

MADERA COUNTY

Audit Report

COURT REVENUES

July 1, 2014, through June 30, 2018



BETTY T. YEE
California State Controller

June 2020



BETTY T. YEE
California State Controller

June 30, 2020

Dear County, Court, and Parking Entity Representatives:

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

Our audit found that a net of \$699,563 in state court revenues was overremitted to the State Treasurer; a net of \$730,382 was overremitted by the county and \$30,819 was underremitted by the City of Madera.

We found that the county overremitted a net of \$730,382 in court revenues to the State Treasurer because it:

- Overremitted \$825,707 to the State Court Facilities Construction Fund – Immediate and Critical Needs Account – Traffic Violator School (Vehicle Code [VC] section 42007.1);
- Underremitted \$12,726 to the State Trial Court Trust Fund (Government Code [GC] section 76000.3[a]);
- Underremitted \$12,726 to the State Court Facilities Construction Fund – Immediate and Critical Needs Account (GC section 70372[b]);
- Underremitted \$6,364 to the State Court Facilities Construction Fund (GC section 70372[b]);
- Underremitted \$21,846 to the State General Fund (VC section 40225[d]);
- Underremitted \$27,048 to the State General Fund (Health and Safety Code section 11502);
- Overremitted \$8,246 to the State DNA Identification Fund (GC section 76104.6); and
- Underremitted \$22,861 to the State DNA Identification Fund (GC section 76104.7).

In addition, we found that the county miscalculated its 50% excess of qualified revenues, the county's Probation Department incorrectly distributed the 2% automation and domestic violence fees, and the City of Chowchilla incorrectly collected parking surcharges.

We also found that the City of Madera underremitted \$30,819 in state parking surcharges and equipment violation revenues to the State Treasurer via Madera County, and underremitted \$9,508 in local parking surcharges to Madera County.

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

The county made payments of \$53,336 in June 2019 and \$81,054 in November 2019. The county also reduced remittances to the State Treasurer by \$833,953 between June 2019 and November 2019.

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

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/ljs

Attachment—Recipient Addresses

cc: Tracy Callaway, Chief Financial Officer
Superior Court of California, Madera County
The Honorable David Rogers, Chair
Madera 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 Section
State Controller's Office
Jennifer Montecinos, Manager
Tax Administration Section
State Controller's Office
Lacey Baysinger, Supervisor
Tax Administration Section
State Controller's Office

Recipient Addresses

The Honorable Todd Miller, Auditor-Controller
Madera County
200 West 4th Street
Madera, CA 93637

Adrienne Calip, Court Executive Officer
Superior Court of California, Madera County
200 South G Street
Madera, CA 93637

Roger Sanchez, Finance Director
City of Madera
205 West 4th Street
Madera, CA 93637

Rod Pruett, Director of Finance
City of Chowchilla
130 South 2nd Street
Chowchilla, CA 93610

Peggy Remmers, Contract Administrator
California Department of Parks and Recreation
1416 9th Street
Sacramento, CA 94296

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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 Madera 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 a net of \$699,563 in state court revenues was overremitted to the State Treasurer; a net of \$730,382 was overremitted by the county and \$30,819 was underremitted by the City of Madera.

We found that the county overremitted a net of \$730,382 in court revenues to the State Treasurer because it:

- Overremitted \$825,707 to the State Court Facilities Construction Fund – Immediate and Critical Needs Account (ICNA) – Traffic Violator School (TVS) (Vehicle Code [VC] section 42007.1);
- Underremitted \$12,726 to the State Trial Court Trust Fund (Government Code [GC] section 76000.3[a]);
- Underremitted \$12,726 to the State Court Facilities Construction Fund – ICNA (GC section 70372[b]);
- Underremitted \$6,364 to the State Court Facilities Construction Fund (GC section 70372[b]);
- Underremitted \$21,846 to the State General Fund (VC section 40225[d]);
- Underremitted \$27,048 to the State General Fund (Health and Safety Code [HSC] section 11502);
- Overremitted \$8,246 to the State DNA Identification Fund (GC section 76104.6); and
- Underremitted \$22,861 to the State DNA Identification Fund (GC section 76104.7).

In addition, we found that the county miscalculated its 50% excess of qualified revenues, the county's Probation Department incorrectly distributed the 2% automation and domestic violence fees, and the City of Chowchilla incorrectly collected parking surcharges.

We also found that the City of Madera underremitted \$30,819 in state parking surcharges and equipment violation revenues to the State Treasurer via Madera County, and underremitted \$9,508 in local parking surcharges to Madera County.

We also identified a deficiency that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that 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.

GC section 68103 requires the SCO to review the reports and records to ensure that all fines and forfeitures have been transmitted. GC section 68104 authorizes the SCO to examine records maintained by the court. Furthermore, GC section 12410 provides the SCO with general audit authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objective, Scope, and Methodology

Our audit objective was to determine whether the county and court remitted all court revenues to the State Treasurer pursuant to the TC-31 process.

