

LAKE COUNTY

Audit Report

COURT REVENUES

July 1, 2016, through June 30, 2020



BETTY T. YEE
California State Controller

May 2022



BETTY T. YEE
California State Controller

May 24, 2022

Dear County, Court, City, and Department Representatives:

The State Controller's Office (SCO) audited Lake County's court revenues for the period of July 1, 2016, through June 30, 2020.

Our audit found that the county underremitted a net of \$10,284 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 \$19,256;
- Overremitted the State's Domestic Violence Restraining Order Reimbursement Fund (Penal Code section 1203.097) by \$4,479;
- Overremitted the State's Domestic Violence Training and Education Fund (Penal Code section 1203.097) by \$4,749;
- Overremitted the State Court Facilities Construction Fund (GC section 70372[b]) by \$82;
- Underremitted the Immediate and Critical Needs Account of the State Court Facilities Construction Fund (GC section 70372[b]) by \$227;
- Overremitted the State's Trial Court Trust Fund (GC section 76000.3) by \$2,440; and
- Underremitted the State's General Fund (Vehicle Code section 40225[d]) by \$2,821.

In addition, we found that the county and court made incorrect distributions related to fish and game violations and the priority of installment payments.

We also identified a deficiency that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that the City of Clearlake and the California Department of Parks and Recreation did not properly collect county parking surcharges.

The county made a payment of \$10,284 in March 2022.

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

Attachment—Recipient Addresses

cc: Eddie Crandell, Chair
 Lake 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
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Recipient Addresses

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Lakeport, CA 95453

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255 North Forbes Street
Lakeport, CA 95453

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California Department of Parks
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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 Lake 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 a net of \$10,284 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 \$19,256;
- Overremitted the State's Domestic Violence Restraining Order Reimbursement Fund (Penal Code [PC] section 1203.097) by \$4,749;
- Overremitted the State's Domestic Violence Training and Education Fund (PC section 1203.097) by \$4,749;
- Overremitted the State Court Facilities Construction Fund (GC section 70372[b]) by \$82;
- Underremitted the Immediate and Critical Needs Account of the State Court Facilities Construction Fund (GC section 70372[b]) by \$227;
- Overremitted the State's Trial Court Trust Fund (GC section 76000.3) by \$2,440; and
- Underremitted the State's General Fund (Vehicle Code [VC] section 40225[d]) by \$2,821.

In addition, we found that the county and court made incorrect distributions related to fish and game violations and the priority of installment payments.

We also identified a deficiency that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that the City of Clearlake and the California Department of Parks and Recreation did not properly collect county parking surcharges.

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 court showing court revenue distributions to the State, county, and cities for all fiscal years in the audit period.

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

Distribution Testing

- We assessed the priority of installment payments by haphazardly selecting a non-statistical sample of four installment payments to verify priority. Errors found were not projected to the intended (total) population.
- We scheduled parking surcharge revenues collected from entities that issue parking citations within the county to ensure that revenues were correct, complete, and remitted in accordance with state statutory requirements. We contacted entities that did not remit the required parking surcharges and reviewed their required distributions.
- We performed a risk evaluation of the county and 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 70 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 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 were issued versus when they were 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 \$10,284 in state court revenues to the State Treasurer because it:

- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 77205) by \$19,256;
- Overremitted the State's Domestic Violence Restraining Order Reimbursement Fund (PC section 1203.097) by \$4,749;
- Overremitted the State's Domestic Violence Training and Education Fund (PC section 1203.097) by \$4,749;
- Overremitted the State Court Facilities Construction Fund (GC section 70372[b]) by \$82;
- Underremitted the Immediate and Critical Needs Account (GC section 70372[b]) by \$227;
- Overremitted the State's Trial Court Trust Fund (GC section 76000.3) by \$2,440; and
- Underremitted the State's General Fund (VC section 40225[d]) by \$2,821.

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 county and court made incorrect distributions related to fish and game violations and the priority of installment payments. These instances of noncompliance are non-monetary, and described in the Findings and Recommendations section.

We also identified a deficiency that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that the City of Clearlake and the California Department of Parks and Recreation did not properly collect county parking surcharges. This instance of noncompliance is described in the Observation and Recommendation section.

The county made a payment of \$10,284 in March 2022.

Follow-up on Prior Audit Findings

Our prior audit report, for the period of July 1, 2007, through June 30, 2013, issued April 16, 2015, had no findings related to the propriety of court revenues remitted by the county to the State Treasurer.

