

INYO COUNTY

Audit Report

COURT REVENUES

July 1, 2017, through June 30, 2021



MALIA M. COHEN
California State Controller

August 2023



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

August 14, 2023

The Honorable Amy Shepherd,
Auditor-Controller
Inyo County
168 North Edwards Street
Independence, CA 93526

Pamela M. Foster,
Court Executive Officer
Superior Court of California, Inyo County
301 West Line Street
Bishop, CA 93514

Dear Ms. Shepherd and Ms. Foster:

The State Controller's Office audited Inyo County's court revenues for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county underremitted \$151,760 in state court revenues to the State Treasurer because it underremitted the State Trial Court Improvement and Modernization Fund (Government Code section 77205) by \$151,760.

In addition, we found that the court made incorrect distributions related to speeding traffic violator school fee cases, red-light traffic violator school cases, red-light violations, and the prioritization of installment payments.

In February 2023, the county remitted \$151,760 to the State Treasurer via the Report to State Controller of Remittance to State Treasurer (TC-31).

If you have any questions, 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

Ms. Amy Shepherd
Ms. Pamela M. Foster
August 14, 2023
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cc: Christie Martindale, Assistant Auditor-Controller
Inyo County
Kortni Girardin, Payroll Manager
Auditor-Controller's Office
Inyo County
The Honorable Jennifer Roeser, Chairperson
Board of Supervisors
Inyo County
Lindsay Eropkin, Court Operations Manager
Superior Court of California
Inyo County
Alyse Caton, Court Management Assistant
Superior Court of California
Inyo County
Lynda Gledhill, Executive Officer
California Victim Compensation Board
Matt Espenshade, Principal Manager
Internal Audit Services
Judicial Council of California
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) audited the propriety of court revenues remitted to the State of California by Inyo County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county underremitted \$151,760 in state court revenues to the State Treasurer because it underremitted the State Trial Court Improvement and Modernization Fund (Government Code [GC] section 77205) by \$151,760.

In addition, we found that the court made incorrect distributions related to speeding traffic violator school (TVS) fee cases, red-light TVS cases, and red-light violations, and the prioritization of installment payments.

Background

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

The SCO publishes the *Trial Court Revenue Distribution Guidelines (Distribution Guidelines)* to provide direction on the distribution of fines, fees, forfeitures, penalties, and assessments. The *Distribution Guidelines* group code sections that share similar exceptions, conditions, or distributions into a series of nine tables.

The Judicial Council of California (JCC) provides forms and worksheets to ensure the proper calculation and distribution of fines, fees, forfeitures, penalties, and assessments. The guidance includes forms used to compute the annual maintenance-of-effort (MOE) calculation and worksheets to verify the more complex revenue distributions.

Audit Authority

We conducted this audit under the authority of GC section 68103, which requires the SCO to review the county's reports and records to ensure that all fines and forfeitures have been transmitted. In addition, GC section 68104 authorizes the SCO to examine records maintained by the court. Furthermore, GC section 12410 provides the SCO with general audit authority to superintend the fiscal concerns of the State.

Objective, Scope, and Methodology

Our audit objective was to determine the propriety of the court revenues remitted to the State Treasurer pursuant to the TC-31 process.

The audit period was July 1, 2017, through June 30, 2021.

To achieve our objective, we performed the following procedures.

General

- We gained an understanding of the county and the court's revenue collection and reporting processes, and of the criteria that were significant to our audit objective.
- We interviewed county and court personnel regarding the monthly TC-31 remittance process, the revenue distribution process, the case management system, and the MOE calculation.
- We reviewed documents supporting the transaction flow.
- We scheduled the monthly TC-31 remittances prepared by the county and the court showing court revenue distributions to the State.
- We performed a review of the complete TC-31 remittance process for revenues collected and distributed by the county and 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% 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 performed a risk evaluation of the county and the court, and identified violation types that are prone to errors due to either their complexity or statutory changes during the audit period.