The audit period was July 1, 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 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 their complexity and/or statutory changes during the audit period. Based on the risk evaluation, haphazardly selected a non-statistical sample of 44 cases for 10 violation types. 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.

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 a net of \$699,563 in state court revenues was overremitted to the State Treasurer as follows:

- State Court Facilities Construction Fund – ICNA – TVS (VC section 42007.1) overremitted by \$825,707;
- State Trial Court Trust Fund (GC section 76000.3[a]) underremitted by \$12,726;
- State Court Facilities Construction Fund – ICNA (GC section 70372[b]) underremitted by \$12,726;
- State Court Facilities Construction Fund (GC section 70372[b]) underremitted by \$6,364;

- State General Fund (VC section 40225[d]) underremitted by \$21,846;
- State General Fund (HSC section 11502) underremitted by \$27,048;
- State DNA Identification Fund (GC section 76104.6) overremitted by \$8,246;
- State DNA Identification Fund (GC section 76104.7) underremitted by \$22,861; and
- State parking surcharges from the City of Madera underremitted by \$30,819.

In addition, we found that the county miscalculated its 50% excess of qualified revenues, the county's Probation Department incorrectly distributed the 2% automation and domestic violence fees, and the City of Chowchilla incorrectly collected parking surcharges.

We also found that the City of Madera underremitted \$9,508 in local parking surcharges to Madera County.

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

We also identified a deficiency that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that 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 payments of \$53,336 in June 2019 and \$81,054 in November 2019. The county also reduced remittances to the State Treasurer by \$833,953 between June 2019 and November 2019.

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, 2003, through June 30, 2009, issued April 15, 2011, with the exception of Findings 1 and 3 of this audit report.

Views of Responsible Officials

We issued a draft report on June 2, 2020. Todd Miller, Auditor-Controller, Madera County, responded by letter dated June 15, 2020, agreeing with the audit results. Tracy Callaway, Chief Financial Officer, Madera County Superior Court, responded by letter dated June 9, 2020, agreeing with the audit results. Anthony Forestiere, Financial Services Manager, City of Madera, responded by email on June 11, 2020, agreeing with the audit results.

The county and court's responses are included as attachments to this audit report. The City of Chowchilla and the California Department of Parks and Recreation did not provide responses.

Restricted Use

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

JIM L. SPANO, CPA
Chief, Division of Audits

June 30, 2020

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		
Overremitted traffic violator school fees						
<u>Madera County</u>						
State Court Facilities Construction Fund – Immediate and Critical Needs Account – Traffic Violator School – VC §42007.1	\$(208,246)	\$(200,019)	\$(215,192)	\$(202,250)	\$(825,707)	
Total	(208,246)	(200,019)	(215,192)	(202,250)	(825,707)	Finding 2
Unremitted parking surcharges and equipment violations						
<u>Madera County</u>						
State Trial Court Trust Fund – GC §76000.3(a)	3,230	2,536	4,109	2,851	12,726	
State Court Facilities Construction Fund – Immediate and Critical Needs Account – GC §70372(b)	3,230	2,536	4,109	2,851	12,726	
State Court Facilities Construction Fund – GC §70372(b)	1,615	1,268	2,055	1,426	6,364	
State General Fund (Equipment Violations) – VC §40225(d)	5,314	5,301	7,145	4,086	21,846	
Total	13,389	11,641	17,418	11,214	53,662	Finding 3
Underremitted health and safety violation revenues						
<u>Madera County</u>						
State General Fund (Health and Safety) – HSC §11502	5,439	6,321	7,938	7,350	27,048	
Total	5,439	6,321	7,938	7,350	27,048	Finding 4
Underremitted State DNA penalties						
<u>Madera County</u>						
State DNA Identification Fund (Proposition 69) – GC §76104.6	(1,684)	(2,035)	(2,323)	(2,204)	(8,246)	
State DNA Identification Fund – GC §76104.7	4,324	5,115	6,618	6,804	22,861	
Total	2,640	3,080	4,295	4,600	14,615	Finding 5
Underremitted parking surcharges and equipment violations						
<u>City of Madera</u>						
State Trial Court Trust Fund – GC §76000.3(a)	1,632	1,203	1,425	1,443	5,703	
State General Fund (Equipment Violations) – VC §40225(d)	5,825	2,682	6,664	9,945	25,116	
Total	7,457	3,885	8,089	11,388	30,819	Finding 6
Total amount underremitted / (overremitted) to the State Treasurer	\$(179,321)	\$(175,092)	\$(177,452)	\$(167,698)	\$(699,563)	

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—
Incorrect calculation
of 50% excess of
qualified revenues
(Repeat Finding)**

During our testing of the 50% excess of qualified revenues, we found that the county used incorrect qualified revenue amounts in its calculation. However, the county's errors did not result in underremittances to the State Treasurer, as the qualified revenues were below the base amount for the county for all four fiscal years under audit. The 50% excess of qualified revenues was incorrectly calculated because the county misinterpreted the required calculations and the court misinterpreted applicable statutes.