**Views of
Responsible
Officials**

We issued a draft report on March 11, 2022. Cathy Saderlund, Auditor-Controller–County Clerk, responded by letter dated March 16, 2022, agreeing with the audit result. In addition, Krista LeVier, Court Executive Officer, responded by letter dated March 14, 2022, agreeing with the audit results. We did not receive a response from the City of Clearlake or the California Department of Parks and Recreation. The county’s and the court’s responses are included as Attachment A and Attachment B.

Restricted Use

This audit report is solely for the information and use of Lake County; the Superior Court of California, Lake County; the City of Clearlake; the California Department of Parks and Recreation; 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

May 24, 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	\$ 7,308	\$ -	\$ 11,948	\$ -	\$ 19,256	Finding 1
Incorrect distribution of the Domestic Violence Fee revenues						
State Domestic Violence Restraining Order Reimbursement Fund – PC §1203.097	(958)	(1,088)	(1,219)	(1,484)	(4,749)	
State Domestic Violence Training and Education Fund – PC §1203.097	(958)	(1,088)	(1,219)	(1,484)	(4,749)	
Total	(1,916)	(2,176)	(2,438)	(2,968)	(9,498)	Finding 2
Incorrect distribution of parking surcharges						
State Court Facilities Construction Fund – GC §70372(b)	-	-	101	(183)	(82)	
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC §70372(b)	-	-	227	-	227	
State Trial Court Trust Fund – GC §76000.3	-	-	(96)	(2,344)	(2,440)	
State General Fund – VC §40225(d)	-	-	477	2,344	2,821	
Total	-	-	709	(183)	526	Finding 3
Net amount (overremitted)/underremitted to the State Treasurer	\$ 5,392	\$ (2,176)	\$ 10,219	\$ (3,151)	\$ 10,284	

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 an incorrect qualified revenue amount in its calculation for each fiscal year. As a result of these errors, the county underremitted the 50% excess of qualified revenues by a net of \$19,256 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 qualified revenues in the calculations did not reconcile to the county collection reports due to input errors.

Furthermore, we noted that the county incorrectly excluded revenues collected for the Emergency Medical Services Fund (GC section 76104), the Maddy Emergency Medical Services Fund (GC section 76000.5), the Criminal Justice Facilities Construction Fund (GC section 76101), and city base fines (VC section 42007[c]) from its calculation of the traffic violator school fee (VC section 42007) during the audit period.

During testing of revenues from parking surcharges and equipment violations, we noted that the county incorrectly distributed parking surcharges. The error resulted in an overremittance to the county's general fund (GC section 76000[c]).

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 \$69,227 for the audit period.

Qualified revenues were understated for the following reasons:

- The county overstated qualified revenues by \$930 for the audit period because it made incorrect distributions to the county's general fund (GC section 76000[c]) related to the collection of parking surcharges.
- The county understated qualified revenues by \$7,164 for the audit period because the qualified revenues used for the county's collection division did not reconcile to the actual PC section 1463.001 revenues collected.
- The county incorrectly excluded the following revenues from its calculation of the traffic violator school fee (VC section 42007):
 - Criminal Justice Facilities Construction Fund (GC section 76101) – \$2,723;
 - Emergency Medical Services Fund (GC section 76104) – \$27,228;

- Maddy Emergency Medical Services Fund (GC section 76000.5) – \$27,228; and
- City base fines (VC section 42007[c]) – \$5,814.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Totals
	2016-17	2017-18	2018-19	2019-20	
Qualified revenues reported	\$ 395,298	\$ 351,099	\$ 378,348	\$ 340,658	\$ 1,465,403
Audit adjustments:					
GC section 76000(c) overstatement	-	-	(930)	-	(930)
PC section 1463.001 understatement	-	-	7,164	-	7,164
GC section 76101 understatement	664	696	750	613	2,723
GC section 76104 understatement	6,640	6,956	7,499	6,133	27,228
GC section 76000.5 understatement	6,640	6,956	7,499	6,133	27,228
VC section 42007(c) understatement	671	2,054	1,914	1,175	5,814
Total	<u>14,615</u>	<u>16,662</u>	<u>23,896</u>	<u>14,054</u>	<u>69,227</u>
Adjusted qualified revenues	<u>\$ 409,913</u>	<u>\$ 367,761</u>	<u>\$ 402,244</u>	<u>\$ 354,712</u>	<u>\$ 1,534,630</u>

As a result of miscalculating the qualified revenues, the county underremitted the 50% excess of qualified revenues by a net of \$19,256 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	\$ 409,913	\$ 375,570	\$ 34,343	\$ 17,172	\$ (9,864)	\$ 7,308
2017-18	367,761	375,570	-	-	-	-
2018-19	402,244	375,570	26,674	13,337	(1,389)	11,948
2019-20	354,712	375,570	-	-	-	-
Total						<u>\$ 19,256</u>

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

GC section 77205(a) requires the county to remit 50% of the qualified revenues that exceed the amount specified in GC section 77201.1(b)(2) for fiscal year (FY) 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement and Modernization Fund.

