

PLACER COUNTY

Audit Report

COURT REVENUES

July 1, 2016, through June 30, 2020



BETTY T. YEE
California State Controller

April 2022



BETTY T. YEE
California State Controller

April 1, 2022

The Honorable Andrew Sisk,
Auditor-Controller, Placer County
2970 Richardson Drive
Auburn, CA 95603

Jake Chatters, Court Executive Officer
Superior Court of California, Placer County
10820 Justice Center Drive
Roseville, CA 95678

Dear Mr. Sisk and Mr. Chatters:

The State Controller's Office (SCO) audited the propriety of the court revenues remitted by Placer County to the State Treasurer for the period of July 1, 2016, through June 30, 2020.

Our audit found that the county underremitted \$365,695 in state court revenues to the State Treasurer because it underremitted the 50% excess of qualified revenues to the State Trial Court Improvement and Modernization Fund (Government Code section 77205).

We also found that the court made incorrect distributions related to the Domestic Violence Fee and the Proof of Correction Fee. These instances of noncompliance are nonmonetary and do not have a material effect on the revenues remitted to the State.

Upon issuance of this final audit report, the county should remit \$365,695 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, 2016, through June 30, 2020.

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.

The underremitted amount is due no later than 30 days after receipt of the 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 the 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.

The Honorable Andrew Sisk,
Auditor-Controller, Placer County
Jake Chatters, Court Executive Officer

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April 1, 2022

Please mail a copy of the TC-31 and documentation supporting the corresponding adjustments to the attention of the following individual:

Tax Accounting Unit Supervisor
Bureau of Tax, Administration, and Government Compensation
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 Unit, by telephone at (916) 324-5961, or by email at 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.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

cc: The Honorable Robert Weygandt, Chair
Placer 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
Jennifer Montecinos, Manager
Tax Administration Unit
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 Placer County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2016, through June 30, 2020.

Our audit found that the county underremitted \$365,695 in state court revenues to the State Treasurer because it underremitted the 50% excess of qualified revenues to the State Trial Court Improvement and Modernization Fund (Government Code [GC] section 77205).

We also found that the court made incorrect distributions related to the Domestic Violence Fee and the Proof of Correction Fee. These instances of noncompliance are nonmonetary and do not have a material effect on the revenues remitted to the State.

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 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, 2016, through June 30, 2020.

To achieve our objective, we performed the following procedures:

General

- We gained an understanding of the county and 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 court.

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% excess 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. No errors were identified.
- 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 38 cases for 10 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 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 an instance of noncompliance with the requirements described in our audit objective. Specifically, we found that the county underremitted \$365,695 in state court revenues to the State Treasurer because it underremitted the 50% excess of qualified revenues to the State Trial Court Improvement and Modernization Fund.

This instance of noncompliance is 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 the Domestic Violence Fee and the Proof of Correction Fee. These instances of noncompliance are non-monetary; they are described in the Findings and Recommendations section.

The county should remit \$365,695 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, 2007, through June 30, 2013, issued on December 31, 2015.

¹ 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.

**Views of
Responsible
Officials**

We issued a draft report on January 31, 2022. Andrew C. Sisk, Auditor-Controller, responded by letter dated February 9, 2022, agreeing with the audit results. In addition, Jake Chatters, Court Executive Officer, responded by letter dated February 8, 2022, agreeing with the audit results. The county and court's complete responses are included as Attachment A and Attachment B.

Restricted Use

This audit report is solely for the information and use of Placer County; the Superior Court of California, Placer County; the JCC; and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

April 1, 2022

Schedule—
Summary of Audit Findings Affecting Remittances to the State Treasurer
July 1, 2016, through June 30, 2020

Finding ¹	Fiscal Year				Total	Reference ²
	2016-17	2017-18	2018-19	2019-20		
Underremitted 50% excess of qualified revenues State Trial Court Improvement and Modernization Fund — GC §77205	\$ 71,845	\$ 97,074	\$ 90,836	\$ 105,940	\$ 365,695	Finding 1
Total amount underremitted to the State Treasurer	<u>\$ 71,845</u>	<u>\$ 97,074</u>	<u>\$ 90,836</u>	<u>\$ 105,940</u>	<u>\$ 365,695</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 revenues

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 \$365,695 for the audit period. 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 calculations of the 50% excess of qualified revenues. We reviewed the county's calculations and reconciled the qualified revenues to revenue collection reports provided by the court and county. We noted that the county miscalculated revenues collected for the Emergency Medical Services Fund (GC section 76104). The county also incorrectly excluded revenues collected for 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 \$731,387 for the audit period.

