

# **RIVERSIDE COUNTY**

Audit Report

## **COURT REVENUES**

*July 1, 2002, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

February 2011



**JOHN CHIANG**  
California State Controller

February 14, 2011

The Honorable Paul Angulo  
Auditor-Controller  
Riverside County  
County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
Riverside, CA 92502-1326

Sherri R. Carter  
Court Executive Officer  
Superior Court of California,  
Riverside County  
4050 Main Street  
Riverside, CA 92501

Dear Mr. Angulo and Ms. Carter:

The State Controller's Office audited Riverside County's court revenues for the period of July 1, 2002, through June 30, 2008.

Our audit disclosed that the county underremitted \$569,661 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess of qualified fines, fees, and penalties by \$464,772; and
- Underremitted state revenues from the superior court's comprehensive collection program by \$104,889.

The county should differentiate the individual accounts making up this amount on the bottom portion of the monthly TC-31, Remittance to State Treasurer, in accordance with standard remittance procedures. The county should state on the remittance advice that the account adjustments relate to the SCO audit for the period of July 1, 2002, through June 30, 2008.

Please mail a copy of the TC-31 and documentation supporting the corresponding adjustment(s) to the attention of the following individuals:

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

Cindy Giese, Collections Supervisor  
Division of Accounting and Reporting  
Bureau of Tax Administration  
Post Office Box 942850  
Sacramento, CA 94250

**Once the county has paid the underremitted Trial Court Improvement Fund amount, we will calculate a penalty on the underremitted amount and bill the county accordingly, in accordance with Government Code sections 68085, 70353, and 70377.**

The Honorable Paul Angulo  
Sherri R. Carter

-2-

February 14, 2011

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau,  
at (916) 324-7226.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/vb

cc: John Judnick, Senior Manager  
Internal Audit Services  
Judicial Council of California  
Julie Nauman, Executive Officer  
Victim Compensation and Government Claims Board  
Greg Jolivette  
Legislative Analyst's Office  
Scott Taylor, Fiscal Analyst  
Division of Accounting and Reporting  
State Controller's Office  
Cindy Giese, Supervisor, Tax Programs Unit  
Division of Accounting and Reporting  
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 Riverside County for the period of July 1, 2002, through June 30, 2008.

Our audit disclosed that the county underremitted \$569,661 in court revenues to the State Treasurer because it:

- Underremitted the 50% excess of qualified fines, fees, and penalties by \$464,772; and
- Underremitted state revenues from the Superior Court's comprehensive collection program by \$104,889.

## 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 a portion of such money, the court is required by Government Code section 68101 to deposit the State's portion of court revenues with the county treasurer as soon as practical and to 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.

Government Code section 68103 requires that the State Controller determine whether or not all court collections remitted to the State Treasurer are complete. Government Code section 68104 authorizes the State Controller to examine records maintained by any court. Furthermore, Government Code section 12410 provides the State Controller with general audit authority to ensure that state funds are properly safeguarded.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the county completely and accurately remitted court revenues in a timely manner to the State Treasurer for the period of July 1, 2002, through June 30, 2003. We did not review the timeliness of any remittances the county may be required to make under Government Code sections 70353, 77201.1(b)(1), and 77201(b)(2).

To meet our objective, we reviewed the revenue-processing systems within the county's Superior Court and Auditor-Controller's Office.

We performed the following procedures:

- Reviewed the accuracy of distribution reports prepared by the county, which show court revenue distributions to the State, the county, and the cities located within the county.

- Gained an understanding of the county's revenue collection and reporting processes by interviewing key personnel and reviewing documents supporting the transaction flow.
- Analyzed various revenue accounts reported in the county's monthly cash statements for unusual variations and omissions.
- Evaluated the accuracy of revenue distribution using as criteria various California codes and the SCO's Manual of Accounting and Audit Guidelines for Trial Courts.
- Tested for any incorrect distributions.
- Expanded any tests that revealed errors to determine the extent of any incorrect distributions.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the county's financial statements. We considered the county's internal controls only to the extent necessary to plan the audit. This report relates solely to our examination of court revenues remitted and payable to the State of California. Therefore, we do not express an opinion as to whether the county's court revenues, taken as a whole, are free from material misstatement.

## **Conclusion**

Riverside County underremitted \$569,661 in court revenues to the State Treasurer. The underremittances are summarized in Schedule 1 and described in the Findings and Recommendations section.

