

SANTA CRUZ COUNTY

Audit Report

COURT REVENUES

July 1, 2015, through June 30, 2019



BETTY T. YEE
California State Controller

July 2021



BETTY T. YEE
California State Controller

July 28, 2021

Edith Driscoll, Auditor-Controller
Santa Cruz County
701 Ocean Street, Room 100
Santa Cruz, CA 95060

Alex Calvo, Court Executive Officer
Superior Court of California, Santa Cruz
County
701 Ocean Street
Santa Cruz, CA 95060

Dear Ms. Driscoll and Mr. Calvo:

The State Controller's Office (SCO) audited the propriety of the court revenues remitted by Santa Cruz County to the State Treasurer for the period of July 1, 2015, through June 30, 2019.

Our audit found that the county underremitted \$46,218 in state court revenues to the State Treasurer because it:

- Underremitted the State General Fund (Health and Safety Code section 11502) by \$32,724;
- Underremitted the State Trial Court Improvement and Modernization Fund (Government Code [GC] section 68090.8) by \$3,818;
- Underremitted the State Penalty Fund (Penal Code section 1464) by \$5,213;
- Underremitted the State Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.109(c)) by \$740; and
- Underremitted the State Court Facilities Construction Fund (GC section 70372(a)) by \$3,723.

In addition, we found that the county used incorrect qualified revenue amounts in its calculation of the 50% excess of qualified revenues for each fiscal year. We also found that the court made incorrect distributions related to red-light traffic violator school, health and safety, and proof of financial responsibility violations. Furthermore, the county's probation department made incorrect distributions related to health and safety and DUI violations.

We also identified a deficiency that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that the county's probation department did not collect the required \$5.00 per every \$10.00 base fine for the County Criminal Justice Facilities Construction Fund (GC section 76101).

The county should remit \$46,218 to the State Treasurer via the Report to State Controller of Remittance to State Treasurer (TC-31), and include the Schedule of this audit report. On the TC-31, the county should specify the account name identified on the Schedule of this audit report and state that the amounts are related to the SCO audit period of July 1, 2015, through June 30, 2019.

The county should not combine audit finding remittances with current revenues on the TC-31. A separate TC-31 should be submitted for the underremitted amounts for the audit period. For your convenience, the TC-31 and directions for submission to the State Treasurer's Office are located at https://www.sco.ca.gov/ard_trialcourt_manual_guidelines.html.

The underremitted amounts are due no later than 30 days after receipt of this final audit report. The SCO will add a statutory one-and-a-half percent (1.5%) per month penalty on the applicable delinquent amounts if payment is not received within 30 days of issuance of this final audit report.

Once the county has paid the underremitted amounts, the Tax Programs Unit will calculate interest on the underremitted amounts and bill the county in accordance with Government Code sections 68085, 70353, and 70377.

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

Tax Accounting Unit Supervisor
Local Government Programs and Services Division
Bureau of Tax, Administration, and Government Compensation
State Controller's Office
Post Office Box 942850
Sacramento, CA 94250

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

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

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

cc: Bruce McPherson, Chair
Santa Cruz County Board of Supervisors
Melissa Allen, Administrative Services Manager
Santa Cruz County Probation Department
Grant Parks, Manager
Internal Audit Services
Judicial Council of California
Lynda Gledhill, Executive Officer
California Victim Compensation Board
Anita Lee, Senior Fiscal and Policy Analyst
Legislative Analyst's Office
Sandeep Singh, Manager
Local Government Policy Unit
State Controller's Office
Jennifer Montecinos, Manager
Tax Administration Section
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Santa Cruz County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2015, through June 30, 2019.

Our audit found that the county underremitted \$46,218 in state court revenues to the State Treasurer. In addition, we found that the court made incorrect distributions related to health and safety violations.

Background

State statutes govern the distribution of court revenues, which include fines, penalties, assessments, fees, restitutions, bail forfeitures, and parking surcharges. Whenever the State is entitled to receive a portion of such money, the court is required by Government Code (GC) section 68101 to deposit the State's portion of court revenues with the County Treasurer as soon as is practical and provide the County Auditor with a monthly record of collections. This section further requires that the County Auditor transmit the funds and a record of the money collected to the State Treasurer at least once a month.

Audit Authority

We conducted this audit under the authority of GC section 68103, which requires the SCO to review the 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, 2015, through June 30, 2019.

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 relevant criteria.
- We interviewed county personnel regarding the monthly TC-31 remittance process and the maintenance of effort (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 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 the court.

Cash Collections

- We scheduled monthly cash disbursements prepared by the county and the court showing court revenue distributions to the State, county, and cities for all fiscal years in the audit period.
- We performed analytical procedures using ratio analysis for state and county revenues to assess the reasonableness of the revenue distributions based on statutory requirements.
- We recomputed the annual MOE calculation for all fiscal years in the audit period to verify the accuracy and completeness of the 50% excess of qualified revenues remitted to the State.

