

CALAVERAS COUNTY

Audit Report

COURT REVENUES

July 1, 2018, through June 30, 2022



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

September 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

September 9, 2024

The Honorable Kathy Gomes, Auditor-Controller
Calaveras County
891 Mountain Ranch Road, Building D
San Andreas, CA 95249

Margaret L. Smith, Court Executive Officer
Superior Court of California, Calaveras
400 Government Center Drive
San Andreas, CA 95249

Dear Auditor-Controller Gomes and Ms. Smith:

The State Controller's Office audited Calaveras County's (the county's) court revenues for the period of July 1, 2018, through June 30, 2022.

Our audit found that the county's remittances to the State Treasurer were substantially correct; however, we did find that the county miscalculated the 50% excess of qualified revenues.

We also found that the Superior Court of California, Calaveras County made incorrect distributions related to speeding violations with traffic violator school and fish and game violations, and the prioritization of installment payments.

Furthermore, we found that the county's probation department made incorrect distributions related to health and safety violations.

The findings identified in this report do not have a significant effect on the county's remittances.

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 A. Tarvin, CPA
Chief, Division of Audits

KAT/am

Ms. Kathy Gomes and Ms. Margaret L. Smith

September 9, 2024

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Copy: The Honorable Jack Garamendi, Chair
Calaveras County Board of Supervisors
Kim Craddock, Chief Probation Officer,
Calaveras County Probation Department
Matt Espenshade, Manager
Internal Audit Services
Judicial Council of California
Lynda Gledhill, Executive Officer
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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 Calaveras County (the county) on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2018, through June 30, 2022.

Our audit found that the county's remittances to the State Treasurer were substantially correct; however, we did find that the county made errors related to the 50% excess of qualified revenues.

We also found that the Superior Court of California, Calaveras County (the court) made incorrect distributions related to speeding violations with traffic violator school and fish and game violations, and the prioritization of installment payments.

Furthermore, we found that the county's probation department made incorrect distributions related to health and safety violations.

The findings identified in this report do not have a significant effect on those remittances.

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.

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, 2018, through June 30, 2022.

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 personnel regarding the monthly TC-31 remittance process and MOE calculation.
- We interviewed court personnel regarding the court's revenue distribution process and 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.
- We assessed the reliability of data from the case management system based on interviews and our review of documents supporting the transaction flow. We determined that the data was sufficiently reliable for purposes of this report.

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. Haphazardly selected a non-statistical sample of two installment payments to verify

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

- We performed a risk evaluation of the county and court and identified violation types that are prone to errors due to either their complexity and/or statutory changes during the audit period. Based on the risk evaluation, haphazardly selected a non-statistical sample of 38 cases for nine 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 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 that the county's remittances to the State Treasurer are substantially correct; however, we did find that the county made errors related to the 50% excess of qualified revenues.

We also found that the court made incorrect distributions related to speeding violations with traffic violator school and fish and game violations, and the prioritization of installment payments.

Furthermore, we found that the county's probation department made incorrect distributions related to health and safety violations.

The findings identified in this audit report do not have a significant effect on those remittances.

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, 2009, through June 30, 2016, issued June 14, 2019. The implementation status of corrective actions is described in the Appendix.

**Views of
Responsible
Officials**

We discussed the audit results with county and court representatives during an exit conference conducted on May 6, 2024. At the exit conference, the county and court representatives agreed with the audit results.

Restricted Use

This audit report is solely for the information and use of the county; the court; 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 A. Tarvin, CPA
Chief, Division of Audits

September 9, 2024

Findings and Recommendations

**FINDING 1—
Incorrect calculations
of 50% excess of
qualified revenues
(county)**

During our recalculation of the 50% excess of qualified revenues, we found that the county had used incorrect qualified revenue amounts in its calculation for each fiscal year. However, these errors did not result in underremittances to the State Treasurer, as the qualified revenues were below the base amount for each fiscal year. The qualified revenues were incorrectly calculated because the county misinterpreted the required calculations.

For the audit period, the county provided support for its calculation 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 the county. We noted that the qualified revenue calculations for base fines (Penal Code [PC] section 1463.001) and the traffic violator school (TVS) fee (Vehicle Code [VC] section 42007) did not reconcile to the court’s revenue collection reports.

Furthermore, we noted that, for TVS cases, the county had incorrectly excluded revenues collected for the Criminal Justice Facilities Construction Fund (GC section 76101) and for city base fines (VC section 42007[c]) from its calculation of the TVS fee (VC section 42007) during the audit period.

