

STANISLAUS COUNTY

Audit Report

COURT REVENUES

July 1, 2018, through June 30, 2022



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

October 2024



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CALIFORNIA STATE CONTROLLER

October 28, 2024

Ms. Kashmir Gill, Auditor-Controller
Stanislaus County
1010 10th Street
Modesto, CA 95354

Mr. Hugh Swift, Court Executive Officer
Superior Court of California,
Stanislaus County
800 11th Street
Modesto, CA 95354

Dear Auditor-Controller Gill and Mr. Swift:

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

Our audit found that the county underremitted a net of \$506,750 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 \$497,688;
- Overremitted the State's Restitution Fund (Penal Code [PC] section 1202.4[b]) by \$20,117;
- Underremitted the State's General Fund (Health and Safety Code section 11372.5) by \$4,902;
- Underremitted the State Penalty Fund (PC section 1464) by \$9,291;
- Underremitted the State's DNA Identification Fund (GC section 76104.6) by \$332;
- Underremitted the State's DNA Identification Fund (GC section 76104.7) by \$5,309;
- Underremitted the State Court Facilities Construction Fund (GC section 70372[b]) by \$6,637; and
- Underremitted the State's General Fund (PC section 1465.7) by \$2,708.

In addition, we found that the county and the Superior Court of California, Stanislaus County made incorrect distributions related to criminal violations, proof of financial responsibility violations, and the priority of installment payments.

The county should remit \$506,750 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

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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, 2018, through June 30, 2022.

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 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 GC 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 Programs Unit Supervisor
Bureau of Tax, Administration, and Government Compensation
Local Government Programs and Services Division
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 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 email at lkurokawa@sco.ca.gov. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/ac

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Copy: The Honorable Mani Grewal, Chairman
Stanislaus County Board of Supervisors
Dawn Tomita, Audit 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 Stanislaus 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 underremitted a net of \$506,750 in state court revenues to the State Treasurer.

In addition, we found that the county and the Superior Court of California, Stanislaus County (the court) made incorrect distributions related to criminal violations, proof of financial responsibility violations, and the priority 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 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 county and court personnel regarding the revenue distribution process and the case management systems (CMSs).
- 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 CMSs 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% of qualified revenues remitted to the State.

Distribution Testing

- We assessed the priority of installment payments by haphazardly selecting a non-statistical sample of eight 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. No errors were identified.
- 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 44 cases for 11 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 instances of noncompliance with the requirements described in our audit objective. Specifically, we found that a net of \$506,750 in state court revenues was underremitted to the State Treasurer as follows:

- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 77205) by \$497,688;
- Overremitted the State's Restitution Fund (Penal Code [PC] section 1202.4[b]) by \$20,117;
- Underremitted the State's General Fund (Health and Safety Code [HSC] section 11372.5) by \$4,902;
- Underremitted the State Penalty Fund (PC section 1464) by \$9,291;
- Underremitted the State's DNA Identification Fund (GC section 76104.6) by \$332;
- Underremitted the State's DNA Identification Fund (GC section 76104.7) by \$5,309;
- Underremitted the State Court Facilities Construction Fund (GC section 70372[b]) by \$6,637; and
- Underremitted the State's General Fund (PC section 1465.7) by \$2,708.

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

In addition, we found that the county and the court made incorrect distributions related to criminal violations, proof of financial responsibility violations, and the priority of installment payments. These instances of noncompliance are non-monetary; they are described in the Findings and Recommendations section.

The county should remit \$506,750 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, 2006, through June 30, 2014, issued October 1, 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 at an exit conference on August 12, 2024. The county and court representatives responded via email on August 13, 2024, and 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

October 28, 2024

Schedule—
Summary of Audit Findings Affecting Remittances to the State Treasurer
July 1, 2018, through June 30, 2022

| Finding ¹ | Fiscal Year | | | | Total | Reference ² |
|--|-------------|------------|-----------|-----------|------------|------------------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | | |
| Underremitted 50% excess of qualified revenues | | | | | | |
| State Trial Court Improvement and Modernization Fund — GC §77205 | \$ 143,618 | \$ 223,685 | \$ 65,677 | \$ 64,708 | \$ 497,688 | Finding 1 |
| Incorrect distribution of health and safety cases | | | | | | |
| State Restitution Fund — PC §1202.4(b) | (3,396) | (3,767) | (4,891) | (8,063) | (20,117) | |
| State General Fund — HSC §11372.5 | 827 | 918 | 1,192 | 1,965 | 4,902 | |
| State Penalty Fund — PC §1464 | 1,649 | 1,818 | 2,255 | 3,569 | 9,291 | |
| State DNA Identification Fund — GC §76104.6 | 59 | 65 | 81 | 127 | 332 | |
| State DNA Identification Fund — GC §76104.7 | 942 | 1,039 | 1,289 | 2,039 | 5,309 | |
| State Court Facilities Construction Fund — GC §70372(a) | 1,178 | 1,299 | 1,611 | 2,549 | 6,637 | |
| State General Fund — PC §1465.7 | 481 | 530 | 657 | 1,040 | 2,708 | |
| Total | 1,740 | 1,902 | 2,194 | 3,226 | 9,062 | Finding 2 |
| Net amount underremitted to the State Treasurer | \$ 145,358 | \$ 225,587 | \$ 67,871 | \$ 67,934 | \$ 506,750 | |