Distribution Testing

- We assessed the priority of installment payments by haphazardly selecting a non-statistical sample of four installment payments to verify priority. 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 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, haphazardly selected a non-statistical sample of 71 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

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

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 the county underremitted \$46,218 in state court revenues to the State Treasurer as follows:

- Underremitted the State General Fund (Health and Safety Code [HSC] section 11502) by \$32,724;
- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 68090.8) by \$3,818;
- Underremitted the State Penalty Fund (Penal Code [PC] section 1464) by \$5,213;
- Underremitted the State Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.10(c)) by \$740; and
- Underremitted the State Court Facilities Construction Fund (GC section 70372(a)) by \$3,723.

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 used incorrect qualified revenue amounts in its calculation of the 50% excess of qualified revenues for each fiscal year. We also found that the court made incorrect distributions related to red-light traffic violator school (TVS), health and safety, and proof of financial responsibility violations. Furthermore, the county's probation department made incorrect distributions related to health and safety and DUI violations. 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 county's probation department did not collect the required \$5.00 per every \$10.00 base fine for the County Criminal Justice Facilities Construction Fund (GC section 76101). This instance of noncompliance is described in the Observation and Recommendation section.

The county should remit \$46,218 to the State Treasurer.

Follow-up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, for the period of July 1, 2004, through June 30, 2011, issued September 5, 2012.

**Views of
Responsible
Officials**

We issued a draft audit report on June 2, 2021. Edith Driscoll, Auditor-Controller, responded by letter dated June 10, 2021 (Attachment A), agreeing with the audit results. In addition, Alex Calvo, Court Executive Officer, responded by letter dated June 11, 2021 (Attachment B), agreeing with the audit results.

The county and court's responses are included as attachments to this audit report.

Restricted Use

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

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

July 28, 2021

Schedule— Summary of Audit Findings Affecting Remittances to the State Treasurer July 1, 2015, through June 30, 2019

Finding ¹	Fiscal Year				Total	Reference ²
	2015-16	2016-17	2017-18	2018-19		
Incorrect distribution of bail bond forfeitures						
State General Fund — HSC §11502	\$ 3,675	\$ -	\$ 15,084	\$ 13,965	\$ 32,724	
State Trial Court Improvement and Modernization Fund (2% Automation) — GC §68090.8	840	250	1,068	1,660	3,818	
Total	<u>4,515</u>	<u>250</u>	<u>16,152</u>	<u>15,625</u>	<u>36,542</u>	Finding 2
Incorrect distribution of red-light violations (VC §21453[b])						
State Penalty Fund — PC §1464	1,499	592	1,590	1,532	5,213	
Emergency Medical Air Transportation and Children's Coverage Fund — GC §76000.10(c)	213	84	226	217	740	
State Court Facilities Construction Fund — GC §70372(a)	1,070	424	1,135	1,094	3,723	
Total	<u>2,782</u>	<u>1,100</u>	<u>2,951</u>	<u>2,843</u>	<u>9,676</u>	Finding 3
Total amount underremitted to the State Treasurer	<u>\$ 7,297</u>	<u>\$ 1,350</u>	<u>\$ 19,103</u>	<u>\$ 18,468</u>	<u>\$ 46,218</u>	

¹The identification of state revenue account titles should be used to ensure proper recording when preparing the TC-31.

²See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Incorrectly calculated the 50% excess of qualified revenues

During our recalculation of the 50% excess of qualified revenues, we found that the county used incorrect qualified revenue amounts in its calculation for each fiscal year. However, the errors did not result in underremittances in all four fiscal years, as the qualified revenues were below the county's revenue base amounts. The 50% excess of qualified revenues was incorrectly calculated because the county misinterpreted the required calculations and the court did not properly program its case management system.

For the audit period, the county provided support for its calculation of the 50% excess of qualified revenues. We reviewed the county's calculation and reconciled the qualified revenues to revenue collection reports provided by the court and the county's probation department. We noted that the county incorrectly excluded the revenues collected for the Emergency Medical Services Fund (GC section 76104), Maddy Emergency Medical Services Fund (GC section 76000.5), city base fines (Vehicle Code [VC] section 42007(c)), County Courthouse Construction Fund (\$1 per TVS case) (GC section 76100), and County Criminal Justice Facilities Construction Fund (\$1 per TVS case) (GC section 76101) from the calculation of the TVS fee (VC section 42007) during the audit period.

During our testing of bail bond forfeiture cases, we found that the court did not distribute revenues to the 2% State automation fee (GC section 68090.8), State General Fund (HSC section 11502), County/City General Fund (HSC section 11502), county base fines (PC section 1463.001), and city base fines (PC section 1463.002). In addition, we found that the court did not properly distribute revenues to the Red-light Allocation Fund (PC section 1463.11 and VC section 42007.3). These distribution errors led to misstatements in the county's qualified revenue calculation.