Based on the risk evaluation, we haphazardly selected a non-statistical sample of 61 cases for 10 violation types. We were not able to identify the case population due to the inconsistent timing of when tickets were issued versus when they were paid, and the multitude of entities that remit collections to the county for remittance to the State.

We tested the sample as follows:

- We recomputed the sample case distributions and compared them to the actual distributions.

- We calculated the total dollar amount of significant underremittances and overremittances to the State and the county.

Errors found were not projected to the intended (total) population.

We did not audit the financial statements of the county or the court. 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.

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.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We found that the county underremitted \$151,760 in state court revenues to the State Treasurer because it underremitted State Trial Court Improvement and Modernization Fund (GC section 77205) by \$151,760.

This instance of noncompliance is quantified in the Schedule and described in the Findings and Recommendations section.

In addition, we found that the court made incorrect distributions related to speeding TVS fee cases, red-light TVS cases, red-light violations, and the prioritization of installment payments. These instances of noncompliance are non-monetary; they are described in the Findings and Recommendations section.

In February 2023, the county remitted \$151,760 to the State Treasurer via the TC-31.

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, 2005, through June 30, 2013, issued April 21, 2015, with the exception of Finding 1 of this audit report. See the Appendix for the Summary of Prior Audit Findings.

Views of Responsible Officials

We issued a draft audit report on April 13, 2023. Inyo County's representative responded by letter dated April 26, 2023, agreeing with the audit results. In addition, Inyo County Superior Court's representative responded by email on April 26, 2023, agreeing with the audit results. This final audit report includes the county's response as an attachment.

Restricted Use

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

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

August 14, 2023

**Schedule—
Summary of Audit Findings Affecting Remittances to the State Treasurer
July 1, 2017, through June 30, 2021**

Finding ¹	Fiscal Year				Total	Reference ²
	2017-18	2018-19	2019-20	2020-21		
Underremitted 50% excess of qualified revenues State Trial Court Improvement and Modernization Fund — GC §77205	\$ 53,854	\$ 37,182	\$ 30,803	\$ 29,921	\$ 151,760	Finding 1
Amount underremitted to the State Treasurer	<u>\$ 53,854</u>	<u>\$ 37,182</u>	<u>\$ 30,803</u>	<u>\$ 29,921</u>	<u>\$ 151,760</u>	

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

²See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Underremitted 50%
excess of qualified
revenues
(Repeat finding)**

During our recalculation of the 50% excess of qualified revenues, we found that the county used an incorrect qualified revenue amount in its calculation for each fiscal year. As a result of this error, the county underremitted the 50% excess of qualified revenues by a total of \$151,760 for the audit period. The error occurred because the county misinterpreted the required calculations.

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

We recalculated the county's qualified revenues based on actual court revenues collected for each fiscal year during the audit period. After our recalculation, we found that the county had understated qualified revenues by \$303,519.

The county understated qualified revenues because it incorrectly excluded the following revenues from its calculation of the TVS fee (VC section 42007):

- Courthouse Construction Fund (GC section 76100) – \$9,863;
- Criminal Justice Facilities Construction Fund (GC section 76101) – \$9,863;
- Maddy Emergency Medical Services Fund (GC section 76104) – \$138,080;
- Maddy Emergency Medical Services Fund (GC section 76000.5) – \$138,080; and
- City base fines (VC section 42007[c]) – \$7,633.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Total
	2017-18	2018-19	2019-20	2020-21	
Qualified revenues reported	\$ 1,127,000	\$ 818,605	\$ 676,626	\$ 697,142	\$ 3,319,373
Audit adjustment:					
GC §76100 understatement	3,547	2,405	1,994	1,917	9,863
GC §76101 understatement	3,547	2,405	1,994	1,917	9,863
GC §76104 understatement	49,663	33,677	27,909	26,831	138,080
GC §76000.5 understatement	49,663	33,677	27,909	26,831	138,080
VC §42007(c) understatement	1,287	2,201	1,800	2,345	7,633
Total	107,707	74,365	61,606	59,841	303,519
Audited revenues	<u>\$ 1,234,707</u>	<u>\$ 892,970</u>	<u>\$ 738,232</u>	<u>\$ 756,983</u>	<u>\$ 3,622,892</u>

As a result of miscalculating the qualified revenues, the county underremitted the 50% excess of qualified revenues by a total of \$151,760 for the audit period.