## **Follow-Up on Prior Audit Findings**

The county has satisfactorily resolved the findings noted in our prior audit report, issued December 31, 2003.

## **Views of Responsible Officials**

We issued a draft audit report on June 9, 2010. Sherri R. Carter, Court Executive Officer, responded by letter dated June 29, 2010 (Attachment), agreeing with the audit results. We did not receive a response from the Riverside County Auditor-Controller.

**Restricted Use**

This report is solely for the information and use of Riverside County, the Riverside County Courts, 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.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

February 14, 2011

## Schedule 1— Summary of Audit Findings by Fiscal Year July 1, 2002, through June 30, 2008

Description	Account Code <sup>1</sup>	Code Section <sup>2</sup>	Fiscal Year						Total	Reference <sup>3</sup>
			2002-03	2003-04	2004-05	2005-06	2006-07	2007-08		
Underremitted 50% excess of fines, fees, and penalties	State Trial Court Improvement Fund	GC §77205	\$ 90,118	\$ 105,402	\$ 97,913	\$ 69,284	\$ 53,731	\$ 48,324	\$ 464,772	Finding 1
Inequitable distribution of operating costs from the comprehensive collection program	State Penalties	PC §1464	—	—	—	—	—	42,352	42,352	Finding 2
	State Restitution	PC §1202.4	—	—	—	—	—	41,098	41,098	
	State Crime Lab	H&SC§11372.5	—	—	—	—	—	6,355	6,355	
	State Domestic Violence Fund	PC §1203.097	—	—	—	—	—	3,835	3,835	
	State Court Automation Fund	GC §68090.8	—	—	—	—	—	3,702	3,702	
	State DNA Penalties	GC §76104.7	—	—	—	—	—	2,430	2,430	
	Diversion Restitution	PC §1001.9	—	—	—	—	—	2,414	2,414	
	State Restitution	PC §1463.18	—	—	—	—	—	1,192	1,192	
	State Court Security Surcharge	GC §69926.5	—	—	—	—	—	924	924	
	Revoked Probation Restitution	PC §1202.44	—	—	—	—	—	503	503	
State General Fund (Sex Offender)	PC §290	—	—	—	—	—	68	68		
Victim Witness Assistance Fund	PC §288	—	—	—	—	—	10	10		
State Fish & Game Fund	F&GC §1303	—	—	—	—	—	6	6		
<b>Total</b>			<u>\$ 90,118</u>	<u>\$ 105,402</u>	<u>\$ 97,913</u>	<u>\$ 69,284</u>	<u>\$ 53,731</u>	<u>\$ 153,213</u>	<u>\$ 569,661</u>	

<sup>1</sup> The identification of state revenue account titles should be used to ensure proper recording when preparing the remittance advice (TC-31) to the State Treasurer.

<sup>2</sup> Legend: GC = Government Code; PC = Penal Code; H&SC = Health and Safety Code; F&GC = Fish and Game Code

<sup>3</sup> See the Findings and Recommendations section.

**Schedule 2—  
Summary of Underremittances by Month  
Trial Court Improvement Fund  
July 1, 2002, through June 30, 2008**

Month	Fiscal Year					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
July	\$ —	\$ —	\$ —	\$ —	\$ 593	\$ —
August	90,118	105,402	97,913	69,284	54,020	48,324
September	—	—	—	—	256	—
October	—	—	—	—	376	—
November	—	—	—	—	259	—
December	—	—	—	—	239	—
January	—	—	—	—	241	—
February	—	—	—	—	251	—
March	—	—	—	—	251	—
April	—	—	—	—	388	—
May	—	—	—	—	248	—
June <sup>1</sup>	—	—	—	—	311	—
Total underremittance to the State Treasurer	<u>\$ 90,118</u>	<u>\$ 105,402</u>	<u>\$ 97,913</u>	<u>\$ 69,284</u>	<u>\$ 57,433</u>	<u>\$ 48,324</u>

NOTE: Delinquent Trial Court Trust Fund remittances not remitted to the SCO within 45 days of the end of the month in which the fees were collected are subject to penalty, pursuant to Government Code section 68085(h). The SCO will calculate and bill the county for the penalty after the county pays the underlying amount owed.