We recalculated the county's qualified revenues based on actual court revenues collected for each fiscal year of the audit period. After our recalculation, we found that the county had understated qualified revenues by a net of \$508,742 for the audit period. However, the errors did not result in underremittances in all four fiscal years of the audit period, as the qualified revenues were below the county's revenue base amount.

Qualified revenues were incorrectly calculated because:

- The court understated qualified revenues by \$159,410 for the audit period because the county incorrectly excluded the revenues collected for the city base fines (VC section 42007(c)) from the calculation of the TVS fees (VC section 42007);
- The court understated qualified revenues by \$252,525 for the audit period because the county incorrectly excluded the revenues collected for the Emergency Medical Services Fund (GC section 76104) and Maddy Emergency Medical Services Fund (GC section 76000.5) from the calculation of the TVS fees (VC section 42007);

- The court understated qualified revenues by \$25,252 for the audit period because the county incorrectly excluded the revenues collected for the County Courthouse Construction Fund (\$1 per TVS case) (GC section 76100) and County Criminal Justice Facilities Construction Fund (\$1 per TVS case) (GC section 76101) from the calculation of the TVS fees (VC section 42007);
- As noted in Finding 2, the court did not distribute revenues to the 2% State automation fee (GC section 68090.8), State General Fund (HSC section 11502), County/City General Fund (HSC section 11502), county base fines (PC section 1463.001), and city base fines (PC section 1463.002). These errors resulted in an understatement of \$72,373 in qualified revenues for the county base fines (PC section 1463.001) line item;
- As noted in Finding 3, the court incorrectly distributed revenues to the Red-light Allocation Fund (PC section 1463.11). These errors resulted in an understatement of \$1,159 in qualified revenues for the county base fines (PC section 1463.001) line item and an understatement of \$2,238 in qualified revenues for the State Penalty Fund (PC section 1464) line item;
- As noted in Finding 4, the court incorrectly distributed revenues to the Red-light Allocation Fund (VC section 42007.3). These errors resulted in an understatement of \$18,473 in qualified revenues for the TVS fees (VC section 42007) line item; and
- As noted in Finding 5, the court did not properly distribute revenues to the Red-light Allocation Fund (VC section 42007.3). These errors resulted in an understatement of \$2,651 in qualified revenues for the TVS fees (VC section 42007) line item and an overstatement of \$25,339 in qualified revenues for the TVS fees (VC section 42007) line item due to overremitted city base fines (VC section 42007(c)).

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Totals
	2015-16	2016-17	2017-18	2018-19	
Qualified revenues reported	\$ 1,748,017	\$ 1,499,738	\$ 1,580,861	\$ 1,627,558	\$ 6,456,174
Audit adjustments:					
VC §42007(c) adjustment	31,254	38,470	45,784	43,902	159,410
GC §76104, GC §76000.5 adjustment	68,605	55,793	57,563	70,564	252,525
GC §76100, GC §76101 adjustment	6,861	5,579	5,756	7,056	25,252
Finding 2 understatement	12,826	6,284	11,033	42,230	72,373
Finding 3 understatement	981	377	1,014	1,025	3,397
Finding 4 understatement	4,040	1,753	6,175	6,505	18,473
Finding 5 understatement	(5,592)	(3,728)	(7,315)	(6,053)	(22,688)
Total	118,975	104,528	120,010	165,229	508,742
Adjusted qualified revenues	\$ 1,866,992	\$ 1,604,266	\$ 1,700,871	\$ 1,792,787	\$ 6,964,916

The incorrect qualified revenues did not result in underremittances to the State Treasurer, as the qualified revenues were below the county’s revenue base amount.

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

The following table shows the excess qualified revenues amount above the base:

Fiscal Year	Qualifying Revenues	Base Amount	Excess Amount Above the Base
2015-16	\$ 1,866,992	\$ 1,902,096	\$ (35,104)
2016-17	1,604,266	1,902,096	(297,830)
2017-18	1,700,871	1,902,096	(201,225)
2018-19	1,792,787	1,902,096	(109,309)

Recommendation

We recommend that the court correct its case management system to ensure that revenues are distributed in accordance with statutory requirements and all qualified revenues are properly identified and reported.

County’s Response

Superior Court of California will respond to this finding.

Court’s Response

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections.

SCO Comment

As requested, the SCO changed the term “accounting system” to “case management system.”

**FINDING 2—
Incorrect distribution
of bail bond
forfeitures**

During our testing of bail bond forfeiture cases, we found that the court did not properly distribute revenues to the 2% State automation fee (GC section 68090.8) and State General Fund (HSC section 11502), resulting in an underremittance to the State of \$36,542. The 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 distribute revenues to the 2% State automation fee (GC section 68090.8), State General Fund (HSC section 11502), County/City General Fund (HSC section 11502), county base fines (PC section 1463.001), and city base fines (PC section 1463.002). Instead, the court incorrectly distributed all revenues to the summary judgment account (PC section 1305.3) of the arresting agencies.

