Facilities Construction Fund – GC §70372(a)	12,362	10,685	9,489	7,863	40,399	
State Court Facilities Construction Fund–ICNA – GC §70372(a)	8,242	7,123	6,326	5,242	26,933	
General Fund–20% Surcharge on Criminal Fines – PC §1465.7	2,893	5,559	1,920	2,042	12,414	
Total	19,645	18,629	15,513	12,580	66,367	Finding 3
Net amount (overremitted) / underremitted to the State Treasurer	<u>\$2,223,931</u>	<u>\$ (95,042)</u>	<u>\$ (107,780)</u>	<u>\$ (80,678)</u>	<u>\$ 1,940,431</u>	

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— Underremitted 50% excess of qualified fines, fees, and penalties (repeat finding)

During our recalculation of the 50% excess of qualified revenues, we found that the county used incorrect qualified revenue amounts in its calculation for each fiscal year. These errors resulted in the county underremitting the 50% excess of qualified revenues by \$2,311,436 for fiscal year (FY) 2014-15. However, the errors did not result in underremittances in the remaining three fiscal years, as the qualified revenues were below the county's revenue base amounts. The 50% excess of qualified revenues was 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 calculation and reconciled the qualified revenues to revenue collection reports provided by the court and the county's probation department. We noted that the county incorrectly excluded the revenues collected for the Emergency Medical Services Fund (GC section 76104), Maddy Emergency Medical Services Fund (GC section 76000.5), and city base fines (VC section 42007(c)) from the calculation of the TVS fee (VC section 42007) during the audit period. Furthermore, the county slightly understated State Penalty Fund (PC section 1464) revenues in its calculation for each fiscal year.

During testing of court and probation department cases, we found that the court did not distribute 30% of the DNA Identification Fund (GC section 76104.7) and the Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.10(c)) to the city and county Red Light Allocation Funds (VC section 42007.3). Additionally, we found that the probation department did not consistently assess penalties that led to an overremittance in the State Penalty Fund (PC section 1464). Both of these distribution errors led to misstatements in the county's qualified revenue calculation.

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 \$38,686,736 for the audit period.

Qualified revenues were understated because:

- The county understated qualified revenues by \$44,294 for the audit period due to minor input errors made while completing the 50% excess calculation;
- The county understated qualified revenues by \$6,507,856 for the audit period because it incorrectly excluded the revenues collected for the Emergency Medical Services Fund (GC section 76104) from the calculation of the TVS fee (VC section 42007);
- The county understated qualified revenues by \$6,507,856 for the audit period because it incorrectly excluded the revenues collected for the

- Maddy Emergency Medical Services Fund (GC section 76000.5) from the calculation of the TVS fee (VC section 42007);
- The county understated qualified revenues by \$27,412,323 for the audit period because it incorrectly excluded the revenues collected for the city base fines (VC section 42007(c)) from the calculation of the TVS fee (VC section 42007);
 - As noted in Finding 3, the probation department did not consistently assess penalties and the 20% State Surcharge (PC section 1465.7). These errors resulted in an overstatement of \$29,069 in qualified revenues for the State Penalty Fund (PC section 1464) line item; and
 - As noted in Finding 4, the court did not distribute 30% of the DNA Identification Fund (GC section 76104.7) and the Emergency Medical Air Transportation Fund (GC section 76000.10(c)) to the city and county Red Light Allocation Funds (VC section 42007.3). These errors resulted in an overstatement of \$1,756,524 in qualified revenues (\$2,280,849 x 77%) for the VC section 42007 TVS fee line item.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Totals
	2014-15	2015-16	2016-17	2017-18	
Qualified revenues reported	\$63,711,584	\$54,812,256	\$49,603,260	\$47,887,667	\$ 216,014,767
Audit adjustments:					
PC § 1464 variance	10,483	10,941	10,550	12,320	44,294
PC § 1464 overremittance	(8,834)	(8,205)	(6,536)	(5,494)	(29,069)
VC § 42007 overremittance	(430,528)	(456,443)	(495,079)	(374,474)	(1,756,524)
GC § 76104 understatement	1,913,481	1,582,204	1,436,081	1,576,090	6,507,856
GC § 76000.5 understatement	1,913,481	1,582,204	1,436,081	1,576,090	6,507,856
VC § 42007(c) understatement	8,515,333	6,896,168	6,234,509	5,766,313	27,412,323
Total	11,913,416	9,606,869	8,615,606	8,550,845	38,686,736
Adjusted qualified revenues	<u>\$75,625,000</u>	<u>\$64,419,125</u>	<u>\$58,218,866</u>	<u>\$56,438,512</u>	<u>\$ 254,701,503</u>

