

FRESNO COUNTY

Audit Report

COURT REVENUES

July 1, 2019, through June 30, 2023



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

December 2024



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CALIFORNIA STATE CONTROLLER

December 6, 2024

The Honorable Oscar J. Garcia, CPA, Auditor-Controller
Fresno County
2281 Tulare Street, Suite 105
Fresno, CA 93721

Ms. Dawn Annino, Court Executive Officer
Superior Court of California, Fresno County
1100 Van Ness Avenue
Fresno, CA 93724

Dear Auditor-Controller Garcia and Ms. Annino:

The State Controller's Office audited Fresno County's (the county's) court revenues for the period of July 1, 2019, through June 30, 2023.

Our audit found that the county overremitted a total of \$346,414 in state court revenues to the State Treasurer because it overremitted the State Trial Court Improvement and Modernization Fund (Government Code section 77205) by \$346,414.

In addition, we found that the Superior Court of California, Fresno County made incorrect distributions related to the priority of installment payments.

The county should reduce subsequent remittances to the State Treasurer by \$346,414.

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.

Mr. Oscar J. Garcia
Ms. Dawn Annino
December 6, 2024
Page 2 of 2

If you have any 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/am

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Contents

Audit Report

Summary	1
Background	1
Audit Authority.....	1
Objective, Scope, and Methodology.....	1
Conclusion	3
Follow-up on Prior Audit Findings.....	3
Views of Responsible Officials.....	4
Restricted Use	4
Schedule—Summary of Audit Findings Affecting Remittances to the State Treasurer	5
Findings and Recommendations.....	6
Appendix—Summary of Prior Audit Findings.....	A1

Audit Report

Summary

The State Controller's Office (SCO) audited the propriety of court revenues remitted to the State of California by Fresno County (the county) on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2019, through June 30, 2023.

Our audit found that the county overremitted \$346,414 in state court revenues to the State Treasurer.

We also found that the Superior Court of California, Fresno County (the court) made incorrect distributions related to 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 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 in accordance with GC section 68103, which authorizes 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 during the

period of July 1, 2019, through June 30, 2023. 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, the revenue distribution process, and the MOE calculation.
- We interviewed court personnel regarding the revenue distribution process and the case management systems.
- 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 systems 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 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. 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 30 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 county.

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

We did not review any court revenue remittances that the county or the 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 the county overremitted \$346,414 in state court revenues to the State Treasurer because it overremitted the State Trial Court Improvement and Modernization Fund (GC section 77205) by \$346,414. 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 the priority of installment payments. This instance of noncompliance is non-monetary; it is described in the Findings and Recommendations section.

The county should reduce subsequent remittances to the State Treasurer by \$346,414.

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, 2011, through June 30, 2016, issued on May 11, 2020. The implementation status of corrective actions is described in the Appendix.

**Views of
Responsible
Officials**

We discussed our audit results with county and court representatives during an exit conference conducted on August 27, 2024. At the exit conference, the county and court representatives agreed with the audit results.

Restricted Use

This report is solely for the information and use of the county, the court, the Judicial Council of California, 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 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

December 6, 2024

Schedule—
Summary of Audit Findings Affecting Remittances to the State Treasurer
July 1, 2019, through June 30, 2023

The following table provides a summary of the audit findings affecting remittances to the State Treasurer.

Finding ¹	Fiscal Year				Total	Reference ²
	2019-20	2020-21	2021-22	2022-23		
Overremitted 50% excess of qualified revenues State Trial Court Improvement and Modernization Fund — GC §77205	\$ (54,836)	\$ (141,968)	\$ (149,610)	\$ -	\$ (346,414)	Finding 1
Total amount overremitted to the State Treasurer	<u>\$ (54,836)</u>	<u>\$ (141,968)</u>	<u>\$ (149,610)</u>	<u>\$ -</u>	<u>\$ (346,414)</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— Overremitted 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 the audit period. These errors resulted in the county overremitting qualified revenues by a net of \$346,414 to the State Treasurer for the audit period. The 50% excess of qualified revenues was incorrectly calculated because the county misinterpreted the required calculations.

The county provided support for its calculations of the 50% excess of qualified revenues during the audit period. We reviewed the county's calculations and reconciled the qualified revenues to revenue collection reports provided by the court and county. We determined that qualified revenues in the calculations did not reconcile to the collection reports in each fiscal year.

We noted that the county made several calculation errors during its completion of the 50% excess of qualified revenue form. Errors included applying qualified revenue percentages twice to Penal Code (PC) section 1464 and Vehicle Code (VC) 42007.1 revenues in fiscal year (FY) 2022-23 and incorrectly estimating GC section 76104 Emergency Medical Services revenues from traffic violator school (TVS) cases. The county also made input errors resulting in overstatements of qualified revenues. We also noted that the county did not use in its calculations the actual amount of GC section 76101 and VC section 42007 revenues collected from TVS cases.