HSC section 11502 requires forfeited bail received by the court under Division 10 of the HSC to be distributed in the following manner: 75% to the State Treasurer and 25% to the county or city, depending on where the offense occurred.

PC section 1463.001(b) requires base fines resulting from city arrests to be transferred to the county in accordance with the percentages set forth in PC section 1463.002.

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

The distribution errors caused an understatement of \$96,496 to the county base fines (PC section 1463.001), resulting in an understatement of \$72,373 ($\$96,496 \times 75\%$) in qualified revenues for the MOE calculation.

The incorrect distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
State General Fund — HSC § 11502	\$ 32,724
State Trial Court Improvement and Modernization Fund (2% Automation) — GC § 68090.8	3,818
Total	\$ 36,542
County Base Fines — PC § 1463.001	\$ 96,496
County General Fund — HSC § 11502	6,987
County Summary Judgment — PC § 1305.3	(113,522)
Total	\$ (10,039)
City of Capitola Base Fines — PC § 1463.002	\$ 15,484
City of Capitola General Fund — HSC § 11502	1,225
City of Capitola Summary Judgment — PC § 1305.3	(25,000)
Total	\$ (8,291)
City of Santa Cruz Base Fines — PC § 1463.002	\$ 21,506
City of Santa Cruz General Fund — HSC § 11502	2,083
City of Santa Cruz Summary Judgment — PC § 1305.3	(37,000)
Total	\$ (13,411)
City of Watsonville Base Fines — PC § 1463.002	\$ 9,991
City of Watsonville General Fund — HSC § 11502	613
City of Watsonville Summary Judgment — PC § 1305.3	(15,405)
Total	\$ (4,801)

Recommendation

We recommend that the county remit \$36,542 to the State Treasurer and report on the TC-31 an increase to the following accounts:

- State General Fund (HSC section 11502): \$32,724; and
- State Trial Court Improvement and Modernization Fund (2% Automation) (GC section 68090.8): \$3,818.

We also recommend that the court:

- Correct its case management system to ensure that 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

We agree with this recommendation. The County will remit \$36,542 to the State Treasurer and report on the TC-31 an increase to the accounts identified.

Court's Response

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

SCO Comment

As requested, the SCO changed the term "accounting system" to "case management system."

**FINDING 3—
Incorrect distribution
of red-light violations
(VC section 21453[b])**

During our testing of red-light violation cases, we found that the court incorrectly distributed revenues to the Red-light Allocation Fund (PC section 1463.11), resulting in an underremittance to the State of \$9,676. The error occurred because the court misinterpreted the distribution guidelines and incorrectly configured its case management system.

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 on cases involving violations of VC section 21453(b), the court incorrectly distributed 30% of the revenues collected for the following funds to the Red-light Allocation Fund (PC section 1463.11): county base fines (PC section 1463.001), city base fines (PC section 1463.002), State Penalty Fund (PC section 1464), Criminal Justice Facilities Construction Fund (GC section 76101), Emergency Medical Services Fund (GC section 76104), Maddy Emergency Medical Services Fund (GC section 76000.5), Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.10[c]), and State Court Facilities Construction Fund (GC section 70372[a]). The court should not have performed the 30% distribution on cases involving violations of VC section 21453(b) because PC section 1463.11 only requires the 30% distribution to the Red-light Allocation Fund (PC section 1463.11) on cases involving violations of VC section 21453(a), VC section 21453(c), VC section 21454(c), and VC section 21457(a).

PC section 1463.11 requires that the first 30% of red-light violation base fines, state penalties, and county penalties (PC sections 1463 and 1464, and GC section 76000, respectively) collected be distributed to the General Fund of the county or city where the violation occurred.

The distribution errors caused an understatement of \$1,545 to the county base fines (PC section 1463.001) and \$2,238 to the County State Penalty Fund (PC section 1464). This resulted in an understatement of \$1,159 ($\$1,545 \times 75\%$) and \$2,238 in qualified revenues for the MOE calculation.