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

²See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Underremitted 50% excess of qualified revenues

During our recalculation of the 50% excess of qualified revenues, we found that the county had used an incorrect qualified revenue amount in its calculation for each fiscal year. As a result of these errors, the county underremitted the 50% excess of qualified revenues by a net of \$497,688 for the audit period. The 50% excess of qualified revenues was incorrectly calculated because the county misinterpreted the required calculations.

For the audit period, the county provided support for its calculations of the 50% excess of qualified revenues. We reviewed the county's calculations and reconciled the qualified revenues to revenue collection reports provided by the court and county. We noted that qualified revenues in the calculations did not reconcile to the county's collection reports because the county had excluded bail bond forfeiture revenues from its calculation for each fiscal year.

Furthermore, we noted that the county had incorrectly excluded revenues collected for the Courthouse Construction Fund (GC section 76100), the Criminal Justice Facilities Construction Fund (GC section 76101), the Emergency Medical Services Fund (GC section 76104), the Maddy Emergency Medical Services Fund (GC section 76000.5), and city base fines (Vehicle Code [VC]) section 42007[c]) from its calculation of the traffic violator school (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. After our recalculation, we found that the county had understated qualified revenues by \$995,373 for the audit period.

Qualified revenues were understated as follows:

- The county understated qualified revenues by \$348,533 for the audit period because it did not include bail bond forfeiture revenues in its calculation.
- The county incorrectly excluded the following revenues from its calculation of the TVS fee (VC section 42007):
 - Courthouse Construction Fund (GC section 76100) – \$24,608;
 - Criminal Justice Facilities Construction Fund (GC section 76101) – \$25,014;
 - Emergency Medical Services Fund (GC section 76104) – \$185,678;
 - Maddy Emergency Medical Services Fund (GC section 76000.5) – \$185,663; and
 - City base fines (VC section 42007[c]) – \$225,877.

The following table shows the audit adjustments to qualified revenues:

| | Fiscal Year | | | | Totals |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | |
| Qualified revenues reported | \$ 2,284,562 | \$ 2,134,554 | \$ 2,019,291 | \$ 1,879,779 | \$ 8,318,186 |
| Audit adjustments: | | | | | |
| Bail bond forfeiture understatements | 62,737 | 274,876 | 7,675 | 3,245 | 348,533 |
| GC §76100 understatements | 7,632 | 6,825 | 4,902 | 5,249 | 24,608 |
| GC §76101 understatements | 7,789 | 6,927 | 4,950 | 5,348 | 25,014 |
| GC §76104 understatements | 61,006 | 50,537 | 38,003 | 36,132 | 185,678 |
| GC §76000.5 understatements | 60,995 | 50,534 | 38,002 | 36,132 | 185,663 |
| VC §42007(c) understatements | 87,075 | 57,671 | 37,821 | 43,310 | 225,877 |
| Total | 287,234 | 447,370 | 131,353 | 129,416 | 995,373 |
| Adjusted qualified revenues | \$ 2,571,796 | \$ 2,581,924 | \$ 2,150,644 | \$ 2,009,195 | \$ 9,313,559 |

As a result of miscalculating the qualified revenues, the county underremitted the 50% excess of qualified revenues by \$497,688 for the audit period.

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

| Fiscal Year | Qualifying Revenues | Base Amount | Excess Amount Above the Base | 50% Excess Amount Due the State | County Remittance to the State Treasurer | County Underremittance to the State Treasurer ¹ |
|-------------|---------------------|--------------|------------------------------|---------------------------------|--|--|
| 2018-19 | \$ 2,571,796 | \$ 1,855,169 | \$ 716,627 | \$ 358,314 | \$ (214,696) | \$ 143,618 |
| 2019-20 | 2,581,924 | 1,855,169 | 726,755 | 363,378 | (139,693) | 223,685 |
| 2020-21 | 2,150,644 | 1,855,169 | 295,475 | 147,738 | (82,061) | 65,677 |
| 2021-22 | 2,009,195 | 1,855,169 | 154,026 | 77,013 | (12,305) | 64,708 |
| Total | | | | | | \$ 497,688 |

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 remit \$497,688 to the State Treasurer and report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund.