<sup>1</sup> Includes maintenance-of-effort underremittances (Finding 1) as follows:

Fiscal Year					
2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<u>\$ 90,118</u>	<u>\$ 105,402</u>	<u>\$ 97,913</u>	<u>\$ 69,284</u>	<u>\$ 53,731</u>	<u>\$ 48,324</u>

# Findings and Recommendations

## **FINDING 1— Underremitted excess of qualified fines, fees, and penalties**

The County Auditor-Controller's Office underremitted by \$464,772 the 50% excess of qualified fines, fees, and penalties to the State Treasurer for the six fiscal-year period from July 1, 2002, through June 30, 2008.

Government Code section 77201(b)(2) requires Riverside County, for its base revenue obligation, to remit \$11,028,078 for fiscal year (FY) 2002-03 and each fiscal year thereafter. In addition, Government Code (GC) section 77205(a) requires the county to remit to the Trial Court Improvement Fund 50% of qualified revenues that exceed the stated base for each fiscal year.

The error occurred because the county used incorrect entries in its maintenance-of-effort (MOE) distribution working papers and as a result of conditions identified as follows:

- For all six fiscal years, the court did not appropriately distribute \$1 to the Jail Facility Fund and \$1 to the Court Construction Fund from the county's 23% portion. Instead, the county took 77% from the traffic violator school (TVS) bail realignment account. GC section 77205 states that the qualified revenues are to be reported "as they read December 31, 1997." On December 31, 1997, Vehicle Code (VC) section 42007 specifically states that these two components were to be taken from the county's General Fund portion (23%). Therefore, \$890,954 (77% portion applied to the Jail Facility Fund and Court Construction Fund) should have been included in the MOE.
- As stated in Finding 2, the Superior Court's Collections Department erroneously offset overhead costs twice from its comprehensive collection program from July 2007 through June 2008. The adjustment caused the following increases: county base fines by \$22,965 and 30% of eligible state penalties by \$15,627. A total of \$38,592 should have been included in the MOE.

The qualified revenues reported for FY 2002-03 were \$17,896,286. The excess, above the base of \$11,028,078, is \$6,868,208; this amount should be divided equally between the county and State, resulting in \$3,434,104 excess due the State. The county has remitted a previous payment of \$3,343,986, causing an underremittance of \$90,118.

The qualified revenues reported for FY 2003-04 were \$20,524,056. The excess, above the base of \$11,028,078, is \$9,495,978; this amount should be divided equally between the county and State, resulting in \$4,747,989 excess due the State. The county has remitted a previous payment of \$4,642,587, causing an underremittance of \$105,402.

The qualified revenues reported for FY 2004-05 were \$20,596,165. The excess, above the base of \$11,028,078, is \$9,568,087; this amount should be divided equally between the county and State, resulting in \$4,784,043 excess due the State. The county has remitted a previous payment of \$4,686,130, causing an underremittance of \$97,913.

The qualified revenues reported for FY 2005-06 were \$21,278,516. The excess, above the base of \$11,028,078, is \$10,250,438; this amount should be divided equally between the county and State, resulting in \$5,125,219 excess due the State. The county has remitted a previous payment of \$5,055,935, causing an underremittance of \$69,284.

The qualified revenues reported for FY 2006-07 were \$21,187,720. The excess, above the base of \$11,028,078, is \$10,159,642; this amount should be divided equally between the county and State, resulting in \$5,079,821 excess due the State. The county has remitted a previous payment of \$5,026,090, causing an underremittance of \$53,731.

The qualified revenues reported for FY 2007-08 were \$20,014,128. The excess, above the base of \$11,028,078, is \$8,986,050; this amount should be divided equally between the county and State, resulting in \$5,079,821 excess due the State. The county has remitted a previous payment of \$4,444,701, causing an underremittance of \$48,324.

The underremittances had the following effect:

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
Trial Court Improvement Fund–GC §77205:	
FY 2002-03	\$ 90,118
FY 2003-04	105,402
FY 2004-05	97,913
FY 2005-06	69,284
FY 2006-07	53,731
FY 2007-08	48,324
County General Fund	(464,772)

Recommendation

The county should remit \$464,772 to the State Treasurer and report on the remittance advice form (TC-31) an increase to the Trial Court Improvement Fund–GC section 77205. The county should also make the corresponding account adjustments.

County’s Response

The county did not provide a response to the draft audit report.