The incorrect distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
State Penalty Fund — PC § 1464	\$ 5,213
Emergency Medical Air Transportation and Children's Coverage Fund — GC § 76000.10(c)	740
State Court Facilities Construction Fund — GC § 70372(a)	3,723
Total	<u>\$ 9,676</u>
County — Red-Light Allocation — PC § 1463.11	\$ (821)
County Base Fines — PC § 1463.001	1,545
County State Penalty Fund — PC § 1464	2,238
County Criminal Justice Facilities Construction Fund — GC § 76101	3,723
County Emergency Medical Services Fund — GC § 76104	1,486
Total	<u>\$ 8,171</u>
City of Capitola — Red-Light Allocation — PC § 1463.11	\$ (21,022)
City of Capitola Base Fines — PC § 1463.002	4,578
Total	<u>\$ (16,444)</u>
City of Santa Cruz — Red-Light Allocation — PC § 1463.11	\$ (111)
City of Santa Cruz Base Fines — PC § 1463.002	24
Total	<u>\$ (87)</u>
City of Scotts Valley — Red-Light Allocation — PC § 1463.11	\$ (37)
City of Scotts Valley Base Fines — PC § 1463.002	8
Total	<u>\$ (29)</u>
City of Watsonville — Red-Light Allocation — PC § 1463.11	\$ (1,644)
City of Watsonville Base Fines — PC § 1463.002	357
Total	<u>\$ (1,287)</u>

Recommendation

We recommend that the county remit \$9,676 to the State Treasurer and report on the TC-31 an increase to the following accounts:

- State Penalty Fund (PC section 1464): \$5,213;
- Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.10[c]): \$740; and
- State Court Facilities Construction Fund (GC section 70372[a]): \$3,723.

We also recommend that the court:

- Correct its case management system to ensure that 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

We agree with this recommendation. The County will remit \$9,676 to the State Treasurer and report on the TC-31 an increase to the accounts identified.

Court's Response

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

SCO Comment

As requested, the SCO changed the term "accounting system" to "case management system."

**FINDING 4—
Incorrect distribution
of red-light TVS
violations (VC
section 21453[b])**

During our testing of red-light TVS cases, we found that the court incorrectly distributed revenues to the Red-light Allocation Fund (VC section 42007.3). The error occurred because the court misinterpreted the distribution guidelines and incorrectly configured its case management system.

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 on TVS cases involving violations of VC section 21453(b), the court incorrectly distributed revenues from the TVS Fee (VC section 42007) to the Red-light Allocation Fund (VC section 42007.3). The court should not have performed the 30% distribution on TVS cases involving violations of VC section 21453(b) because VC section 42007.3 only requires the 30% distribution to the Red-light Allocation Fund (VC section 42007.3) on cases involving violations of VC section 21453(a), VC section 21453(c), VC section 21454(c), and VC section 21457(a).

VC section 42007.3 requires that the first 30% of red-light violation base fines, state penalties, and county penalties (PC sections 1463 and 1464, and GC section 76000, respectively) collected to be distributed to the General Fund of the county or city where the violation occurred.

The distribution errors caused an understatement of \$23,991 to the TVS Fee (VC section 42007), resulting in an understatement of \$18,473 ($\$23,991 \times 77\%$) in qualified revenues for the MOE calculation.

The incorrect distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
County Traffic Violator School Fee — VC §42007	\$ 23,991
County — Red-Light Allocation — VC §42007.3	(957)
Total	<u>\$ 23,034</u>
City of Capitola — Red-Light Allocation — VC §42007.3	<u>\$ (21,978)</u>
City of Santa Cruz — Red-Light Allocation — VC §42007.3	<u>\$ (297)</u>
City of Scotts Valley — Red-Light Allocation — VC §42007.3	<u>\$ (33)</u>
City of Watsonville — Red-Light Allocation — VC §42007.3	<u>\$ (726)</u>

Recommendation

We recommend that the court:

- Correct its case management system to ensure that 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

Superior Court of California will respond to this finding.

Court’s Response

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

SCO Comment

As requested, the SCO changed the term “accounting system” to “case management system.”

**FINDING 5—
Incorrect distribution
of red-light TVS
violations**

During our testing of red-light TVS cases, we found that the court did not properly distribute revenues to the Red-light Allocation Fund (VC section 42007.3). The error occurred because the court misinterpreted the distribution guidelines and incorrectly configured its case management system.

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 distribute 30% of the city base fines

(VC section 42007[c]) to the Red-light Allocation Fund (VC section 42007.3). In addition, the court distributed the base fine amount on each case to the Red-light Allocation Fund (VC section 42007.3) instead of distributing 30% of the state penalties, county penalties, and base fines to the Red-light Allocation Fund (VC section 42007.3).

VC section 42007.3 requires that the first 30% of red-light violation base fines, state penalties, and county penalties (PC sections 1463 and 1464, and GC section 76000, respectively) collected to be distributed to the General Fund of the county or city where the violation occurred.

The distribution errors caused an understatement of \$3,442 to the TVS Fee (VC section 42007) and overstatement of \$32,908 to the city base fines (VC section 42007[c]). This in turn resulted in an understatement of \$2,651 ($\$3,442 \times 77\%$) and overstatement of \$25,339 ($\$32,908 \times 77\%$) in qualified revenues for the MOE calculation.