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 Probation Department. We noted that the county made the following errors in its calculation:

- The county calculated the Traffic Violator School (TVS) Fee (VC section 42007) by including the county's portion of the TVS fee (VC section 42007.1[a]) in the calculation. The county also incorrectly excluded the revenues collected for the County Criminal Justice Facilities Construction Fund (GC section 76101), Maddy Emergency Medical Services Fund (GC section 76000.5), Emergency Medical Services Fund (GC section 76104), and City Base Fines (VC section 42007[c]) from the calculation of the TVS fee (VC section 42007) during the audit period;
- The county calculated the TVS fee (VC section 42007.1) by adding the TVS Fee (VC section 42007) and the county's portion of the TVS Fee (VC section 42007.1[a]) and then multiplying the total by 25%;
- The county calculated county base fines (Penal Code [PC] section 1463.001) by including the 30% red-light allocation, administrative screening fees, and citation processing fees;
- The county calculated allocations to the State Penalty Fund (PC section 1464) by including the Traffic School Penalty Assessment account pursuant to VC section 40611; and
- The county calculated allocations to the County General Fund (GC section 76000[c]) by including 40% of the total parking surcharges collected. The county should have collected \$2 for the County General Fund (GC section 76000[c]) and a total of \$11 for each parking violation. Thus, only 18% of the total parking surcharge should have been included.

Furthermore, during testing of court cases, we found that the court incorrectly assigned the account for PC section 1463.001 to county red-light base fines, administrative screening fees, and citation processing fees on its cash statements.

We recalculated the county's 50% excess of qualified revenues based on actual court revenues collected for each fiscal year. After our recalculation, we found that the county had understated qualified revenues for each fiscal year under audit. However, the adjusted qualified revenues

were still below the base amount for the county for all four fiscal years. As a result, no underremittances were reported relative to the 50% excess of qualified revenues calculation.

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.

As discussed in Finding 1 of our prior audit report dated April 15, 2011, the county did not properly identify all qualified revenues. This is a repeat finding; however, with the exception of the TVS fee issue, the qualified revenues discussed in this report were misreported for different reasons.

Recommendation

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

We also recommend that the court assign the account for PC section 1463.11 to the 30% red-light allocation and assign the account for VC section 42007.3 to the 30% red-light allocation collected on red-light violations with traffic violator school. In addition, we recommend that the court assign the account for PC section 1463.07 to administrative screening fees and citation processing fees.

County's Response

We agree with this finding and have made the recommended corrections on the 50% excess of qualified revenues calculation worksheet.

Court's Response

Per the recommendation [that] addresses the court, the account for PC section 1463.11 has been assigned to the 30% red-light allocation and the account for VC section 42007.3 has been assigned to the 30% red-light allocation on red-light violations with traffic violator school. Additionally, the account for PC section 1463.07 has been assigned to administrative screening fees and citation processing fees.

FINDING 2— Overremitted traffic violator school fees

During our analysis of court cash statements, we found that the county overremitted TVS fees for distribution to the State Court Facilities Construction Fund – ICNA – TVS (VC section 42007.1) by \$825,707 for the audit period. The county overremitted the revenues because it misinterpreted the distribution guidelines and remitted the County TVS Fee (VC section 42007) and County Criminal Justice Facilities Construction Fund revenues to the State Treasurer along with the state portion of the TVS fee (VC section 42007.1[b]).

The county remitted court revenues to the State Treasurer based on cash statements from the Superior Court, Probation Department, and other county agencies. For the audit period, the county and court provided cash

statements that represented the actual court revenues collected during the audit period. We reviewed the cash statements and reconciled the amounts supported to the county’s TC-31 remittances.

During our reconciliation, we found that the county erroneously remitted \$815,054 of County TVS Fee (VC section 42007) revenues and \$10,653 of County Criminal Justice Facilities Construction Fund revenues as part of the state portion of the TVS fee (VC section 42007.1[b]). This error occurred because the court assigned VC section 42007.1 to the 77% portion of the County TVS Fee (VC section 42007) and deposited the \$1 into the County Criminal Justice Facilities Construction Fund on the court cash statements.

VC section 42007(a) states that the court must collect a fee in the amount equal to the total bail from every person who is ordered or permitted to attend a TVS pursuant to VC sections 41501 and 42005.

VC section 42007(b)(1) states that the sum of \$1 for each fund established pursuant to GC section 76100 or 76101 must be deposited with the county treasurer.