The incorrect qualified revenues resulted in the county underremitting the 50% excess of qualified revenues by \$2,311,436 for FY 2014-15. However, the errors did not result in underremittances in the remaining three fiscal years, as the qualified revenues were below the county's revenue base amount.

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 FY 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 underremittance 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 Due the State	County Remittance to the State Treasurer	County Underremittance to the State Treasurer ¹
2014-15	\$ 75,625,000	\$ 71,002,129	\$4,622,871	\$2,311,436	\$ -	\$ 2,311,436
2015-16	64,419,125	71,002,129	-	-	-	-
2016-17	58,218,866	71,002,129	-	-	-	-
2017-18	56,438,512	71,002,129	-	-	-	-
Total						<u>\$ 2,311,436</u>

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

The county made a payment of \$2,311,436 in November 2020.

As discussed in Finding 2 of our prior audit report dated May 28, 2013, the county underremitted 50% excess of qualified revenues. This is a repeat finding because the county’s probation department did not correct the distribution errors noted in our prior audit report.

Recommendation

We recommend that the county ensure that the proper accounts are included in the calculation of each line item on the 50% excess of qualified revenues form.

County’s Response

The County does not agree with the State Controller’s Office (SCO) recommendation. The SCO indicates that the County under-remitted the 50% excess of qualified revenues because the County understated qualified revenues related to Traffic Violator School (TVS) court cases. However, the SCO did not take into consideration the fact that these funds are transferred from the County to the Maddy Emergency Medical Services (EMS) Funds per Government Code 76104 and 76000.5, and from the Court to the cities per Vehicle Code 42007(c), and thus not available for sharing with the State. Since the same money cannot be sent to two destinations, the County would be forced to use the County’s unrestricted locally generated funds to pay the State Treasurer in order to comply with the SCO’s finding. This is clearly inconsistent with the Legislature’s intent in Assembly Bill 233 (Escutia and Pringle), Statutes 1997, chapter 850, which provided for counties and the State to split excess fee, fines, and forfeiture revenues 50/50.

The County provided the Judicial Council of California (JCC) with our concerns and JCC agreed with SCO. The County plans to appeal this

finding and would like to discuss amending Government Code 77205 to address the inconsistencies.

The County however has paid the California State Treasurer the audit finding amount of \$2,311,436. A warrant was issued on November 30, 2020 and sent to the State with form TC-31 Remittance Advice #CO19 2049 specifying the audit finding. We request that the report reflect that the adjustments and payment that has already been made.

SCO Response

The finding and recommendation remain unchanged.

As stated in Finding 1, 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 FY 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement and Modernization Fund. GC section 77205 also specifies that the qualified revenues are based on what would have been deposited in the general fund pursuant to how the applicable sections read as of December 31, 1997.

In its annual memorandum, the JCC provides instructions for counties to calculate the amount of excess revenues that are required to be remitted to the State. The instructions during the audit period stated that the VC section 42007 TVS fees should not be reduced by distributions to the Maddy Emergency Medical Services Fund, Courthouse Construction Fund, Criminal Justice Facilities Construction Fund, or to the cities.

The JCC clarified the instructions further in its June 15, 2020, memorandum. In this memorandum, the JCC explicitly requires that the total amount collected for TVS fees be included as qualified revenues.

As requested, the SCO updated the audit report to reflect that the county has already paid the underremittance.

FINDING 2— Overremitted Emergency Medical Air Transportation penalty

During our testing of red-light (non-TVS) cases, we found that the court overremitted Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.10(c)) revenues by \$437,372 for the audit period. Revenues were overremitted because the court misinterpreted distribution guidelines and incorrectly configured its accounting system.