The incorrect distributions had the following effect:

Account Title	Underremitted/ (Overremitted)
County Traffic Violator School Fee — VC §42007	\$ 3,442
County — Red-Light Allocation — VC §42007.3	3,639
Total	<u>\$ 7,081</u>
City of Capitola — Red-Light Allocation — VC §42007.3	\$ 20,311
City of Capitola Base Fines — VC §42007(c)	(25,924)
Total	<u>\$ (5,613)</u>
City of Santa Cruz — Red-Light Allocation — VC §42007.3	\$ 1,346
City of Santa Cruz Base Fines — VC §42007(c)	(1,675)
Total	<u>\$ (329)</u>
City of Scotts Valley — Red-Light Allocation — VC §42007.3	\$ 730
City of Scotts Valley Base Fines — VC §42007(c)	(918)
Total	<u>\$ (188)</u>
City of Watsonville — Red-Light Allocation — VC §42007.3	\$ 3,440
City of Watsonville Base Fines — VC §42007(c)	(4,391)
Total	<u>\$ (951)</u>

Recommendation

We recommend that the court:

- Correct its case management system to ensure that 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

Superior Court of California will respond to this finding.

Court's Response

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

SCO Comment

As requested, the SCO changed the term "accounting system" to "case management system."

**FINDING 6—
Inconsistent
assessment of
required fees**

During our testing of health and safety cases, we found that the court and probation department did not consistently assess \$50 for the criminal laboratory analysis fee (HSC section 11372.5). The error occurred because the court and probation department misinterpreted the distribution guidelines and incorrectly configured their case management system.

We verified on a sample basis, distributions made by the court and probation department using their 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 and probation department did not consistently assess \$50 for the criminal laboratory analysis fee (HSC section 11372.5). In addition, on a probation department case in which the criminal laboratory analysis fee (HSC section 11372.5) and drug program fee (HSC section 11372.7) were assessed, the department did not program the fees as a base fine enhancement in its case management system.

HSC section 11372.5 requires defendants convicted of violating specific HSC sections regulating controlled substances to pay a \$50 criminal laboratory analysis for each separate offense and the court to increase the total fine as necessary to include the increment.

HSC section 11372.7 requires defendants convicted of a violation of Chapter 6 of the HSC to pay a drug program fee in an amount not to exceed \$150 for each separate offense and the court to increase the total fine as necessary to include the increment.

The lack of base fine enhancements affects the 50% excess of qualified revenues calculation, as the county's portion of the State Penalty Fund (PC section 1464) is included in the calculation. This error cannot now be reversed because the court and probation department cannot retroactively collect from defendants or recalculate the base fine enhancements.

Recommendation

We recommend that the court and probation department:

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

County's Response

We agree with this finding and the County Probation Department has taken steps to correct their accounting system to ensure HSC fine revenues are distributed in accordance with statutory requirements.

Court's Response

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

SCO Comment

As requested, the SCO changed the term "accounting system" to "case management system."

**FINDING 7—
Incorrect distribution
of proof of financial
responsibility
violations**

During our testing of superior court cases, we found that the court incorrectly distributed revenues for proof of financial responsibility violations. The error occurred because the court misinterpreted distribution guidelines and incorrectly configured distributions for proof of financial responsibility violations in its case management system.

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 our testing of the FY 2015-16 cases, we found that the court failed to distribute a portion of county base fines into the State and county special uninsured motorist accounts (PC sections 1463.22[a-c]). The error resulted in overremittances to the County General Fund (PC section 1463.001) and underremittances to the State General Fund (PC section 1463.22[c]), the State Motor Vehicle Fund (PC section 1463.22[b]), and the county special uninsured motorists accounts (PC section 1463.22[a]).

PC section 1463.22(a) requires the county to deposit \$17.50 of the money deposited with the county pursuant to PC section 1463 for each conviction of VC section 16028 into a special account allocated to defray costs of the municipal and superior courts.

PC section 1463.22(b) requires the county to deposit \$3 of the money deposited with the county pursuant to PC section 1463 for each conviction

of VC section 16028 into the Motor Vehicle Account in the State Transportation Fund.

PC section 1463.22(c) requires the county to deposit \$10 of the moneys deposited with the county pursuant to PC section 1463 for each conviction of VC section 16028 into the State General Fund.

We performed an analysis of the State General Fund (PC section 1463.22[c]), the State Motor Vehicle Fund (PC section 1463.22[b]) revenues to determine the fiscal effect of this distribution error. Upon completion of our analysis, we found that the error did not have a material impact on the revenues remitted to the State.

Recommendation

We recommend that the court:

- Correct its case management system to comply with statutory requirements and ensure that revenues of proof of financial responsibility violations are distributed properly; and
- Periodically verify the accuracy of its distributions using the JCC’s testing sheets.

County’s Response

Superior Court of California will respond to this finding.