VC section 42007.1 states that an additional \$49 fee must be collected for every TVS case. 51% of the \$49 fee must be deposited into the State Court Facilities Construction Fund – ICNA, established pursuant to GC section 70371.5.

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State Court Facilities Construction Fund – ICNA – TVS – VC §42007.1	\$ (825,707)
County TVS Fee – VC §42007	815,054
County Criminal Justice Facilities Construction Fund – VC §42007	10,653
	<u>\$ 825,707</u>

Recommendation

We recommend that the county:

- Reduce remittances to the State Treasurer by \$825,707;
- Report on the TC-31 form a decrease of \$825,707 to the State Court Facilities Construction Fund – ICNA – TVS (VC section 42007.1); and
- Stop remitting 77% of the County TVS Fee (VC section 42007) and the \$1 per violation deposited into the County Criminal Justice Facilities Construction Fund for TVS cases on its TC-31 remittance form under the TVS Fee (VC section 42007.1).

We further recommend that the court correct its accounting system to ensure that the correct code section is assigned to the 77% portion of the TVS fee (VC section 42007) and the \$1 per violation is deposited into the County Criminal Justice Facilities Construction Fund for TVS cases (VC section 42007).

County's Response

We agree with this finding and have made recommended corrections on the TC-31 to reduce remittance to the State Treasurer by \$825,707...

We have worked with [the] courts to ensure [that] monthly recap [summary reports] from courts to the county for recording and payment to State Treasurer match the coding of [the] court's accounting system.

Court's Response

The court has followed the recommendation and ensured [that] the correct code section is assigned to the 77% portion of the TVS fee (VC section 42007) and the \$1 per violation is deposited into the County Criminal Justice Facilities Construction Fund for TVS cases (VC section 42007).

**FINDING 3—
Unremitted parking
surcharges and
equipment violations
– Madera County
(Repeat Finding)**

During our analysis of parking and equipment violations, we found that the county did not remit parking and equipment violation revenues totaling \$53,662 for the audit period. The county misinterpreted the distribution guidelines and, as a result, failed to remit the state portion of revenues collected from parking and equipment violations.

External parking agencies collect revenues for parking and equipment violations and remit the revenues to the county. Revenues are remitted to the county on a monthly basis and collection reports are included to support the remitted revenues. We reviewed the collection reports of each external parking agency and reconciled the amounts to the county's TC-31 form.

During our reconciliation, we found that the county failed to remit \$31,816 in parking surcharges and \$21,846 in equipment violation revenues to the State Treasurer.

Furthermore, we found that the county incorrectly distributed the parking surcharges that it had collected. The county correctly collected a total of \$11.00 for each parking violation. However, the county erroneously distributed \$1.50 of each violation to the County Courthouse Construction Fund rather than the State Court Facilities Construction Fund.

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 General Fund.

GC section 76000(d) states that, upon the transfer of responsibility for court facilities from the county to the Judicial Council of California (JCC), the authority to impose the \$2.50 penalty for the County Courthouse Construction Fund shall be reduced to \$1.00. On April 30, 2007, responsibility for the county's court facilities transferred to the JCC.

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. GC section 70372(f) requires that one-third of the \$4.50 be deposited in the State Court Facilities Construction Fund and two-thirds be deposited in the State Court Facilities Construction Fund – ICNA.

GC section 76000.3 requires that parking agencies pay to the State Treasurer a state surcharge of \$3 in the State Trial Court Trust Fund on each parking violation.

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

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State Court Facilities Construction Fund – ICNA – GC §70372(b)	\$ 12,726
State Court Facilities Construction Fund – GC §70372(b)	6,364
State Trial Court Trust Fund – GC §76000.3	12,726
State General Fund (Equipment Violations) – VC §40225(d)	21,846
Total – State Treasurer	<u>53,662</u>
County General Fund	<u>\$ (53,662)</u>

As discussed in Finding 2 of our prior audit report dated April 15, 2011, the county did not remit parking surcharges. This is a repeat finding.

Recommendation

We recommend that the county:

- Remit \$53,662 to the State Treasurer;
- Report on the TC-31 form increases of \$12,726 to the State Court Facilities Construction Fund – ICNA (GC section 70372[b]), \$6,364 to the State Court Facilities Construction Fund (GC section 70372[b]), \$12,726 to the State Trial Court Trust Fund (GC section 76000.3), and \$21,846 to the State General Fund (Equipment Violations) (VC section 40225[d]); and
- Reduce collections for the County Courthouse Construction Fund from \$2.50 to \$1.00 in accordance with GC section 76000(d) and collect \$1.50 for the State Court Facilities Construction Fund.

County’s Response

We agree with this finding and have made recommended corrections to remit \$53,662 to State Treasury...