We verified, on a sample basis, distributions made by the court using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the court did not distribute 30% of the Emergency Medical Air Transportation penalty (GC section 76000.10(c)) to the county and city red-light allocation funds (PC section 1463.11). This error resulted in overremittances to the Emergency Medical Air Transportation and Children's Coverage Fund by \$437,372 and underremittances to the county and city red-light allocation funds (PC section 1463.11) by \$437,372.

PC section 1463.11 requires that the first 30% of red-light violation base fines, state penalties, and county penalties (PC sections 1463 and 1464, and GC section 76100, respectively) collected to be distributed to the general fund of the county or city where the violation occurred. The incorrect distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
Emergency Medical Air Transportation and Children’s Coverage Fund–GC §76000.10(c)	\$ (437,372)
City and County Red-Light Allocation Fund–PC §1463.11	\$ 437,372

Recommendation

We recommend that the county offset subsequent remittances to the State Treasurer by \$437,372 and report on the TC-31 decreases of \$437,372 to the Emergency Medical Air Transportation and Children’s Coverage Fund (GC section 76000.10(c)).

We also recommend that the court determine the amount underremitted to the red-light allocation fund (PC section 1463.11) of each city affected.

County’s Response

We agree with this recommendation. The County will offset subsequent remittances to the State Treasurer by \$437,372 and report on the TC-31 decreases of \$437,372 to the Emergency Medical Air Transportation and Children’s Coverage Fund (GC sections 76000.10(c)).

Court’s Response

The court has prepared a schedule for the adjusted amount and we will coordinate the adjustment of the funds with the County. The distribution error was in our legacy system and is correct in our current system, Odyssey, which was implemented in May 2018.

**FINDING 3—
County’s probation
department did not
consistently assess
penalties and
assessments (repeat
finding)**

During our testing of the county’s probation department cases, we found that the department did not consistently assess penalties, assessments, and surcharges, resulting in a net underremittance to the State of \$66,367. This error occurred because the department misinterpreted the distribution guidelines and incorrectly configured its accounting system.

We verified on a sample basis, distributions made by the department using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the department did not consistently assess the following state and county penalties:

- GC section 76104.6 State DNA Identification Penalty;
- GC section 76104.7 State DNA Identification Penalty;
- GC section 76000.5 Maddy Emergency Medical Services Penalty;

- GC section 70372(a) State Court Construction Penalty;
- PC section 1465.7 20% State Surcharge;
- PC section 1465.8 Court Operations Assessment;
- GC section 70373 Criminal Conviction Assessment; and
- PC section 1202.4(b) State Restitution Fine.

The distribution errors resulted in underremittances to the above state and county accounts and overremittances to the State Penalty Fund (PC section 1464), Courthouse Construction Fund (GC section 76100), Criminal Justice Facilities Construction Fund (GC section 76101), Emergency Medical Services Fund (GC section 76104), and Automated Fingerprint Identification and Digital Image Photographic Suspect Booking Identification System Fund (GC section 76102). We discussed these errors with probation department staff and performed a revenue analysis to determine the impact on the State and county funds. After performing the analysis, we determined the distribution errors resulted in a net underremittance to the State of \$66,367.

The underremittances for the Court Operations Assessment (PC section 1465.8), Criminal Conviction Assessment (GC section 70373), and the State Restitution Fine (PC section 1202.4(b)) cannot now be reversed because the court cannot retroactively collect the fines and assessments from defendants.

GC section 76104.6 requires an additional penalty of one dollar for every ten dollars of each fine imposed and collected by the courts for all criminal offenses.

GC section 76104.7 requires an additional penalty of four dollars for every ten dollars of each fine imposed and collected by the courts for all criminal offenses.

GC section 70372(a) requires the courts to levy a state court construction penalty of five dollars for every ten dollars of each fine imposed and collected by the courts for all criminal offenses.

PC section 1465.7 requires the courts to levy a state surcharge of 20% of the base fine used to calculate the state penalty assessment.