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 overstated revenues by \$370,863 for the audit period.

The net overstatement of qualified revenues is as follows:

- The county overstated qualified revenues by \$146,722 for the audit period because it incorrectly input revenues from the monthly collection reports into the 50% excess calculation form.
- The county understated qualified revenues by \$472,283 in FY 2022-23 because it erroneously applied the qualified revenue percentage twice for PC section 1464 revenue funds.
- The county overstated qualified revenues by \$5,781 because it used an estimated amount of GC section 76101 revenues in its calculation of the TVS fee (VC section 42007) rather than the actual revenue figures reported by the superior court.
- The county overstated qualified revenues by \$489,785 because it used an incorrect calculation method to determine GC section 76104 revenues in its calculation of the TVS Fee (VC section 42007).

- The county overstated qualified revenues by \$330,189 because it did not include actual VC 42007 TVS fee revenues collected by the superior court in its calculation.
- The county understated qualified revenues by \$129,331 because it erroneously applied the qualified revenue percentage twice for VC section 42007.1 revenue funds in FY 2022-23 and incorrectly reduced VC section 42007.1 revenues by total GC section 76101 revenues in each fiscal year.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Totals
	2019-20	2020-21	2021-22	2022-23	
Qualified revenues reported	\$ 4,988,081	\$ 3,979,570	\$ 4,017,985	\$ 2,804,886	\$ 15,790,522
Audit adjustments:					
Input errors	-	5,297	(152,019)	-	(146,722)
PC section 1464 calculation errors	-	-	-	472,283	472,283
GC section 76101 overstatements	(2,793)	(1,265)	(1,622)	(101)	(5,781)
GC section 76104 overstatements	(97,294)	(252,578)	(70,419)	(69,494)	(489,785)
VC section 42007 overstatements	(23,158)	(96,421)	(82,207)	(128,403)	(330,189)
VC section 42007.1 understatements	13,573	6,568	7,046	102,144	129,331
Total	<u>(109,672)</u>	<u>(338,399)</u>	<u>(299,221)</u>	<u>376,429</u>	<u>(370,863)</u>
Adjusted qualified revenues	<u>\$ 4,878,409</u>	<u>\$ 3,641,171</u>	<u>\$ 3,718,764</u>	<u>\$ 3,181,315</u>	<u>\$ 15,419,659</u>

As a result of miscalculating the qualified revenues, the county overremitted the 50% excess of qualified revenues by \$346,414 for the audit period.

The following table shows the excess qualified revenues, and—by comparing the 50% excess amount due the State to the county’s actual remittance—the county’s overremittance 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
2019-20	\$ 4,878,409	\$ 3,695,633	\$ 1,182,776	\$ 591,388	\$ (646,224)	\$ (54,836)
2020-21	3,641,171	3,695,633	(54,462)	-	(141,968)	(141,968)
2021-22	3,718,764	3,695,633	23,131	11,566	(161,176)	(149,610)
2022-23	3,181,315	3,695,633	(514,318)	-	-	-
Total						<u>\$ (346,414)</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 qualified revenues that exceed the amount specified in GC section 77201.1(b)(2) for FY 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement and Modernization Fund.

Recommendation

We recommend that the county:

- Reduce subsequent remittances to the State Treasurer by \$346,414 and report on the TC-31 a decrease to the State Trial Court Improvement and Modernization Fund; and
- Ensure that the proper accounts are included in the calculations of each line item on the 50-50 Excess Split Revenue Computation Form.

**FINDING 2—
Incorrect
prioritization of
installment payments**

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 case management system 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 did not distribute payments according to PC section 1203.1d, subparagraph (b) in three of the four cases. The court failed to fully distribute revenues for the DUI indemnity allocation to the State's Restitution Fund (PC section 1463.18) prior to making distributions to other 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).

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Fresno County's corrective actions related to the findings contained in the county's prior audit report dated May 11, 2020.

Prior Audit Finding	Implementation Status
Finding 1— Underremitted the 50% excess of qualified fines, fees, and penalties	Fully implemented
Finding 2— Understated TVS qualified revenues	Fully implemented
Finding 3— Overremitted emergency medical air transportation penalties for TVS cases	Fully implemented
Finding 4— Underremitted the 2% state automation fee	Fully implemented
Finding 5— Overremitted domestic violence fees	Not verified—no domestic violence cases were processed by the court during the audit period
Finding 6— Incorrect collection for the Courthouse Construction Fund on TVS cases	Fully implemented
Finding 7— Failure to impose administrative screening and citation processing fees	Fully implemented

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