We also 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.

County's Response

The county agreed with the audit finding.

**FINDING 2—
Incorrect distribution
of revenues from
health and safety
violations**

During testing of health and safety violations, we found that the county's revenue recovery department (Revenue Recovery) had not properly distributed state and county fees, fines, penalties, or assessments. The errors resulted in a net underremittance to the State of \$9,062. This error occurred because the county misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by Revenue Recovery using its CMS. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested a total of four health and safety cases from Revenue Recovery. We found that Revenue Recovery had made incorrect distributions in all four cases.

Revenue Recovery incorrectly distributed revenues for the criminal laboratory analysis fee (HSC section 11372.5) and the drug program fee (HSC section 11372.7). These two fees are base fine enhancements, which increase state and county fines, penalties, and assessments. However, Revenue Recovery distributed the enhanced penalties and assessments to the same accounts as the criminal laboratory analysis and drug program fees. These errors resulted in overremittances to the criminal laboratory analysis and drug program fees and underremittances to state and county fines, penalties, and assessments. Furthermore, the county auditor-controller's office incorrectly distributed revenues from the criminal laboratory analysis fee (HSC section 11372.5) as state restitution fine revenues (PC section 1202.4[b]).

We performed a revenue analysis using the HSC sections 11372.5 and 11372.7 revenues collected by Revenue Recovery. We redistributed the revenues to the state and county fines, penalties, and assessments in accordance with the *Distribution Guidelines*. After performing our review, we determined that the errors resulted in a net underremittance to the State of \$9,062.

The incorrect distribution had the following effect:

| Account Title | Underremitted / (Overremitted) |
|---|-----------------------------------|
| State Restitution Fund – PC § 1202.4(b) | \$ (20,117) |
| State General Fund – HSC § 11372.5 | 4,902 |
| State Penalty Fund – PC § 1464 | 9,291 |
| State DNA Identification Fund – GC § 76104.6 | 332 |
| State DNA Identification Fund – GC § 76104.7 | 5,309 |
| State Court Facilities Construction Fund – GC § 70372(a) | 6,637 |
| State General Fund – PC § 1465.7 | 2,708 |
| Total | <u>\$ 9,062</u> |
| | |
| County Drug Program Fund – HSC § 11372.7 | \$ (25,986) |
| County General Fund – PC § 1464 | 3,982 |
| County DNA Identification Fund – GC § 76104.6 | 995 |
| County Courthouse Construction Fund – GC § 76100 | 2,655 |
| County Criminal Justice Facilities Construction Fund – GC § 76101 | 3,982 |
| County Emergency Medical Services Fund Fund – GC § 76104 | 2,655 |
| County Maddy Emergency Medical Serices Fund – GC § 76000.5 | 2,655 |
| Total | <u>\$ (9,062)</u> |

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

HSC section 11372.7(a) requires defendants convicted of violating chapter 6 of the Health and Safety Code to pay a drug program fee in an amount not to exceed \$150 for each separate offense, and requires the court to increase the total fine as necessary to include the increment.

Recommendation

We recommend that the county remit \$9,062 to the State Treasurer and report on the TC-31 the following changes:

- A \$20,117 decrease to the State’s Restitution Fund (PC section 1202.4[b]);
- A \$4,902 increase to the State’s General Fund (HSC section 11372.5);
- A \$9,291 increase to the State Penalty Fund (PC section 1464);
- A \$332 increase to the State’s DNA Identification Fund (GC section 76104.6);
- A \$5,309 increase to the State’s DNA Identification Fund (GC section 76104.7);
- A \$6,637 increase to the State Court Facilities Construction Fund (GC section 70372[a]); and
- A \$2,708 increase to the State’s General Fund (PC section 1465.7).

We also recommend that Revenue Recovery:

- Update its distribution system to ensure that all surcharges, fines, penalties, and fees are distributed in accordance with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

County's Response

The county agreed with the audit finding.

FINDING 3— Incorrect distribution of revenues from proof of financial responsibility violations

During testing of proof of financial responsibility violations, we found that the court had not properly distributed state and county fines, penalties, and assessments. This error occurred because the court misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court using its CMS. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested four proof of financial responsibility cases and found that the court had not properly distributed revenues from one case. In that case, the court incorrectly distributed county base fines, resulting in underremittances to the state and county penalty assessments.