The following table shows the excess qualified revenues, and—by comparing the 50% excess amount due to the State to the county’s actual remittance—the county’s underremittance to the State Treasurer.

Fiscal Year	Qualifying Revenues	Base Amount	Excess Amount Above the Base	50% Excess Amount Due to the State	County Remitted to the State	County Underremitted to the State ¹
2017-18	\$ 1,234,707	\$ 614,920	\$ 619,787	\$ 309,894	\$ 256,040	\$ 53,854
2018-19	892,970	614,920	278,050	139,025	101,843	37,182
2019-20	738,232	614,920	123,312	61,656	30,853	30,803
2020-21	756,983	614,920	142,063	71,032	41,111	29,921
Total						<u>\$ 151,760</u>

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

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

As discussed in Finding 2 of our audit report dated April 21, 2015, the county underremitted the excess of qualified fines, fees, and penalties. This is a repeat finding, as the county did not correct the distribution errors noted in our prior audit report.

Recommendation

We recommend that the county:

- Remit \$151,760 to the State Treasurer and report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund; and

- Ensure that the proper accounts are included in the calculation of each line item on the 50-50 Excess Split Revenue Computation Form.

County's Response

We concur with [this finding]. We have updated our data collection spread sheets to correct this error.

FINDING 2— Incorrect distribution of revenues from red-light violations

During our testing of red-light violation cases, we found that the court did not properly distribute revenues to the county or city General Fund (Penal Code [PC] section 1463.11) in fiscal year 2020-21. 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 allocate 30% of revenues from the Emergency Medical Air Transportation and Children's Coverage Fund (GC section 76000.10) to the General Fund of the county or city where these offenses occurred (PC section 1463.11). As a result, the court incorrectly stated the revenues from these funds. We performed an analysis of red-light violation revenues collected by the court to determine the fiscal effect of the distribution errors. Upon completion of our analysis, we found that the errors did not have a material impact on the revenues remitted to the State.

PC section 1463.11 requires that the first 30% of red-light violation base fines, state penalties, county penalties, and emergency medical air transportation penalty (PC sections 1463 and 1464, and GC sections 76000 and 76000.10, respectively) collected be distributed to the General Fund of the county or city where the violation occurred.

Recommendation

We recommend that the court:

- Correct its case management system to ensure that the first 30% of red-light violation penalty (GC section 76000.10) collected is distributed to the General Fund of the county or city where the violation occurred, in accordance with statutory requirements;
- Periodically verify the accuracy of its distributions using the JCC's distribution worksheets;
- Review distributions for accuracy and completeness before remittance to the county's auditor-controller; and
- Monitor its case management system to ensure that revenues are distributed in accordance with statutory requirements.

County's Response

We concur with [this finding]. The Courts are implementing a new case management system with deployment later in the year that should bring them into compliance. We are manually calculating this for the remainder of this fiscal year.

**FINDING 3—
Incorrect distribution
of revenues from red-
light and speeding
violations with traffic
violator school**

During our testing of red-light and speeding violations with TVS cases, we found that the court did not properly distribute revenues from these cases to the TVS fee (VC section 42007). The errors 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 incorrectly converted base fines and penalties to the TVS fee (VC section 42007). The error resulted in an understatement of the TVS fee (VC section 42007) and the 30% red-light allocation account (VC section 42007.3). The incorrect conversion also resulted in an overstatement of the State Court Construction Penalty (GC section 70372) and the state surcharge (PC section 1465.7). We performed an analysis of revenues to determine the fiscal effect of this distribution error and found that the error did not have a material impact on the revenues remitted to the State.

VC section 42007(a)(1) requires the clerk of the court to collect a fee, in an amount equal to the total bail for the eligible offense shown on the uniform countywide bail schedule, from every person who is ordered or permitted to attend a traffic violator school pursuant to VC section 41501 or 42005.