PC section 1465.8 requires a \$40 assessment to be imposed on every conviction for a criminal offense for deposit into the Trial Court Trust Fund to assist in funding court operations.

GC section 70373 requires an assessment of \$30 for each misdemeanor or felony and \$35 for each infraction on every conviction for a criminal offense.

PC section 1202.4(b) states that for every case where a person is convicted of a crime, the court shall impose a separate and additional restitution fine of no less than \$150 for each misdemeanor or \$300 for each felony.

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State Penalty Fund (state portion) – PC § 1464	\$ (67,617)
State DNA Identification Fund (state portion) – GC § 76104.6	2,758
State DNA Identification Fund – GC § 76104.7	51,480
State Court Facilities Construction Fund – GC § 70372(a)	40,399
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC § 70372(a)	26,933
State General Fund - 20% Surcharge – PC § 1465.7	12,414
Total	\$ 66,367
State Penalty Fund (county portion) – PC § 1464	\$ (29,069)
DNA Identification Fund (county portion) – GC § 76104.6	8,274
Courthouse Construction Fund – GC § 76100	(19,381)
Criminal Justice Facilities Construction Fund – GC § 76101	(24,226)
Emergency Medical Services Fund – GC § 76104	(19,380)
Automated Fingerprint Identification and Digital Image Photographic Suspect Booking Identification System Fund – GC § 76102	(4,844)
Maddy Emergency Medical Services Fund – GC § 76000.5	22,259
Total	\$ (66,367)

As discussed in Finding 3 of our prior audit report dated May 28, 2013, the probation department underremitted 20% state surcharges and penalties. This is a repeat finding because the probation department did not correct the distribution errors noted in our prior audit report.

Recommendation

We recommend that the county remit \$66,367 to the State Treasurer and report on the TC-31 an increase/(decrease) to the following accounts:

- State Penalty Fund (PC section 1464): \$(67,617)
- DNA Identification Fund (GC section 76104.6): \$2,758
- DNA Identification Fund (GC section 76104.7): \$51,480
- State Court Facilities Construction Fund (GC section 70372(a)): \$40,399
- State Court Facilities Construction Fund – ICNA (GC section 70372(a)): \$26,933
- General Fund – 20% State Surcharge on Criminal Fines (PC section 1465.7): \$12,414

We also recommend that the probation department correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements.

County's Response

We agree with this recommendation. The County will remit \$66,367 to the State Treasurer and report on the TC-31 an increase/decrease to the accounts identified. In addition, Probation department will correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements.

**FINDING 4—
Overremitted Traffic
Violator School Fees**

During our testing of red-light TVS cases, we found that the court overremitted TVS revenues (VC section 42007) by \$2,280,849 for the audit period. Revenues were overremitted because the court misinterpreted the distribution guidelines and incorrectly configured its accounting system.

We verified, on a sample basis, distributions made by the court using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the court did not distribute 30% of the \$3 portion of the State DNA Identification penalty (GC section 76104.7) and Emergency Medical Air Transportation penalty (GC section 76000.10(c)) to the county and city’s red-light allocation funds (VC section 42007.3). Instead, the court converted the full amount of the penalties to the TVS Fee (VC section 42007).

The distribution errors caused an overremittance of \$2,280,849 to the County General Fund (VC section 42007) and an underremittance of \$2,280,849 to the county and city red light allocation funds (VC section 42007.3). Furthermore, the errors caused an overstatement of \$1,756,254 (2,280,849 x 77%) in qualified revenues used in the county’s 50% excess of qualified revenues calculation.

VC section 42007.3 requires that the first 30% of red-light violation base fines, state penalties, and county penalties (PC section 1463 and 1464, and GC section 76100, respectively) collected to be distributed to the general fund of the county or city where the violation occurred.

The incorrect distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
County General Fund – VC §42007	\$ (2,280,849)
City and County Red-Light Allocation Fund – VC §42007.3	\$ 2,280,849

Recommendation

We recommend that the court:

- Monitor its accounting system to ensure that the TVS fees (VC section 42007) are distributed in accordance with statutory requirements; and
- Determine the amount underremitted to the red-light allocation fund (VC section 42007.3) for each city.