We have made corrections to [the] parking surcharge template to ensure accurate remittance of collections.

**FINDING 4—
County’s Probation
Department
underremitted health
and safety violation
revenues**

During our testing of county Probation Department cases, we found that the department underremitted health and safety violation revenues by \$27,048 for the audit period. Revenues were underremitted because the department misinterpreted distribution guidelines and did not correctly distribute base fines for health and safety cases.

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 distribute 75% of the base fines of health and safety cases to the State Treasurer for the audit period. This error led to the department underremitting revenue by \$27,048 to the State General Fund.

HSC section 11502 requires 75% of fines or forfeited bail to be deposited in the State Treasury and 25% to be deposited in the city or county treasury.

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State General Fund (Health and Safety) – HSC §11502	\$ 27,048
County General Fund	(27,048)

Recommendation

We recommend that the county remit \$27,048 to the State Treasurer and report on the TC-31 an increase of \$27,048 to the State General Fund (HSC section 11502). We further recommend that the Probation Department correct its accounting system to comply with statutory requirements.

County’s Response

We agree with this finding and have remitted \$27,048 to the State Treasurer...

The county probation department has corrected the distribution of [the] base fine to comply with statutory requirements.

**FINDING 5—
County’s Probation
Department
underremitted State
DNA penalties**

During our analysis and testing of county Probation Department cases, we found that the department underremitted State DNA Identification Fund Penalty revenues by \$14,615 for the audit period. Revenues were underremitted because the department misinterpreted distribution guidelines and distributed incorrect amounts to the State DNA Identification Funds (GC sections 76104.6 and 76104.7).

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 incorrectly assessed a \$2.50 penalty for both State DNA Identification Fund penalties (GC sections 76104.6

and 76104.7). This error caused the department to overremit the State DNA Identification Fund Penalty (GC section 76104.6) by \$8,246 and underremit the State DNA Identification Fund Penalty (GC 76104.7) by \$22,861, resulting in a net understatement of \$14,615.

GC section 76104.6(a) requires an additional penalty of \$1 for every \$10, or part of \$10, in each county upon every fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses, including VC violations. GC 76104.6(b) further states that the county treasurer must transfer 25% of the DNA penalty assessment collections to the State Treasurer.

GC section 76104.7 requires an additional penalty of \$4 for every \$10, or fraction thereof, upon every fine, penalty, or forfeiture imposed and collected on criminal offenses, including traffic offenses but excluding parking offenses.

The incorrect distributions had the following effect:

Account Title	Underremitted / (Overremitted)
State DNA Identification Fund (Proposition 69) – GC §76104.6	\$ (8,246)
State DNA Identification Fund – GC §76104.7	22,861
Total	14,615
County DNA Identification Fund (Proposition 69) – GC §76104.6	\$ (14,615)

Recommendation

We recommend that the county remit \$14,615 to the State Treasurer and report on the TC-31 a decrease of \$8,246 to the State DNA Identification Fund (Proposition 69) – (GC section 76104.6) and an increase of \$22,861 to the State DNA Identification Fund (GC section 76104.7).

We further recommend that the county’s Probation Department correct its accounting system to comply with statutory requirements.

County’s Response

We agree with this finding and have made recommended corrections to remit \$14,615 to [the] State Treasury...

The county probation department has corrected its accounting system to comply with statutory requirements.

**FINDING 6—
Underremitted
parking surcharges
and equipment
violations – City of
Madera**

During our analysis of parking and equipment violations, we found that the City of Madera underremitted \$40,327 in parking and equipment violation revenues to the county for the audit period. The city misinterpreted distribution guidelines and, as a result, failed to remit the full amount of parking and equipment violation revenues to the county.

We reviewed the City of Madera parking revenue distribution reports to verify the accuracy of the city’s distributions of parking surcharges and equipment violation revenues. During our review, we found that the city

had incorrectly collected \$12.50 for each parking violation; as the county had transferred responsibility for the court facilities to the JCC, the city should have collected only \$11.00 for each parking violation. The additional \$1.50 collected by the city was distributed to the County Courthouse Construction Fund.

Furthermore, during our review we found that the city failed to remit the full amount of state and county parking surcharges and equipment violation revenues collected during the audit period. The city did not remit the following parking and equipment violation revenues to the county:

- \$3.00 state parking surcharge for the State Trial Court Trust Fund account, resulting in an underremittance of \$5,703;
- 50% of all registration and equipment violations for the State's General Fund, resulting in an underremittance of \$25,116; and
- \$5.00 county parking surcharges including \$1.50 for the County Criminal Justice Facilities Fund, \$1.50 for the County Courthouse Construction Fund, and \$2.00 for the County General Fund. This resulted in a net underremittance of \$9,508.

VC section 40200.4 requires the processing agencies to deposit with the county treasurer all sums due the county from parking violations.