Court’s Response

Regarding the underremitted 50% excess of qualified fines, fees and penalties in the amount of \$464,772, the court has made the necessary programming revisions in its accounting interface program to obviate this fund distribution error in the future. The programming changes were immediately made after SCO Auditor Gary Weimer alerted the court of the distribution error on December 8, 2009.

SCO’s Comment

The court agrees with the finding and has implemented the recommendation.

**FINDING 2—  
Inequitable distribution  
of operating cost from  
the comprehensive  
collection program**

The Riverside County Superior Court distributed the administrative overhead cost of \$263,641 twice from the comprehensive collection revenues for the period of July 2007 through June 2008. Deductions from the previous month’s allocation of overhead costs were scheduled and allocated to the current month as well. In addition, the court did not allocate the program expenditures to all of the eligible revenue accounts. Court personnel discovered the error at year-end 2008-09 and calculated the necessary adjustment.

Penal Code (PC) section 1463.007 allows a court collection entity that implements a comprehensive collection program that satisfies specific statutory requirements to deduct program operating costs in an equitable manner from program revenue collections. This section further allows a court collection entity to distribute those amounts to the county treasury prior to distribution of those revenues to the state, county and cities. The program must have separate and distinct revenue collection activity that identifies total collections received from qualifying accounts and their related operating costs.

The Judicial Council of California’s Guidelines and Standards for Cost Recovery for a Comprehensive Collection Program declares that operating costs are to be equability offset against the sources in which the collections were received. The excess of the related supportable operating costs are required to be redistributed monthly. However, if the program’s operating costs for a given month exceed revenues collected, the excess costs may be carried forward until qualifying revenues are available to fully recover these eligible costs.

The inappropriate distributions from the court’s comprehensive collection program affect the revenues reported to the State Trial Court Improvement Fund under the maintenance-of-effort (MOE) formula pursuant to GC section 77205. In addition, the inappropriate distribution had the following effect:

Account Title	Understated/ (Overstated)
State Penalties–PC §1464	\$ 42,352
State Restitution–PC §1202.4	41,098
State Crime Lab–Health & Safety Code (H&SC) §11502	6,355
State Domestic Violence Fund–PC §1203.097	3,835
State Court Automation Fund	3,702
State DNA Penalty Fund–GC §76104.7	2,430
Diversion Restitution–PC §1001.9	2,414
State Restitution–PC §1463.18	1,192
State Court Security Surcharge–GC §69926.5	924
Revoked Probation Restitution–PC §1202.44	503
State General Fund (Sex Offender)–PC §290.3	68
Victim Witness Assistance Fund–PC §288	10
State Fish and Game Fund–Fish and Game Code (F&GC) §13003	6
County General Fund	54,289
County Jail Facilities Fund	12,127
County Court Construction Fund	14,526
Emergency Medical Service Fund	13,990

<u>Account Title</u>	<u>Understated/ (Overstated)</u>
Drug Prevention Fund	7,331
County Domestic Violence Fund	5,079
DNA Penalty Fund	4,302
Alcohol Program Fund	3,923
Automated Fingerprint Fund	3,047
Forensic Penalty	609
Fish and Game	6
Riverside County Court Comprehensive Collection Program Account	(263,641)
Riverside County Court, Civil Assessments	13,801
City Revenue Accounts:	
Riverside	5,921
Corona	2,720
Temecula	2,204
Moreno Valley	2,128
Indio	1,708
Hemet	1,575
Murrieta	1,462
Lake Elsinore	1,128
Perris	1,055
Banning	962
Palm Desert	660
Beaumont	639
Palm Springs	592
Norco	454
San Jacinto	451
Cathedral City	394
Blythe	341
Coachella	303
La Quinta	233
Canyon Lake	201
Desert Hot Springs	159
Rancho Mirage	120
Mt. San Jacinto College	113
Indian Wells	98
Calimesa	51
Riverside County Schools	50

### Recommendation

The county should remit \$104,889 to the State Treasurer and report on the remittance advice form (TC-31) increases by \$42,352 to the State Penalty Fund–PC section 1464; \$41,098 to the State Restitution Fund–PC section 1202.4; \$6,355 to the State General Fund (Crime Lab Fee)–H&SC section 11372.5; \$3,835 to the Domestic Violence Fund–PC section 1203.097; \$3,702 to the State Trial Court Improvement Fund–GC section 68090.8; \$2,430 to the State DNA Identification Fund–GC section 76104.7; \$2,414 to the State Restitution Fund (Diversion Fees)–PC section 1001.90; \$1,192 to the State Restitution Fund (DUI)–PC section 1463.18; \$924 to the Trial Court Trust Fund (Security Fees)–GC section 69926.5; \$503 to the State Trial Restitution Fund–PC section 1202.44; \$68 to the State General Fund (Sex Offender)–PC section

209.3; \$10 to the State Victims Witness Assistance Fund–PC section 288; and \$6 to the State Fish and Game Fund–F&GC section 13003. The county should also make the corresponding account adjustments.