Court’s Response

The Court agrees and the current system has been configured correctly since May 2018.

The Court agrees and has identified the amount due for each impacted city and will coordinate the adjustment with the County.

**FINDING 5—
Incorrect distribution
of fish and game
violations**

During our testing of fish and game cases, we found that the court did not properly distribute 2% of the \$15 Secret Witness Penalty (Fish and Game code [FGC] section 12021) to the State Trial Court Improvement and Modernization Fund (GC section 68090.8). This error occurred because the court misinterpreted the distribution guidelines and incorrectly configured its accounting system.

We verified, on a sample basis, distributions made by the court using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the court failed to consistently distribute 2% of the \$15 Secret Witness Penalty (FGC section 12021) to the State Trial Court Improvement and Modernization Fund (GC section 68090.8). Of the four cases tested, the court did not distribute the required 2% of the Secret Witness Penalty in one of the four cases.

GC section 68090.8 requires the county treasurer to transmit 2% of all fines, penalties, and forfeitures collected in criminal cases into the State Trial Court Improvement and Modernization Fund to be used exclusively to pay the costs of automated systems for the trial courts.

We performed an analysis of the Secret Witness Penalty (FGC section 12021) revenues to determine the fiscal effect of this distribution error. Upon completion of our analysis, we found that the error did not have a material impact on the revenues remitted to the State Treasurer.

Recommendation

We recommend that the court correct its accounting system to comply with statutory requirements and ensure that 2% of the Secret Witness Penalty is distributed to the State Trial Court Improvement and Modernization Fund.

Court's Response

The Court agrees and the formula was corrected in July 2019.

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



ARLENE BARRERA
AUDITOR-CONTROLLER

OSCAR VALDEZ
CHIEF DEPUTY AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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500 WEST TEMPLE STREET, ROOM 525
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PHONE: (213) 974-8301 FAX: (213) 626-5427

ASSISTANT AUDITOR-CONTROLLERS

**PETER HUGHES
KAREN LOQUET
CONNIE YEE**

February 26, 2021

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

Attn: Lisa Kurokawa, Chief
Compliance Audits Bureau

**RESPONSE TO DRAFT AUDIT REPORT FOR COURT REVENUES
JULY 1, 2014 THROUGH JUNE 30, 2018**

We have reviewed the draft audit report of Los Angeles County's court revenues for the period July 1, 2014 through June 30, 2018. Below are our responses to the audit findings and recommendations:

Finding 1 – Underremitted 50% excess of qualified fines, fees, and penalties (repeat finding)

State's Recommendation 1

The County should remit \$2,311,436 to the State Treasurer and report on the Remittance Advice Form (TC-31) an increase to the State Trial Court Improvement and Modernization Fund. Also, the County should ensure that the proper accounts are included in the calculation of each line item on the 50% excess of qualified revenues form.

County's Response

The County does not agree with the State Controller's Office (SCO) recommendation. The SCO indicates that the County under-remitted the 50% excess of qualified revenues because the County understated qualified revenues related to Traffic Violator School (TVS) court cases. However, the SCO did not take into consideration the fact that these funds are transferred from the County to the Maddy Emergency Medical Services (EMS) Funds per Government Code 76104 and 76000.5, and from the Court to the cities

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per Vehicle Code 42007(c), and thus not available for sharing with the State. Since the same money cannot be sent to two destinations, the County would be forced to use the County's unrestricted locally generated funds to pay the State Treasurer in order to comply with the SCO's finding. This is clearly inconsistent with the Legislature's intent in Assembly Bill 233 (Escutia and Pringle), Statutes 1997, chapter 850, which provided for counties and the State to split excess fee, fines, and forfeiture revenues 50/50.

The County provided the Judicial Council of California (JCC) with our concerns and JCC agreed with SCO. The County plans to appeal this finding and would like to discuss amending Government Code 77205 to address the inconsistencies.

The County however has paid the California State Treasurer the audit finding amount of \$2,311,436. A warrant was issued on November 30, 2020 and sent to the State with form TC-31 Remittance Advice # CO19 2049 specifying the audit finding. We request that the report reflect that the adjustments and payment that has already been made.