Court’s Response

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

SCO Comment

As requested, the SCO changed the term “accounting system” to “case management system.”

FINDING 8— Incorrect priority of installment payments

During our testing of superior court cases, we found that the court did not properly distribute revenues in accordance with the order of priority stated in PC section 1203.1d. The error occurred because the court misinterpreted the distribution guidelines and incorrectly configured its case management system.

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 our testing of cases, we found that the court incorrectly programmed other reimbursable costs as priority three distributions instead of programming them as priority four distributions.

PC section 1203.1d requires the distribution of installment payments be made in the following order of priority:

1. Restitution orders to victims (PC section 1202.4[f]);
2. 20% State Surcharge (PC section 1465.7);
3. Fines, penalty assessments, restitution fines (PC section 1202.4[b]); and
4. Other reimbursable costs.

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.

Recommendation

We recommend that the court correct its case management system to ensure that installment revenues are distributed in accordance with statutory priority requirements.

County's Response

Superior Court of California will respond to this finding.

Court's Response

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and have made the necessary corrections.

SCO Comment

As requested, the SCO changed the term "accounting system" to "case management system."

FINDING 9— Incorrect distribution of DUI violations

During our testing of DUI cases, we found that the county's probation department did not properly collect revenues on DUI cases. The error occurred because the department misinterpreted the distribution guidelines and incorrectly configured its case management system.

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 department consistently over collected county base fines (PC section 1463.001). In addition, on a city DUI case, the department incorrectly distributed the county's portion of base fines to the city and the city's portion of base fines to the county.

PC section 1463.001(b) requires base fines resulting from city arrests to be transferred to the county in accordance with the percentages set forth in PC section 1463.002.

We performed an analysis of the DUI fines (PC section 1463.18) revenues to determine the fiscal effect of this distribution error. Upon completion of our analysis, we found that the error did not have a material impact on the revenues remitted to the State.

Recommendation

We recommend that the probation department:

- Correct its case management system to ensure that 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

We agree with this finding and the County Probation Department has taken steps to correct their accounting system to ensure DUI fine revenues are distributed in accordance with statutory requirements.

Court's Response

The County will provide the response to this recommendation.

Observation and Recommendation

OBSERVATION— Incorrect assessment of county penalty

During our testing of DUI and health and safety cases, we found that the county's probation department did not collect the required \$5.00 per every \$10.00 base fine for the County Criminal Justice Facilities Construction Fund (GC section 76101). The error occurred because the department misinterpreted the distribution guidelines and incorrectly configured its case management system.

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 probation department incorrectly collected \$2.00 per every \$10.00 base fine for the County Courthouse Construction Fund (GC section 76100) and \$3.00 per every \$10.00 base fine for the County Criminal Justice Facilities Construction Fund (GC section 76101) instead of collecting the required \$5.00 per every \$10.00 base fine for the County Criminal Justice Facilities Construction Fund (GC section 76101).

GC section 76000 requires the county to deposit the amounts specified by the board of supervisors' resolution into the funds established by the county. On June 26, 1992, the Santa Cruz Board of Supervisors passed a resolution that requires \$5.00 for each \$7.00 county penalty to be deposited in the County Criminal Justice Facilities Construction Fund (GC section 76101) and \$2.00 for each \$7.00 county penalty to be deposited in the Emergency Medical Services Fund (GC section 76104).

We did not measure this error, as it did not have an impact on revenues remitted to the State Treasurer.

Recommendation

We recommend that the county's probation department correct its case management system to ensure that revenues are distributed in accordance with statutory requirements and board of supervisor resolutions.

County's Response

We agree with this observation and the County Probation Department has taken steps to correct their accounting system to ensure fine revenues are distributed in accordance with statutory requirements and Board of Supervisor Resolution 342-92.

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

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COUNTY OF SANTA CRUZ

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June 10, 2021

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

Attn: Kimberly Tarvin, Chief
Compliance Audits Bureau

RESPONSE TO DRAFT AUDIT REPORT FOR COURT REVENUES JULY 1, 2015 THROUGH JUNE 30, 2019

We have reviewed the draft audit report of Santa Cruz County's court revenues for the period of July 1, 2015 through June 30, 2019. Below are our responses to the audit findings and recommendations:

Finding 1-Incorrectly calculated the 50% excess of qualified revenues (report finding)

Superior Court of California will respond to this finding.

Finding 2- Incorrect distribution of bail bond forfeitures

State Recommendation 1

We recommend that the county remit \$36,542 to the State Treasurer and report on the TC-31 an increase to the following accounts:

- State General Fund (HSC section 11502): \$32,724; and
- State Trial Court Improvement and Modernization Fund (2% Automation) (GC section 68090.8): \$3,818.

County's Response

We agree with this recommendation. The County will remit \$36,542 to the State Treasurer and report on the TC-31 an increase to the accounts identified.