The County Superior Court should establish formal procedures to ensure that all eligible revenues collected are offset from its comprehensive collection program costs in accordance with statutory requirements.

County’s Response

The county did not provide a response to the draft audit report.

Court’s Response

With respect to the inequitable distribution of operating costs from the court’s comprehensive collection program in the amount of \$104,889, in January, 2010, the court correctly redistributed the funds, and revised and resubmitted each month’s report for FY2007-08 and FY2008-09.

SCO’s Comment

The court agrees with the finding and has implemented the recommendation.

**FINDING 3—  
Inappropriate  
distribution of red-  
light traffic violations**

The Riverside County Courts did not appropriately distribute to the arresting agencies the 30% of red-light traffic violations from July 2003 through June 2008. The 30% distribution formulas applied to city violations were understated and overstated from one city to another, as well as from one statute change to another. Court personnel indicated that the distribution error was the result of conflicting directions from multiple agencies.

PC section 1463.11 requires 30% of base fines and state and county penalties (PC sections 1463 and 1464, GC section 76100, respectively), pursuant to red-light violations, to be distributed to the general fund of the county or city in which the offense occurred. State Court Facility Construction penalties are not referenced in this statute; however, GC section 70372a is subject to the distribution requirements in accordance with PC section 1463. Therefore, State Court Facility Construction penalties are subject to the 30% allocation. The remaining 70% should be distributed in accordance with PC section 1463 or VC section 42007 when traffic violator school is chosen.

Emergency medical service (EMS) penalties pursuant to GC section 76000.5 and DNA penalties pursuant to GC section 76104.6 and 76104.7 are not subject to the 30% distribution. These statutes require full distribution prior to the requirements set forth in PC section 1463.

The inappropriate distribution of the 30% portion of red-light violations affects the distribution of fines and penalties, as well as the revenues reported to the State Trial Court Improvement Fund under the MOE formula pursuant to GC section 77205. We did not quantify the effect as it did not appear to be material, and because doing so would not be cost-effective due to the difficulty in identifying and redistributing the various accounts.

Recommendation

The County Superior Court should improve its output records in order to adequately provide a complete and accurate distribution of red-light violations and comply with statutory requirements in PC section 1463.11.

County's Response

The county did not provide a response to the draft audit report.

Court's Response

The court did not provide a response to Finding 3.

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

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**SHERRI R. CARTER**  
Court Executive Officer

**Superior Court of California**  
County of Riverside

4050 Main Street  
Riverside, CA 92501  
951-955-5536 Phone  
951-955-5537 Fax

June 29, 2010

Seven Mar, Chief  
Local Government Audits Bureau  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Mar:

I am writing in response to the State Controller's Office (SCO) draft report regarding the audit of Riverside County's court revenues for the period of July 1, 2002 through June 30, 2008, received by the court on June 17, 2010.

Regarding the underremitted 50% excess of qualified fines, fees and penalties in the amount of \$464,772, the court has made the necessary programming revisions in its accounting interface program to obviate this fund distribution error in the future. The programming changes were immediately made after SCO Auditor Gary Weimer alerted the court of the distribution error on December 8, 2009.

With respect to the inequitable distribution of operating costs from the court's comprehensive collection program in the amount of \$104,889, in January, 2010, the court correctly redistributed the funds, and revised and resubmitted each month's report for FY2007-08 and FY2008-09.

Please be advised that since the distribution programming errors were due to the court's accounting interface system, the court will pay any interest or penalties assessed up to December 8, 2009, the date the SCO advised the county of the amount due. Please provide that information to me at your earliest opportunity.

Sincerely,

SHERRI R. CARTER  
Court Executive Officer

cc: Robert Byrd, Auditor-Controller, County of Riverside

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

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