The county understated qualified revenues as follows:

- The county miscalculated revenues collected for the Emergency Medical Services Fund (GC section 76104), resulting in a \$164,054 understatement.
- The county incorrectly excluded revenues collected for the Maddy Emergency Medical Services Fund (GC section 76000.5), resulting in a \$203,887 understatement.
- The county incorrectly excluded revenues collected for city base fines (VC section 42007[c]) from its calculation of the traffic violator school fee (VC section 42007), resulting in a \$363,446 understatement.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Total
	2016-17	2017-18	2018-19	2019-20	
Qualified revenues reported by county	\$ 2,003,996	\$ 2,154,805	\$ 1,787,425	\$ 2,195,160	\$ 8,141,386
Auditor adjustments					
GC section 76104 understatements	36,309	44,664	36,466	46,615	164,054
GC section 76000.5 understatements	45,493	55,495	45,570	57,329	203,887
VC section 42007(c) understatements	61,886	93,989	99,635	107,936	363,446
Total	143,688	194,148	181,671	211,880	731,387
Adjusted qualified revenues	<u>\$ 2,147,683</u>	<u>\$ 2,348,953</u>	<u>\$ 1,969,096</u>	<u>\$ 2,407,040</u>	<u>\$ 8,872,773</u>

As a result of miscalculating the qualified revenues, the county underremitted the 50% excess of qualified revenues by \$365,695 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 ¹
2016-17	\$ 2,147,684	\$1,554,677	\$ 593,007	\$ 296,504	\$ (224,659)	\$ 71,845
2017-18	2,348,953	1,554,677	794,276	397,138	(300,064)	97,074
2018-19	1,969,096	1,554,677	414,419	207,210	(116,374)	90,836
2019-20	2,407,040	1,554,677	852,363	426,182	(320,242)	105,940
Total						\$ 365,695

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

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 fiscal year 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement and Modernization Fund.

Recommendation

We recommend that the county:

- Remit \$365,695 to the State Treasurer and report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund; and
- Ensure that the proper accounts are included in the calculations of each line item on the 50-50 Excess Split Revenue Computation Form.

County’s Response

The County agrees with the recommendation and will remit \$365,695 to the State Treasurer and will report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund. In addition, the County has revised our internal procedures to include the proper revenue accounts in the calculations of each line item on the 50-50 Excess Split Revenues Computation Form. As part of the revised procedures, the County will also recalculate the 50-50 Excess Split Revenues Computation Form for the fiscal year ended June 30, 2021, and will remit any under remitted amount to the State Treasurer and will report on the TC-31 any increase to the State Trial Court Improvement and Modernization Fund.

**FINDING 2—
Incorrect distribution
of revenues from the
Domestic Violence
Fee**

During testing of domestic violence cases, we found that the court did not properly distribute revenues to the State and county for the Domestic Violence Fee (Penal Code [PC] section 1203.097). 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 each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the court did not properly distribute revenues collected for the \$500 Domestic Violence Fee (PC section 1203.097). For all four cases tested, the court distributed \$330 (66%) to the county and \$170 (34%) to the State rather than the required two-thirds (66.67%) to the county and one-third (33.33%) to the State.

We performed a revenue analysis of the domestic violence revenues to determine the fiscal effect of the distribution errors. Upon completion of our analysis, we found that the errors did not have a material effect on the revenues remitted to the State.

PC section 1203.097(a)(5) requires that two-thirds of the Domestic Violence Fee collected be posted to the County Treasurer's Domestic Violence Fund and the remaining one-third be remitted to the State Treasurer. PC section 1203.097(a)(5) further requires that the remaining one-third be split evenly between the State Domestic Violence Restraining Order Reimbursement Fund and the State Domestic Violence Training and Education Fund.

Recommendation

We recommend that the court:

- Correct its case management system to ensure that domestic violence revenues are distributed in accordance with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The court agrees with Findings 2 and 3. The court took immediate action upon being informed of these errors at the September 22, 2021, audit review meeting and noted distribution errors were corrected on September 24, 2021.

The court does request that a sentence be added to paragraph 3 in both the Cover Memorandum and the Summary section. We ask it be expanded to include following language from the findings section: "[T]he errors did not have a material effect on the revenues remitted to the State." We believe this information would help the reader better understand the degree of the distribution error.

SCO Comment

As requested, we have updated the audit report to reflect that the instances of noncompliance are nonmonetary and do not have a material effect on the revenues remitted to the State.

**FINDING 3—
Incorrect distribution
of revenues from the
Proof of Correction
Fee**

During testing of proof-of-correction violations, we found that the court did not properly distribute revenues to the State and county for the Proof of Correction Fee (VC section 40611). 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 each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the court did not properly distribute revenues collected for the Proof of Correction Fee (VC section 40611). For all four cases tested, the court distributed 33.40% of the first \$10 to the State and 33.33% to both the county and entity in whose jurisdiction the citation was issued, rather than 34% to the State and 33% to both the county and local entity.