Recommendation

We recommend that the county:

- Remit \$19,256 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 calculation of each line item on the 50-50 Excess Split Revenue Computation Form.

County's Response

The county agrees with this finding and has made the required corrections to the calculations in FY 2022. The county will use the corrected calculations moving forward. The county has remitted \$19,256 to the State Treasurer via TC-31 [Number] 17 2624 dated March 10, 2022.

**FINDING 2—
Incorrect distribution
of domestic violence
fee revenues**

During our testing of domestic violence cases, we found that the county's collection division did not properly distribute domestic violence fee (PC section 1203.097) revenues, resulting in a net overremittance of \$9,498 to the State Treasurer for the audit period. This error occurred because the county 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 county incorrectly distributed the domestic violence fee (PC section 1203.097) revenues for each case tested.

We discussed this issue with the county staff and performed a ratio analysis of the total fee revenues collected. After our review, we found that the county had incorrectly distributed one-third of all domestic violence fee (PC section 1203.097) revenues to the following funds:

- The State's Domestic Violence Restraining Order Reimbursement Fund (PC section 1203.097);
- The State's Domestic Violence Training and Education Fund (PC section 1203.097); and
- The county's Domestic Violence Programs Special Fund (PC section 1203.097).

The county should have distributed two-thirds of all domestic violence fee (PC section 1203.097) revenues to the county's Domestic Violence Fund; the remaining one-third should have been distributed evenly between the two state funds. The errors resulted in an overremittance of \$9,498 to the State for the audit period.

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State Domestic Violence Restraining Order Reimbursement Fund – PC §1203.097	\$ (4,749)
State Domestic Violence Training and Education Fund – PC §1203.097	(4,749)
Total	<u>\$ (9,498)</u>
Lake County Domestic Violence Fund – PC §1203.097	<u>\$ 9,498</u>

PC section 1203.097(a)(5) requires that two-thirds of the domestic violence fee collected be posted to the county’s Domestic Violence Fund and the remaining one-third be remitted to the State Treasurer. Furthermore, the remaining one-third should be split evenly between the State’s Domestic Violence Restraining Order Reimbursement Fund and the State’s Domestic Violence Training and Education Fund.

Recommendation

We recommend that the county:

- Offset subsequent remittances to the State Treasurer by \$9,498 and report on the TC-31 decreases of \$4,749 to the State’s Domestic Violence Restraining Order Reimbursement Fund (PC section 1203.097) and \$4,749 to the State’s Domestic Violence Training and Education Fund (PC section 1203.097);
- Correct its distribution process to ensure that domestic violence fee revenues are distributed in accordance with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC’s testing sheets.

County’s Response

The county agrees with this finding and has corrected the formula error for this calculation in FY 2022. The over remittance of \$9,498 was reported on TC-31 [Number] 17 2624 dated March 10, 2022, and coded to the State Domestic Violence Restraining Order Reimbursement Fund (\$4,749) and State Domestic Violence Training and Education Fund (\$4,749) (PC §1203.097). The county will use the corrected calculations moving forward.

**FINDING 3—
Incorrect distribution
of parking surcharges**

During our analysis of parking and equipment violations, we found that the county did not properly distribute parking and equipment violation revenues, resulting in a net underremittance to the State of \$526. The errors also resulted in an overstatement of \$930 in the county’s qualified revenues for the county’s parking surcharges (GC section 76000[c]) line item. This error occurred because the county misinterpreted the *Distribution Guidelines*.

We reviewed the county’s parking documentation to verify the accuracy of the county’s collection and distribution of revenues from parking surcharges and equipment violations. We reconciled the revenues remitted to the State to the actual parking reports from the external parking agencies.

During our review, we found that the county made incorrect distributions of parking revenues to various state and county funds, resulting in a net underremittance to the State of \$526. Furthermore, we found that two external parking agencies had been incorrectly collecting \$12.50 in parking surcharges rather than the required \$11.00. The county distributed the over-collected surcharges to the county’s general fund (GC section 76000[c]) and the Criminal Justice Facilities Construction Fund (GC section 76101). The distribution errors also resulted in an overstatement of \$930 in qualified revenues for the county’s parking surcharges (GC section 76000[c]) line item.