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

In addition, GC section 76000(d) states that, once responsibility for court facilities transfers from the county to the JCC, the authority to impose the \$2.50 penalty for the County Courthouse Construction Fund shall be reduced to \$1.00. On April 30, 2007, the responsibility for the county's court facilities transferred to the JCC.

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

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

The incorrect distributions had the following effect:

Account Title	Underremitted City of Madera
<u>Underremitted to Madera County (Parking Surcharges)</u>	
State Trial Court Trust Fund – GC §76000.3	\$ 5,703
State General Fund (Equipment Violation) – VC §40225(d)	25,116
Total – State Treasurer	<u>30,819</u>
County General Fund	3,802
County Criminal Justice Facilities Construction Fund	2,853
County Courthouse Construction Fund	2,853
Total – County Funds	<u>9,508</u>
Total	<u>\$ 40,327</u>

Recommendation

We recommend that the City of Madera:

- Reduce collections for the County Courthouse Construction Fund from \$2.50 to \$1.00 in accordance with GC section 76000(d);
- Remit \$30,819 to Madera County for increases of \$5,703 to the State Trial Court Trust Fund, and \$25,116 to the State General Fund (Equipment or Registration Violations) for subsequent remittance by the county to the State Treasurer; and
- Remit \$9,508 to Madera County for a \$3,802 deposit to the County General Fund; a \$2,853 deposit to the County Criminal Justice Facilities Construction Fund; and a \$2,853 deposit to the County Courthouse Construction Fund.

We further recommend that the county remit to the State Treasurer any portion of the \$30,819 that it receives from the City of Madera.

City’s Response

The City of Madera concurs with State Controller’s finding regarding the accurate collection and remittance of state parking surcharges and registration/equipment violations.

The City interpreted the collection and distribution laws for parking fines and registration/equipment violations in error. The City was collecting parking fines and registration/equipment violation fees and not remitting the appropriate share of the penalties to the County of Madera (County). Additionally, the City was over-collecting on parking violations and funds over-collected were remitted to the County.

The City over-collected \$1.50 for each parking citation and remitted this amount to the County of Madera County Courthouse Construction Fund (GC 76000[d]). The City has modified the parking fine to the appropriate \$11.00 per violation, effective March 2019.

The City collected but did not remit the full amount of parking surcharges and equipment fines to the County of Madera and State of California in accordance with the applicable laws. The City properly collected and remitted to the County of Madera the parking surcharges associated with GC 70372(b); however, the surcharges provided for in GC 76000(c), GC 76000(d) and GC 76000.3 were collected but not remitted to the County. Additionally, the equipment and registration assessments (CVC 40225) [require that] 50% of [the] penalty collected be remitted to the State Treasurer. Consequently, the State and County did not receive their share of the penalties.

On June 7, 2019, the City issued a check in the amount of \$40,327.00 (check #22200) to the County of Madera, remitting the full amount underpaid by City for the fiscal years ending 2015 through 2018. Also, another check was issued in June 2019 in the amount of \$14,602.50 for fines collected during the period July 2018 through March 2019. The City's practice of under-remitting was corrected effective April 2019.

County's Response

The County remitted \$30,819 to the State Treasury.

FINDING 7— County's Probation Department underremitted the 2% state automation fee

During our testing of health and safety and domestic violence cases, we found that the county's Probation Department did not properly deduct the 2% state automation fee from required fees and penalties for the audit period. This error occurred because the department's accounting system was not programmed to calculate the correct distribution.

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 deduct the 2% state automation fee from the Drug Program Fee (HSC section 11372.7), Maddy Emergency Medical Services Penalty (GC section 76000.5), State Court Facilities Construction Fund (GC section 707372[a]), and State DNA Identification Fund (GC section 76104.6 and GC section 76104.7). We did not measure the fiscal effect of this error because it was not material, given the low number of affected cases.

GC section 68090.8 requires that a 2% automation fee be deducted from all fines, penalties, forfeitures, and restitutions, and placed into the State Trial Court Improvement and Modernization Fund.

Recommendation

We recommend that the county's Probation Department correct its accounting system to comply with statutory requirements.

County's Response

We agree with this finding and the county probation department is in the process of correcting its accounting system to meet compliance.

**FINDING 8—
County’s Probation
Department made
incorrect distributions
of domestic violence
fees**

During our testing of domestic violence cases, we found that the county’s Probation Department incorrectly distributed the domestic violence fee for the audit period. This error occurred because the department misinterpreted the required distributions.

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 distribution. During testing, we found that the department incorrectly distributed \$335.00 to the county, rather than the \$333.33 required by statute. We did not measure the fiscal effect of this error because it was not material, given the low number of affected cases.