We performed a revenue analysis of the proof-of-correction revenues to determine the fiscal effect of the distribution errors. Upon completion of our analysis, we found that the errors did not have a material effect on the revenues remitted to the State.

VC section 40611 states that for each citation, \$10 should be allocated monthly as follows:

- Thirty-three percent transferred to the local governmental entity in whose jurisdiction the citation was issued, for deposit in the general fund of the entity;
- Thirty-four percent transferred to the State Treasury, for deposit in the State Penalty Fund established by PC section 1464; and
- Thirty-three percent deposited in the county's general fund.

Recommendation

We recommend that the court:

- Correct its case management system to ensure that proof-of-correction revenues are distributed in accordance with statutory requirements and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The court agrees with Findings 2 and 3. The court took immediate action upon being informed of these errors at the September 22, 2021, audit review meeting and noted distribution errors were corrected on September 24, 2021.

The court does request that a sentence be added to paragraph 3 in both the Cover Memorandum and the Summary section. We ask it be expanded to include following language from the findings section: “[T]he errors did not have a material effect on the revenues remitted to the State.” We believe this information would help the reader better understand the degree of the distribution error.

SCO Comment

As requested, we have updated the audit report to reflect that the instances of noncompliance are nonmonetary and do not have a material effect on the revenues remitted to the State.

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



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

ANDREW C. SISK, CPA
Auditor-Controller
E-mail: asisk@placer.ca.gov

NICOLE C. HOWARD, CPA
Assistant Auditor-Controller
E-mail: nhoward@placer.ca.gov

February 9, 2022

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

Re: Response to Placer County Audit Report of Court Revenues

Dear Ms. Kurokawa:

Thank you for the opportunity to respond to the State Controller's Office's Audit Report on the Placer County Audit Report of Court Revenues for the period July 1, 2016 through June 30, 2020.

The County makes no comment regarding Findings 2 and 3 as they relate to the Superior Court.

The County agrees with the recommendation and will remit \$365,695 to the State Treasurer and will report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund. In addition, the County has revised our internal procedures to include the proper revenue accounts in the calculations of each line item on the 50-50 Excess Split Revenues Computation Form. As part of the revised procedures, the County will also recalculate the 50-50 Excess Split Revenues Computation Form for the fiscal year ended June 30, 2021 and will remit any under remitted amount to the State Treasurer and will report on the TC-31 any increase to the State Trial Court Improvement and Modernization Fund.

We would like to thank the State Controller's Office and the auditors assigned to this engagement for their cooperation in working with County staff during these unprecedented times.

Sincerely,


Andrew C. Sisk, CPA
Auditor-Controller

cc: Mr. Jake Chatters, Court Executive Officer, Superior Court of California, Placer County

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



Superior Court of the State of California
In and For The County of Placer
Roseville, California

JAKE CHATTERS
COURT EXECUTIVE OFFICER
AND CLERK OF THE SUPERIOR COURT/
JURY COMMISSIONER
(916) 408-6186 FAX (916) 408-6188

February 8, 2022

Lisa Kurokawa, Chief
Compliance Audits Bureau
State Controller's Office
Transmitted via email to: lkurokawa@sco.ca.gov

Re: Response to Superior Court of California, County of Placer – Validity of Recorded Revenues,
Expenditures, and Fund Balances Audit Report

Bureau Chief Kurokawa,

Thank you for the opportunity to respond to the State Controller's Office's Audit Report on the Placer County
Audit Report of Court Revenues, July 1, 2016 through June 30, 2020.

The court makes no comment regarding Finding 1 as it relates to Placer County. The court agrees with
Findings 2 and 3. The court took immediate action upon being informed of these errors at the September 22,
2021 audit review meeting and noted distribution errors were corrected on September 24, 2021.

The court does request that a sentence be added to paragraph 3 in both the Cover Memorandum and the
Summary section. We ask it be expanded to include following language from the findings section: "[T]he
errors did not have a material effect on the revenues remitted to the State." We believe this information would
help the reader better understand the degree of the distribution error.

We would like to thank the State Controller's Office and the auditors assigned to this effort for their diligence,
especially given the disruption caused by the COVID-19 pandemic.

Sincerely,

/s/ Jake Chatters

Jake Chatters,
Court Executive Officer

cc: Hon. Alan V. Pineschi, Presiding Judge, Superior Court of Placer County
Mr. Andrew Sisk, Auditor-Controller, Placer County
Ms. Julie Kelly, Court Fiscal Services Director, Superior Court of Placer County

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

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