State Recommendation 2

Superior Court of California will respond to this finding.

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Finding 3- Incorrect distribution of red-light violations (VC section 21453[b])

State Recommendation 1

We recommend that the county remit \$9,676 to the State Treasurer and report on the TC-31 an increase to the following accounts:

- State Penalty Fund (PC section 1464): \$5,213;
- Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.10[c]): \$740; and
- State Court Facilities Construction Fund (GC section 70372[a]): \$3,723.

County's Response

We agree with this recommendation. The County will remit \$9,676 to the State Treasurer and report on the TC-31 an increase to the accounts identified.

State Recommendation 2

Superior Court of California will respond to this finding.

Finding 4- Incorrect distribution of red-light TVS violations (VC section 21453[b])

Superior Court of California will respond to this finding.

Finding 5- Incorrect distribution of red-light TVS violations

Superior Court of California will respond to this finding.

Finding 6- Inconsistent assessment of required fees

State Recommendation

We recommend that the court and probation department:

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

County's Response

We agree with this finding and the County Probation Department has taken steps to correct their accounting system to ensure HSC fine revenues are distributed in accordance with statutory requirements.

Finding 7- Incorrect distribution of proof of financial responsibility violations

Superior Court of California will respond to this finding.

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Finding 8— Incorrect priority of installment payments

Superior Court of California will respond to this finding.

Finding 9— Incorrect distribution of DUI violations

State Recommendation

We recommend that the probation department:

- Correct its accounting system to ensure that 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

We agree with this finding and the County Probation Department has taken steps to correct their accounting system to ensure DUI fine revenues are distributed in accordance with statutory requirements.

Observation- Incorrect assessment of county penalty

State Recommendation

We recommend that the county's probation department correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements and board of supervisor resolutions.

County's Response

We agree with this observation and the County Probation Department has taken steps to correct their accounting system to ensure fine revenues are distributed in accordance with statutory requirements and Board of Supervisor Resolution 342-92.

If you have any questions or comments, please contact Marim Fam of my staff at Marim.Fam@santacruzcounty.us

Sincerely,

DocuSigned by:

2340408E893CA7...

Edith Driscoll
Auditor-Controller-Treasurer-Tax Collector

Cc: Carlos Palacios, County Administrative Office, Santa Cruz County
Fernando Giraldo, Chief Probation Office, Santa Cruz County Probation Department
Alex Calvo, Court Executive Officer, Superior Court

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

Superior Court of California

COUNTY OF SANTA CRUZ
Justice With Dignity and Integrity

ALEX CALVO
Court Executive Officer



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June 10, 2021

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

Attn: Kimberly Tarvin, Chief
Compliance Audits Bureau

RESPONSE TO DRAFT AUDIT REPORT FOR COURT REVENUES JULY 1, 2015 THROUGH JUNE 30, 2019

We have reviewed the draft audit report of Santa Cruz County's court revenues for the period of July 1, 2015 through June 30, 2019. Below are our responses to the audit findings and recommendations:

The Court requests that references to the Court's "accounting system" be changed to the Court's "case management system". The two systems are independent of each other and have different uses.

Finding 1

We recommend that the court correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements and all qualified revenues are properly identified and reported.

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and have made the necessary corrections.

Finding 2

We also recommend that the court:

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

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

Finding 3

We also recommend that the court:

- *Correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements; and*
- *Periodically verify the accuracy of its distributions using the JCC’s testing sheets.*

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

Finding 4

We recommend that the court:

- *Correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements; and*
- *Periodically verify the accuracy of its distributions using the JCC’s testing sheets.*

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

Finding 5

We recommend that the court:

- *Correct its accounting system to ensure that revenues are distributed in accordance with statutory requirements; and*
- *Periodically verify the accuracy of its distributions using the JCC’s testing sheets.*

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

Finding 6

We recommend that the court and probation department:

- *Correct their accounting system to ensure that revenues are distributed in accordance with statutory requirements; and*
- *Periodically verify the accuracy of their distributions using the JCC’s testing sheets.*

The Court agrees with the recommendation, except for the term “accounting system” should be the “case management system” and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

Finding 7

We recommend that the court:

- *Correct its accounting system to comply with statutory requirements and ensure that revenues of proof of financial responsibility violations are distributed properly; and*
- *Periodically verify the accuracy of its distributions using the JCC's testing sheets.*

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and have made the necessary corrections. The Court will periodically verify the accuracy of its distributions.

Finding 8

We recommend that the court correct its accounting system to ensure that installment revenues are distributed in accordance with statutory priority requirements.

The Court agrees with the recommendation, except for the term "accounting system" should be the "case management system" and has made the necessary corrections.

Finding 9

We recommend that the probation department:

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

The County will provide the response to this recommendation.

Sincerely,



ALEX CALVO
Court Executive Officer

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

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