PC section 1203.097(a)(5) requires that two-thirds of the domestic violence fees collected be posted to the county’s Domestic Violence Fund and the remaining one-third is remitted to the State Treasurer. Further, the remaining one-third should 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 county’s Probation Department correct its accounting system to comply with statutory requirements.

County’s Response

We agree with this finding and the county’s probation department has corrected its accounting system to comply with statutory requirements.

**FINDING 9—
Incorrect collection of
parking surcharges –
City of Chowchilla**

During our analysis of parking and equipment violations, we found that the City of Chowchilla did not properly collect state and county parking surcharges. This error occurred because the city misinterpreted distribution guidelines and failed to collect required parking surcharges.

We reviewed the City of Chowchilla’s parking documentation to verify the accuracy of the city’s distributions of parking surcharges and equipment violation revenues. During our review, we found that the city incorrectly collected \$8.00 for each parking violation rather than \$11.00. The city should have collected the following surcharges for each parking violation:

- \$1.00 for the County Courthouse Construction Fund (then deposit \$1.00 into the County General Fund);
- \$2.50 for the County Criminal Justice Facilities Construction Fund (then deposit \$1.00 into the County General Fund);
- \$3.00 for the State Court Facilities Construction Fund – ICNA;
- \$1.50 for the State Court Facilities Construction Fund; and
- \$3.00 for the State Trial Court Trust Fund.

We did not measure the fiscal effect of these errors because it was not material, given the low number of parking citations issued by the city.

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 on 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 General Fund.

In addition, GC section 76000(d) states that, once responsibility for court facilities transfers from the county to the JCC, the authority to impose the \$2.50 penalty for the County Courthouse Construction Fund shall be reduced to \$1.00. On April 30, 2007, the responsibility for the county's court facilities transferred to the JCC.

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. GC section 70372(f) further requires that one-third of the \$4.50 be deposited in the State Court Facilities Construction Fund and two-thirds be deposited in the State Court Facilities Construction Fund – ICNA.

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

Recommendation

We recommend that the City of Chowchilla update its policies and procedures to remit the required parking surcharges to the county.

Observation and Recommendation

**OBSERVATION —
Incorrect collection of
parking surcharges –
California Department
of Parks and
Recreation**

During our analysis of parking surcharges, we found that the California Department of Parks and Recreation did not properly collect county parking surcharges. This error occurred because the department misinterpreted distribution guidelines.

We reviewed the Department of Parks and Recreation's parking documentation to verify the accuracy of the department's distributions of parking surcharges and equipment violation revenues. During our review, we found that the department incorrectly collected \$12.50 for each parking violation; as the county had transferred responsibility for the court facilities to the JCC, the department should have collected only \$11.00 for each parking violation. The additional \$1.50 collected by the department was distributed to the County Courthouse Construction Fund.

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 parking 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 court 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 on 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 General Fund.

In addition, GC section 76000(d) states that, once responsibility for court facilities transfers from the county to the JCC, the authority to impose the \$2.50 penalty for the County Courthouse Construction Fund shall be reduced to \$1.00. On April 30, 2007, the responsibility for the county's court facilities transferred to the JCC.

Recommendation

We recommend that 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).

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



June 15, 2020

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

Dear Ms. Kurokawa,

I have reviewed the findings from the State Controller's audit of Madera County's court revenues for period of July 1, 2014 through June 30, 2018. I have provided the responses to the findings below.

Finding 1 – Incorrect calculation of 50% excess of qualified revenue

Corrective action: We agree with this finding and have made the recommended corrections on the 50% excess of qualified revenues calculation worksheet.

Finding 2 – Over remitted traffic violator school fees – VC42007.1

Correction: We agree with this finding and have made recommended corrections on the TC-31 to reduce remittance to the State Treasurer by \$825,707.

Corrective action: We have worked with courts to ensure monthly recap from courts to the county for recording and payment to State Treasurer match the coding of court's accounting system.

Finding 3 – Unremitted parking surcharges and equipment violations – GC 76003.3(a), GC 70372(b), GC 70372(b), VC 40225(d)

Correction: We agree with this finding and have made recommended corrections to remit \$53,662 to State Treasury.

Corrective action: We have made corrections to parking surcharge template to ensure accurate remittance of collections.

AUDITOR-CONTROLLER

200 West Fourth Street • Madera, CA 93637 • 559.675.7707 • MadCoServices.com • maderacounty.com





Finding 4 – County’s probation department under remitted health and safety violation revenues – HSC 11502

Correction: We agree with this finding and have remitted \$27,048 to the State Treasurer.

Corrective action: The county probation department has corrected the distribution of base fine to comply with statutory requirements.

Finding 5 – County’s probation department under remitted state DNA penalties – GC 76104.6, GC 76104.7

Correction: We agree with this finding and have made recommended corrections to remit \$14,615 to State Treasury.