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State Court Facilities Construction Fund – GC §70372(b)	\$ (82)
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC §70372(b)	227
State Trial Court Trust Fund – GC §76000.3	(2,440)
State General Fund – VC §40225(d)	2,821
Total	\$ 526
Lake County General Fund – GC §76000(c)	\$ (930)
Lake County Criminal Justice Facilities Construction Fund – GC §76101	16
Lake County General Fund	(32)
External Parking Entities General Funds	420
	\$ (526)

GC section 76000(b) requires each parking agency to pay the county treasurer \$2.50 for each fund established in accordance with GC section 76100 or 76101 for each parking violation.

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

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

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

During the audit period, GC section 70372(f) required that one-third of the \$4.50 be deposited in the State Court Facilities Construction Fund and two-thirds be deposited in the Immediate and Critical Needs Account.²

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

VC section 40225(d) requires 50% of any penalty collected for registration or equipment violations to be paid to the county for remittance to the State Treasurer.

Recommendation

We recommend that the county:

- Remit \$526 to the State Treasurer and report on the TC-31:
 - A decrease of \$82 for the State Court Facilities Construction Fund (GC section 70372[b]);
 - An increase of \$227 for the Immediate and Critical Needs Account of the State Court Facilities Construction Fund (GC section 70372[b]);
 - A decrease of \$2,440 for the State's Trial Court Trust Fund (GC section 76000.3); and
 - An increase of \$2,821 for the State's General Fund (VC section 40225[d]).
- Correct its distribution process to ensure proper allocation of parking surcharges between the various State and county funds to comply with statutory requirements.

County's Response

The county agrees with finding and has made the required corrections to the calculations in FY 2022. The county will use the corrected calculations moving forward. The county has remitted \$526 to the State Treasurer via TC-31 [Number] 17 2624 dated March 10, 2022, as follows:

- A decrease of \$82 for the State Court Facilities Construction Fund (GC section 70732[b]);
- An increase of \$227 for the Immediate and Critical Needs Account of the State Court Facilities Construction Fund (GC section 70372[b]);
- A decrease of \$2,440 for the State Trial Court Trust Fund (GC section 76000.3); and
- An increase of \$2,821 for the State General Fund (VC section 40225[d]).

² GC section 70372 was amended by Statutes of 2021, Chapter 79, which abolished the Immediate and Critical Needs Account and made various changes to existing law.

**FINDING 4—
Incorrect distribution
of the 2% state
automation fee –
Court**

During our testing of fish and game violations, we found that the court did not properly distribute revenues to the State Trial Court Improvement and Modernization Fund (GC section 68090.8). This error occurred because the court misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court using its case management system. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the court did not properly distribute revenues for the 2% state automation fee (GC section 68090.8).

For fish and game violations, we found that the court failed to distribute 2% of revenues collected for the secret witness penalty (Fish and Game Code section 12021) to the State Trial Court Improvement and Modernization Fund (GC section 68090.8).

We performed a revenue analysis of the fish and game revenues to determine the fiscal effect of the distribution error. Based on the low number of fish and game cases and that the fact that the errors only involve allocations between state accounts, we determined that the errors did not result in material underremittances to the State Treasurer.

GC section 68090.8 requires the county treasurer, prior to making any other required distribution, 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.

Recommendation

We recommend that the court:

- Correct its case management system to comply with statutory requirements;
- Ensure that the 2% state automation fee is properly applied; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The court concurs with this finding and has made the recommended correction. The correction was implemented as of March 2, 2020, in the Court's case management system to comply with statutory requirements and ensure that the 2% state automation fee is properly applied.

The court will periodically verify the accuracy of the distribution using the JCC's testing sheets.

**FINDING 5—
Incorrect distribution
of the 2% state
automation fee –
County’s collection
division**

During our testing of fish and game violations, we found that the county’s collection division did not properly distribute revenues for the State Trial Court Improvement and Modernization Fund (GC section 68090.8). This error occurred because the county misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the county 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 county did not properly distribute revenues for the 2% state automation fee (GC section 68090.8).

For fish and game violations, we found that the county failed to distribute 2% of revenues collected for the secret witness penalty (Fish and Game Code section 12021) to the State Trial Court Improvement and Modernization Fund (GC section 68090.8).