We discussed this issue with court staff members and found that revenues from proof of financial responsibility violations had been incorrectly distributed during the first few months after the court implemented a new CMS in fiscal year 2018-19. We performed a revenue analysis and found that the distribution errors did not result in a material underremittance to the State.

PC section 1463 states that all fines and forfeitures imposed and collected for crimes should be distributed in accordance with PC section 1463.001.

Recommendation

We recommend that the court:

- Ensure that all surcharges, fines, penalties, and fees are distributed in accordance with the statutory requirements; and
- Periodically verify the accuracy of its distribution system using the JCC's testing sheets.

Court's Response

The court agreed with the audit finding.

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

During testing of court cases, we found that the court had incorrectly prioritized distributions of installment payments. The error occurred because the court misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court using its CMS for installment payments. 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, subparagraph (b).

We tested four cases and found that the court had not distributed payments of one case according to PC section 1203.1d, subparagraph (b). The court incorrectly distributed revenues for the PC section 1205(e) installment payment fee (priority-four) prior to fully distributing all priority-three revenues.

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

PC section 1203.1d, subparagraph (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, and restitution fines (PC section 1202.4[b]); and
4. Other reimbursable costs.

Recommendation

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

Court's Response

The court agreed with the audit finding.

**FINDING 5—
Incorrect distribution
of revenues from
fines, assessments,
and penalties**

During testing of Revenue Recovery cases, we found that the department had not distributed fines, assessments, or penalties according to statutory requirements. These errors occurred because Revenue Recovery misinterpreted the *Distribution Guidelines* and used outdated distribution codes in its CMS.

We verified, on a sample basis, distributions made by Revenue Recovery using its CMS. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested eight criminal cases, consisting of four DUI and four fish and game violation cases, where distributions were calculated from a base fine. We found that Revenue

Recovery had incorrectly distributed fine, assessment, and penalty revenues from all eight cases. In each case tested, all fines, penalties, assessments, and surcharges that were calculated from the base fines were incorrectly distributed.

We discussed this issue with Revenue Recovery staff members and found that the errors had been made because the department used outdated distribution calculation tables from its prior CMS. However, we did not perform a revenue analysis of the distribution errors, as it would be impractical to redistribute the revenues of each individual case during the audit period.

PC section 1465.7 requires the courts to levy a state surcharge of 20% on the base fine used to calculate the state penalty assessment.

PC section 1464 requires the courts to levy a state penalty of \$10 for every \$10, or part of \$10, upon every fine, penalty, or forfeiture imposed and collected by the courts for all criminal cases.

GC section 76104.6(a)(1) requires an additional penalty of \$1 for every \$10 (or fraction thereof) be imposed upon each fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

GC section 76104.7(a) requires an additional penalty of \$4 for every \$10 (or fraction thereof) be imposed upon each fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

GC section 76000(a)(1) requires an additional penalty of \$7 for every \$10 (or fraction thereof) be imposed upon each fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

GC section 76000.5(a)(1) states that counties may elect to impose an additional penalty of \$2 for every \$10 (or fraction thereof) be imposed upon each fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

GC section 70372(a) requires the courts to levy a state court construction penalty of \$5 for every \$10 (or fraction thereof) be imposed upon each fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

Recommendation

We recommend that Revenue Recovery:

- Update its CMS 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

The county agreed with the audit finding.

**FINDING 6 –
Incorrect
prioritization of
installment
payments (Revenue
Recovery)**

During testing of Revenue Recovery cases, we found that the department had incorrectly prioritized distributions of installment payments. The error occurred because Revenue Recovery misinterpreted the *Distribution Guidelines*.

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

We tested four cases and found that Revenue Recovery had made the following distribution errors:

- In two of the three cases, it did not fully allocate revenues for the State's DUI indemnity allocation prior to making distributions to other priority-three revenues.
- In one of the three cases, it incorrectly distributed the priority-three DNA identification penalty and the emergency medical air transportation penalty as a priority-four distribution.
- In one of the three cases, it distributed the priority-four domestic violence fee as a priority-three distribution.

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

PC section 1203.1d, subparagraph (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, and restitution fines (PC section 1202.4[b]); and
4. Other reimbursable costs.

Recommendation

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

County's Response

The county agreed with the audit finding.

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Stanislaus County's corrective actions related to the findings contained in our prior audit report dated October 1, 2019:

| Prior Audit Finding Number | Prior Audit Finding Title | Implementation Status |
|-----------------------------------|---|------------------------------|
| 1 | Underremitted the 50% excess of qualified revenues | Fully implemented |
| 2 | Underremitted parking surcharges | Fully implemented |
| 3 | Underremitted State Health and Safety bail bond forfeitures | Fully implemented |

**State Controller's Office
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