Finding 2 – Overremitted Emergency Medical Air Transportation penalty

State's Recommendation 2

The County should offset subsequent remittances to the State Treasurer by \$437,372 and report on the TC-31 decreases of \$437,372 to the Emergency Medical Air Transportation and Children's Coverage Fund (GC sections 76000.10 (c)).

County's Response

We agree with this recommendation. The County will offset subsequent remittances to the State Treasurer by \$437,372 and report on the TC-31 decreases of \$437,372 to the Emergency Medical Air Transportation and Children's Coverage Fund.

Finding 3 – County's probation department did not consistently assess penalties and assessments (repeat finding)

State's Recommendation 3

The County should remit \$66,367 to the State Treasurer and report on the TC-31 an increase/decrease to the following accounts:

- State Penalty Fund (PC section 1464): \$(67,617)
- DNA Identification Fund (GC section 76104.6): \$2,758
- DNA Identification Fund (GC section 76104.7): \$51,480
- State Court Facilities Construction Fund (GC section 70372(a)): \$40,399

- State Court Facilities Construction Fund – ICNA (GC section 70372(a)): \$26,933
- General Fund – 20% State Surcharge on Criminal Fines (PC section 1465.7): \$12,414

In addition, Probation department should correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements.

County's Response

We agree with this recommendation. The County will remit \$66,367 to the State Treasurer and report on the TC-31 an increase/decrease to the accounts identified. In addition, Probation department will correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements.

Finding 4 – Overremitted Traffic Violator School Fees

State's Recommendation 4

Superior Court of California will respond to this finding.

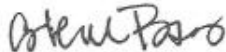
Finding 5 – Incorrect distribution of fish and game violations

State's Recommendation 5

Superior Court of California will respond to this finding.

If you have any questions or comments, please contact Elaine Boyd of my staff at eboyd@auditor.lacounty.gov.

Very truly yours,



Arlene Barrera
Auditor-Controller

AB:OV:CY:EB

H:\Acctg Control\Unit A\Courts\Court Audits\Court Revenue Audit FY 2015 to FY 2018\Audit Report\LA County Response to SCO audit REV 2-24-21

c: Fesia A. Davenport, Chief Executive Officer
Adolfo Gonzales, Chief Probation Officer
Sherri R. Carter, Court Executive Officer, Superior Court

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



SHERRI R. CARTER
EXECUTIVE OFFICER / CLERK OF COURT

111 NORTH HILL STREET
LOS ANGELES, CA 90012-3014

*Superior Court of California
County of Los Angeles*

February 25, 2021

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

**RE: Superior Court of California, County of Los Angeles (Court) Response to Audit Report
FY2014-2018.**

Dear Ms. Kurokawa:

We have reviewed the Los Angeles County Court Revenues Audit Report for the period of July 1, 2014 through June 30, 2018. Below are our responses to the audit findings and recommendations directed to the Court:

Recommendation #2

The Court determine the amount under remitted to the red-light allocation fund (PC1463.11) of each city affected.

Response

The Court has prepared a schedule for the adjusted amount and we will coordinate the adjustment of the funds with the County. The distribution error was in our legacy system and is correct in our current system, Odyssey, which was implemented in May 2018.

Recommendation #4

We recommend that the Court:

- Monitor its accounting system to ensure that the TVS fees (VC section 42007) are distributed in accordance with statutory requirements and;
- Determine the amount under remitted to the red-light allocation fund (VC section 42007.3) for each city.

Lisa Kurokawa
February 25, 2021
Response to Audit Report FY2014-2018
Page 2 of 2

Response

The Court agrees and the current system has been configured correctly since May 2018.

The court agrees and has identified the amount due for each impacted city and will coordinate the adjustment with the County.

Recommendation #5

We recommend that the Court correct its accounting system to comply with statutory requirements and ensure that 2% of the Secret Witness Penalty is distributed to the State Trial Court Improvement and Modernization Fund.

Response

The Court agrees and the formula was corrected in July 2019.

Sincerely,



Sherri R. Carter

c: Arlene Barrera, Auditor-Controller, County of Los Angeles

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

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