We performed a revenue analysis of the fish and game revenues to determine the fiscal effect of the distribution error. Based on the low number of fish and game cases and that the fact that the errors only involve allocations between state accounts, we determined that the errors did not result in material underremittances to the State Treasurer.

GC section 68090.8 requires the county treasurer, prior to making any other required distribution, 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.

Recommendation

We recommend that the county’s collection division:

- Correct its case management system to comply with statutory requirements;
- Ensure that the 2% state automation fee is properly applied; and
- Periodically verify the accuracy of its distributions using the JCC’s testing sheets.

County’s Response

The County agrees with this finding and has corrected the formula to include this calculation in FY 2022. The distribution will be made to the State Trial Court Improvement and Modernization Fund (GC section 68090.8). The county will use the corrected calculations moving forward.

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

During testing of cases from the county’s collection division, we found that the county incorrectly prioritized distributions of installment payments. The errors occurred because the county misinterpreted the *Distribution Guidelines*.

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

We tested four cases, and found that the county did not distribute any of them properly according to PC section 1203.1d, subparagraph (b). The county distributed the county collection fee (priority four) and the state restitution fine (priority three) as priority-one distributions. Furthermore, the county incorrectly distributed the 20% state surcharge (priority two) as a priority-three revenue, and incorrectly distributed priority-four revenues prior to the full distribution of priority-three revenues.

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

PC section 1203.1d, subparagraph (b) requires mandatory prioritization in the distribution of installment payments as follows:

1. Restitution orders to victims;
2. 20% state surcharge;
3. Fines, penalty assessments, and restitution fines; and
4. Other reimbursable costs.

Recommendation

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

County's Response

The County agrees with this finding and has corrected the installment prioritization table in RevQ [the county's case management system] to statutory requirements pursuant [to] PC §1203.1d, subparagraph (b) in FY 2022. The county will use the corrected calculations moving forward.

Observation and Recommendation

OBSERVATION— Incorrect collection of parking surcharges

During our analysis of parking surcharges, we found that the City of Clearlake and the California Department of Parks and Recreation did not properly collect county parking surcharges. This error occurred because the parking entities misinterpreted the *Distribution Guidelines*.

We reviewed the entities' parking documentation to verify that revenues from parking surcharges and equipment violations were distributed accurately. During our review of the parking documentation, we found that the entities incorrectly collected \$12.50 in state and county parking surcharges on every parking violation. As the county had transferred the responsibility for its court facilities to the JCC, the entities should have collected only \$11.00 for each parking violation.

The additional \$1.50 collected by the entities was remitted to the county and distributed to various county funds. Instead of remitting the revenues collected for the County Courthouse Construction Fund (GC section 76100) to the State, the county should have returned the revenues to the entities, as the entities should not have imposed the \$1.50 penalty for the County Courthouse Construction Fund on each parking violation.

We did not measure this error because it is not a distribution error that would result in overremitted funds to the State Treasurer. Rather, the entities overcharged the defendants on each case, meaning that the excess revenues collected are actually owed to the defendants. However, we believe that it would be impractical and difficult for the entities to return the overcharged amounts to each defendant.

GC section 76000(b) requires each parking agency to pay the county treasurer \$2.50 for each fund established in accordance with GC section 76100 or 76101 for each parking violation.

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

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

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

During the audit period, GC section 70372(f) required that one-third of the \$4.50 be deposited in the State Court Facilities Construction Fund and two-thirds be deposited in the Immediate and Critical Needs Account.³

³ GC section 70372 was amended by Statutes of 2021, Chapter 79, which abolished the Immediate and Critical Needs Account and made various changes to existing law.

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

Recommendation

We recommend that the City of Clearlake and the California Department of Parks and Recreation reduce collections for the County Courthouse Construction Fund from \$2.50 to \$1.00 in accordance with GC section 76000(d).

We also recommend that the parking entities and the county collaborate to determine the amount of revenues collected for the County Courthouse Construction Fund (GC section 76100) that the county should return to each entity.

County's Response

The county agrees with this observation. The county performed a full audit of all collections and remittances made to the county by the collecting agencies up to date, and will be issuing refunds for the over-collected surcharges to City of Clearlake and California Department of Parks and Recreation. The county has also notified the collecting agencies of the correct surcharge to ensure proper collection moving forward.