Recommendation

We recommend that the court:

- Correct its case management system to ensure that the TVS revenues are distributed in accordance with statutory requirements;
- Periodically verify the accuracy of its distributions using the JCC's distribution worksheets;
- Review distributions for accuracy and completeness before remittance to the county's auditor-controller; and
- Monitor its case management system to ensure that revenues are distributed in accordance with statutory requirements.

County's Response

We concur with [this finding]. The courts are implementing a new case management system with deployment later in the year that should bring them into compliance. We are manually calculating this for the remainder of this fiscal year.

**FINDING 4—
Incorrect
prioritization of
installment payments**

During our distribution testing of superior court cases, we found that the court incorrectly prioritized distributions of installment payments. The errors occurred because the county 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 reviewed the distributions to determine whether the court correctly prioritized the distributions of installment payments according to PC section 1203.1d(b).

We found that the court distributed installment payments to DUI lab fines and the alcohol programs and services fee (PC sections 1463.14 and 1463.16, priority three) before it distributed installment payments to the state surcharge (PC section 1465.7, priority two). Furthermore, the court did not distribute installment payments for PC section 1463.18 in full before it distributed other priority-three fines and penalty assessments.

We also found that the court distributed payments to other reimbursable costs (priority four) before it distributed payment in full to priority-three penalties including the \$15 additional penalty for fish and game violations (Fish and Game Code section 12021), the adult restitution required fine (PC section 1202.4[b]), and the 2% deposit for automation (GC section 68090.8).

Failure to disburse installment payments according to the required distribution priority causes revenues to the State and the county to be inaccurately stated. However, we did not measure the effect of the error because it would be impractical and difficult to redistribute revenues on every case involving installment payments.

PC section 1203.1d(b) requires that installment payments be disbursed in the following order of priority:

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

Recommendation

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

County's Response

We concur with [this finding]. The Courts are implementing a new case management system with deployment later in the year that should bring them into compliance. We are manually calculating this for the remainder of this fiscal year.

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Inyo County's corrective actions related to the findings contained in our prior audit report dated April 21, 2015.

Prior Audit Finding Number	Finding Title	Status
1	Underremitted DNA penalties	Fully implemented
2	Underremitted excess of qualified fines, fees, and penalties	Not fully implemented – See current Finding 1
3	Overremitted emergency medical air transportation (EMAT) penalties	Fully implemented

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

Amy Shepherd
Auditor-Controller
ashepherd@inyocounty.us

(760) 878-0343
(760) 872-2700
(760) 876-5559
FAX: (760) 878-0391



COUNTY OF INYO
OFFICE OF THE AUDITOR-CONTROLLER
P. O. Drawer R
Independence, California 93526

04/26/2023

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

Ms. Kurokawa,

In response to the Audit Report for Inyo County Court Revenues for the period July 1, 2017 through June 30, 2021 prepared April 2023:

We concur with Finding #1 Under remitted 50% excess of qualified revenues. We have updated our data collection spread sheets to correct this error.

We concur with Finding #2 Incorrect distribution of revenues from red-light violations. The Courts are implementing a new case management system with deployment later in the year that should bring them into compliance. We are manually calculating this for the remainder of this fiscal year.

We concur with Finding #3 Incorrect distribution of revenues from red-light and speeding violations with traffic violator school. The Courts are implementing a new case management system with deployment later in the year that should bring them into compliance. We are manually calculating this for the remainder of this fiscal year.

We concur with Finding #4 Incorrect distribution of revenues from red-light and speeding violations with traffic violator school. The Courts are implementing a new case management system with deployment later in the year that should bring them into compliance. We are manually calculating this for the remainder of this fiscal year.

Please contact our offices if you have any questions or need more information,

Christie Martindale, RHIT,PHR
Assistant Auditor Controller
County of Inyo
PO Drawer R
Independence CA 93526
760-878-0253

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

www.sco.ca.gov