We recalculated the county’s qualified revenues based on actual court revenues collected for each fiscal year. We found that the county had understated qualified revenues by \$13,849 for the audit period.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Total
	2018-19	2019-20	2020-21	2021-22	
Qualified revenues reported	\$232,517	\$261,228	\$305,448	\$226,603	\$1,025,796
Audit adjustment:					
PC § 1463.001 understatement	7,508	(51)	(316)	2,660	9,801
GC § 76101 understatement	488	502	472	364	1,826
VC § 42007 understatement	-	6	1	2,215	2,222
Total	7,996	457	157	5,239	13,849
 Audited qualified revenues	 \$240,513	 \$261,685	 \$305,605	 \$231,842	 \$1,039,645

Although qualified revenues were understated by \$13,849, the adjusted qualified revenues were still below the base amount for the county in all four fiscal years of the audit period. As a result, the errors did not lead to an underremittance to the State Treasurer.

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
2018-19	\$ 240,513	\$ 310,331	\$ -	\$ -	\$ -	\$ -
2019-20	261,685	310,331	-	-	-	-
2020-21	305,605	310,331	-	-	-	-
2021-22	231,842	310,331	-	-	-	-
Total						<u>\$ -</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.

Recommendation

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

**FINDING 2—
Incorrect distribution
of revenues from
speeding violations
with traffic violator
school (court)**

During our testing of speeding 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.

We found that the court did not distribute the revenues from city arrest cases to the city base fines (VC section 42007[c]). Incorrect distribution resulted in overstatement of the TVS fee (VC section 42007). A misstatement of the TVS fee (VC section 42007) and city base fines (VC section 42007[c]) affects the 50% excess of qualified revenues calculation. However, after we completed a revenue analysis to determine the fiscal effect of these distribution errors, we found that the errors did not have a material effect on the revenues reported in the 50% excess of qualified revenue calculation.

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 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 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.

**FINDING 3—
Incorrect distribution
of revenues from fish
and game violations
(court)**

During our testing of fish and game cases, we found that the court did not assess a \$15 Secret Witness Penalty (Fish and Game Code [FGC] section 12021). 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.

We found two instances in which the court did not assess the required additional penalty of \$15 (FGC section 12021) on fish and game cases. As a result, the State's Fish and Game Preservation Fund was understated. However, we performed an analysis of fish and game revenues collected by the court to determine the fiscal effect of the distribution errors. We found that the errors did not have a material effect on the revenues remitted to the State.

FGC section 12021(a) requires courts to impose an additional penalty of \$15 for a violation of the Fish and Game Code, and further requires that revenue from this penalty be deposited into the Fish and Game Preservation Fund and used exclusively for the purposes of FGC section 13006.

Recommendation

We recommend that the court:

- Correct its case management system to ensure that 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.

**FINDING 4—
Incorrect
prioritization of
installment payments
(court)**

During our distribution testing of superior court cases, we found that the court incorrectly prioritized distributions of installment payments. 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 installment payments. For each sample case, we reviewed the distributions to determine whether the court had correctly prioritized the distributions of installment payments according to PC section 1203.1d, subparagraph (b).

We tested two cases and found that in both cases, the court had not distributed installment payments to the state surcharge (PC section 1465.7, priority two) before it distributed installment payments to priority-three fines and penalties and priority-four reimbursable costs. The court also incorrectly distributed the court operations assessment (PC section 1465.8) and the criminal conviction assessment (GC section 70373) as priority-three revenues rather than as priority-four revenues. Furthermore, we found that the court had not fully distributed revenues to the State's DUI indemnity allocation (PC section 1463.18) before making distributions to other priority-three revenues.

Failure to disburse installment payments according to the required distribution priority caused 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, subparagraph (b) requires that installment payments 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, and 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 the statutory priority requirements of PC section 1203.1d, subparagraph (b).

**FINDING 5—
Incorrect distribution
of revenues from
health and safety
violations (probation
department)**

During our testing of the county probation department's health and safety cases, we found that the department did not correctly distribute revenues for these cases. These errors 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 department using its case management system. For each sample case, we recomputed the distributions and compared them to the actual distributions.

We found that the department did not distribute 75% of the base fines to the State's General Fund (Health and Safety Code [HSC] section 11502). Instead, the department incorrectly distributed base fines to the county's general fund (PC section 1463.001). Incorrect distribution resulted in underremittance to the State's General Fund (HSC section 11502). However, we performed an analysis of health and safety revenues collected by the probation department and determined that the distribution errors did not have a material effect on the revenues remitted to the State.

HSC section 11502(a) requires all moneys, forfeited bail, or fines received by the court under Division 10 of the Health and Safety Code to be distributed as follows: 75% to the State Treasurer and 25% to the county or the city in which the prosecution is conducted.

Recommendation

We recommend that the department:

- Correct its case management system to ensure that 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.

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Calaveras County's corrective actions related to the findings contained in our prior audit report dated June 14, 2019.

Prior Audit Finding Number	Prior Audit Finding Title	Implementation Status
1	Overremitted the 50% excess of qualified fines, fees, and penalties	Fully implemented
2	Underremitted the State Court Facilities Construction Fund – Immediate and Critical Needs Account	Fully implemented
3	Incorrect distribution of red-light TVS bail	Fully implemented

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