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



COUNTY OF LAKE
Office of the Auditor-Controller/County Clerk
Courthouse-255 North Forbes Street, Room 209
Lakeport, CA 95453
Telephone (707) 263-2311
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Email: auditor@lakecountyca.gov

Cathy Saderlund
Auditor-Controller/County Clerk
Jenavive Herrington
Assistant Auditor-Controller
Marcy Harrison
Chief Deputy Auditor-Controller

Ref. No. 22L-115

March 16, 2022

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

Dear Ms. Kurokawa,

Thank you for the draft audit reports pertaining to the State Controller's audit of the County of Lake court revenues for the period of July 1, 2016 through June 30, 2020. Our response is as follows:

Finding 1 – Underremitted 50% excess of qualified revenues

The county agrees with this finding and has made the required corrections to the calculations in FY 2022. The county will use the corrected calculations moving forward. The county has remitted \$19,256 to the State Treasurer via TC-31 No. 17 2624 dated March 10, 2022.

Finding 2 – Incorrect distribution of Domestic Violence Fee revenues

The County agrees with this finding and has corrected the formula error for this calculation in FY 2022. The over remittance of \$9,498 was reported on TC-31 No. 17 2624 dated March 10, 2022 and coded to the State Domestic Violence Restraining Order Reimbursement Fund (\$4,749) and State Domestic Violence Training and Education Fund (\$4,749) (PC §1203.097). The county will use the corrected calculations moving forward.

Finding 3 – Incorrect distribution of parking surcharges

The county agrees with this finding and has made the required corrections to the calculations in FY 2022. The county will use the corrected calculations moving forward. The county has remitted \$526 to the State Treasurer via TC-31 No. 17 2624 dated March 10, 2022 as follows.

- A decrease of \$82 for the State Court Facilities Construction Fund (GC section 70372[b]);
- An increase of \$227 for the Immediate and Critical Needs Account of the State Court Facilities Construction Fund (GC section 70372[b]);
- A decrease of \$2,440 for the State Trial Court Trust Fund (GC section 76000.3); and
- An increase of \$2,821 for the State General Fund (VC section 40225[d]).

Finding 4 – Incorrect distribution of the 2% State Automation Fee - Court

The county agrees with this finding and has made the required corrections to the calculations in FY 2020 in the Court's case management system to comply with statutory requirements and ensure that the 2% State Automation Fee is properly applied. Additionally, the court will periodically verify the accuracy of the distribution using the JCC's testing sheets.

Finding 5 – Incorrect distribution of the 2% State Automation Fee – County's collection division

The County agrees with this finding and has corrected the formula to include this calculation in FY 2022. The distribution will be made to the State Trial Court Improvement and Modernization Fund (GC section 68090.8). The county will use the corrected calculations moving forward.

Finding 6 – Incorrect prioritization of installment payments

The County agrees with this finding and has corrected the installment prioritization table in RevQ to statutory requirements pursuant PC §1203.1d, subparagraph (b) in FY 2022. The county will use the corrected calculations moving forward.

Observation – Incorrect collection of parking surcharges

The county agrees with this observation. The county performed a full audit of all collections and remittances made to the county by the collecting agencies up to date and will be issuing refunds for the over-collected surcharges to City of Clearlake and California Department of Parks and Recreation. The county has also notified the collecting agencies of the correct surcharge to ensure proper collection moving forward.

We would like to extend our appreciation to your staff, Doug Brejnak, for his cooperative and conscientious manner during the performance of this audit.

Sincerely,

Cathy Saderlund
Auditor-Controller/County Clerk



By: Marcy Harrison
Chief Deputy Auditor-Controller

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



Superior Court

State of California
County of Lake
255 North Forbes Street
Lakeport, California 95453
707-263-2374

J. DAVID MARKHAM

—
PRESIDING JUDGE
—

KRISTA D. LeVIER

—
COURT EXECUTIVE/CLERK
JURY COMMISSIONER

March 14, 2022

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

Re: Lake County Audit Report of Court Revenues July 1, 2016 through June 30, 2020

Ms. Kurokawa,

Lake County Superior Court received the Lake County Audit Draft Report on March 11, 2022. The Court's response is as follows:

Audit Finding #4 - Incorrect distribution of the 2% State Automation Fee

The Court concurs with this finding and has made the recommended correction. The correction was implemented as of March 2, 2020 in the Court's case management system to comply with statutory requirements and ensure that the 2% State Automation Fee is properly applied.

The court will periodically verify the accuracy of the distribution using the JCC's testing sheets.

Respectfully,

A handwritten signature in blue ink, appearing to read "Krista LeVier".

Krista LeVier
Court Executive Officer
Lake County Superior Court

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

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