Corrective action: The county probation department has corrected its accounting system to comply with statutory requirements.

Finding 6 – Under remitted parking surcharges and equipment violations – City of Madera - GC 76003.3(a), VC 40225(d)

Correction: The County remitted \$30,819 to the State Treasury.

Finding 7 – County’s probation department under remitted the 2% state automation fee – GC 68090.8

Corrective action: We agree with this finding and the county probation department is in the process of correcting its accounting system to meet compliance.

Finding 8 – County’s probation department made incorrect distributions of domestic violence fees PC 1203.097(a) (5)

Corrective action: We agree with this finding and the county’s probation department has corrected its accounting system to comply with statutory requirements.

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I would like to thank your staff for providing their assistance to clarify some of the findings in order for us to make recommended corrections.

Sincerely,

Todd E. Miller, CPA
Auditor-Controller

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



**SUPERIOR COURT OF CALIFORNIA
COUNTY OF MADERA**

COURT ADMINISTRATION

200 SOUTH G STREET
MADERA, CA 93637
(559) 416-5510

HON. DALE J. BLEA
PRESIDING JUDGE

HON. ERNEST J. LICALSI
ASST PRESIDING JUDGE

ADRIENNE Y. CALIP
COURT EXECUTIVE OFFICER

AMY DOWNEY
ASST COURT EXECUTIVE OFFICER

June 9, 2020

Lisa Kurokawa, Chief
Compliance Audits Bureau
State Controller's Office
PO Box 942850
Sacramento, CA 942850
lkurokawa@sco.ca.gov

Via Email

RE: Audit Report Court Revenues: July 1, 2014 through June 30, 2018

Ms. Kurokawa,

Please find the attached responses from Madera Superior Court to the State Controller's Office draft audit report, dated June 2020. We have reviewed the report and are responding to each finding and observation that addresses the Court's collections and distributions. The Court is specifically not responding to the findings which address the County's collections and distributions.

Please let me know if you have any questions regarding this information.

Sincerely,

A handwritten signature in blue ink that reads "Tracy Callaway".

Tracy Callaway
Chief Financial Officer
Madera Superior Court
(559) 416-5514
tracy.callaway@madera.courts.ca.gov

**Madera County
Audit Report
Court Revenues
July 1, 2014 through June 30, 2018**

Court Responses

**FINDING 1 –
Incorrect calculation of 50% excess of qualified revenues (Repeat Finding)**

The portion addressing the court, in part states, "...during testing of court cases, we found that the court incorrectly assigned the account for PC section 1463.001 to county red-light base fines, administrative screening fees, and citation processing fees on its cash statements."

Court's Response:

Per the recommendation which addresses the court, the account for PC section 1463.11 has been assigned to the 30% red-light allocation and the account for VC section 42007.3 has been assigned to the 30% red-light allocation on red-light violations with traffic violator school. Additionally, the account for PC section 1463.07 has been assigned to administrative screening fees and citation processing fees.

**FINDING 2 –
Overremitted traffic violator school fees**

The portion addressing the court, in part states, "...the court assigned VC section 42007.1 to the 77% portion of the County TVS Fee (VC section 42007) and deposited the \$1 into the County Criminal Justice Facilities Construction Fund on the court cash statements"

Court's Response

The court has followed the recommendation and ensured the correct code section is assigned to the 77% portion of the TVS Fee (VC section 42007) and the \$1 per violation is deposited into the County Criminal Justice Facilities Construction Fund for TVS cases (VC section 42007).

**FINDING 3 –
Underremitted parking surcharges and equipment violations – Madera County (Repeat Finding)**

Court's Response

This Finding does not address the court.

**FINDING 4 –
County's Probation Department underremitted health and safety violation revenues**

Court's Response

This Finding does not address the court.

**FINDING 5 –
County's Probation Department underremitted State DNA penalties**

Court's Response

This Finding does not address the court.

**FINDING 6 –
Underremitted parking surcharges and equipment violations – City of Madera**

Court's Response

This Finding does not address the court.

**FINDING 7 –
County's Probation Department underremitted the 2% state automation fee**

Court's Response

This Finding does not address the court.

**FINDING 8 –
County's Probation Department made incorrect distributions of domestic violence fees**

Court's Response

This Finding does not address the court.

**FINDING 9 –
Incorrect collection of parking surcharges – City of Chowchilla**

Court's Response

This Finding does not address the court.

**OBSERVATION –
Incorrect collection of parking surcharges – California Department of Parks and Recreation**

“...the parking 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 court to return the overcharged amounts to each defendant.”

Court's Response

The court agrees that it would be impractical and difficult for us to return the overcharged amounts to each defendant, as the court was not involved in the issuance of citations, collection, receipts, or distribution of this revenue. If it were decided to return these overcharges, the court would have no records in the matter.

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

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