

SANTA CLARA COUNTY

Audit Report

COURT REVENUES

July 1, 2019, through June 30, 2023



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

June 2025



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

June 9, 2025

Ms. Margaret Olaiya, Finance Director
Santa Clara County
70 W. Hedding Street
San Jose, CA 95110

Ms. Rebecca Fleming, Court Executive Officer
Superior Court of California, Santa Clara County
191 North First Street
San Jose, CA 95113

Dear Ms. Olaiya and Ms. Fleming:

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

Our audit found that the county underremitted a net of \$107,004 in state court revenues to the State Treasurer because it:

- Underremitted the State's General Fund (Penal Code [PC] section 1465.7) by \$417,694;
- Overremitted the State Court Facilities Construction Fund (Government Code [GC] section 70372[a]) by \$375,380;
- Underremitted the State's Trial Court Trust Fund (GC section 76000.3) by \$52,989;
- Underremitted the State Court Facilities Construction Fund (GC section 70372[b]) by \$52,992;
- Overremitted the State's General Fund (PC section 1463.22[c]) by \$15,975;
- Overremitted the Motor Vehicle Account of the State Transportation Fund (PC section 1463.22[b]) by \$4,792;
- Overremitted the State's Domestic Violence Restraining Order Reimbursement Fund (PC section 1203.097) by \$10,263; and
- Overremitted the State's Domestic Violence Training and Education Fund (PC section 1203.097) by \$10,261.

Ms. Margaret Olaiya
Ms. Rebecca Fleming
June 9, 2025
Page 2 of 2

In addition, we found that the county and the Superior Court of California, Santa Clara County made incorrect distributions of revenues from DUI and health and safety violation.

We also identified an instance of noncompliance that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that the Superior Court of California, Santa Clara County incorrectly distributed revenues from red-light violations with traffic violator school.

The county made a payment of \$107,004 in February 2025.

If you have questions regarding payments, the Report to State Controller of Remittance to State Treasurer, 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 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/ac

Copy: The Honorable Otto Lee, President
Santa Clara County Board of Supervisors
Joe Meyer, Principal Manager
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

Contents

Audit Report

Summary	1
Background	1
Audit Authority.....	1
Objective, Scope, and Methodology	2
Conclusion	3
Follow-up on Prior Audit Findings.....	4
Views of Responsible Officials.....	4
Restricted Use	4
Schedule—Summary of Audit Findings Affecting Remittances to the State Treasurer	5
Findings and Recommendations	6
Observation and Recommendation	18
Appendix—Summary of Prior Audit Findings.....	A1
Attachment—Santa Clara County’s Response to Audit Results	

Audit Report

Summary

The State Controller's Office (SCO) audited the propriety of court revenues remitted to the State of California by Santa Clara 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 underremitted a net of \$107,004 in state court revenues to the State Treasurer.

We also found that the county and the Superior Court of California, Santa Clara County (the court) made incorrect distributions of revenues from DUI and health and safety violation.

We also identified an instance of noncompliance that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that the court incorrectly distributed revenues from red-light violations with traffic violator school.

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 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 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 (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% excess 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. No errors were identified.
- 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 41 cases for 10 violation types. We were not able to identify the case population due to the inconsistent timing of when tickets were issued versus when they were paid, and the multitude of entities that remit collections to the county for remittance to the State. We tested the sample as follows:

- We recomputed the sample case distributions and compared them to the actual distributions.
- We calculated the total dollar amount of significant underremittances and overremittances to the State and the county.

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

We did not audit the financial statements of the county, the court, or the various agencies that issue parking citations. 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. Our audit found that a net of \$107,004 in state court revenues was underremitted to the State Treasurer. Specifically, we found that the county underremitted a net of \$107,004 in state court revenues to the State Treasurer because it:

- Underremitted the State's General Fund (Penal Code [PC] section 1465.7) by \$417,694;
- Overremitted the State Court Facilities Construction Fund (GC section 70372[a]) by \$375,380;
- Underremitted the State's Trial Court Trust Fund (GC section 76000.3) by \$52,989;
- Underremitted the State Court Facilities Construction Fund (GC section 70372[b]) by \$52,992;
- Overremitted the State's General Fund (PC section 1463.22[c]) by \$15,975;
- Overremitted the Motor Vehicle Account of the State Transportation Fund (PC section 1463.22[b]) by \$4,792;

- Overremitted the State's Domestic Violence Restraining Order Reimbursement Fund (PC section 1203.097) by \$10,263; and
- Overremitted the State's Domestic Violence Training and Education Fund (PC section 1203.097) by \$10,261.

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 of revenues from DUI and health and safety violations. These instances of noncompliance are non-monetary; they are described in the Findings and Recommendations section.

We also identified an instance of noncompliance that is not significant to our audit objective, but warrants the attention of management. Specifically, we found that the court incorrectly distributed revenues from red-light violations with traffic violator school. This instance of noncompliance is non-monetary; it is described in the Observation section.

The county made a payment of \$107,004 in February 2025.

Follow-up on Prior Audit Finding

The county has satisfactorily resolved the findings noted in our prior audit report for the period of July 1, 2014, through June 30, 2018, issued on July 29, 2020, with the exception of Findings 1 and 7 and the Observation of this audit report. The implementation status of corrective actions is described in the Appendix.

Views of Responsible Officials

We discussed our audit results with the county and the court representatives during an exit conference conducted on February 18, 2025. The county representatives responded to the audit results presented at the exit conference by letter dated March 3, 2025, agreeing with the audit results. In addition, the court representatives responded by email dated February 24, 2025, agreeing with the audit results. This final audit report includes the county's response as an Attachment.

Restricted Use

This 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 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

June 9, 2025

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

Finding ¹	Fiscal Year				Total	Reference ²
	2019-20	2020-21	2021-22	2022-23		
Incorrect remittance of state revenues						
State Trial Court Trust Fund — GC §76000.3	-	-	52,989	-	52,989	
State Court Facilities Construction Fund — GC §70372(b)	-	-	52,992	-	52,992	
State Court Facilities Construction Fund — GC §70372(a)	-	-	42,314	-	42,314	
Total	-	-	148,295	-	148,295	Finding 2
Incorrect remittance of state surcharge revenues						
State General Fund — PC §1465.7	144,891	87,930	98,456	86,417	417,694	
State Court Facilities Construction Fund — GC §70372(a)	(144,891)	(87,930)	(98,456)	(86,417)	(417,694)	
Total	-	-	-	-	-	Finding 3
Incorrect distribution of base fine enhancements						
State General Fund — PC §1463.22(c)	(4,812)	(2,166)	(1,725)	(7,272)	(15,975)	
State Motor Vehicle Fund — PC §1463.22(b)	(1,444)	(650)	(517)	(2,181)	(4,792)	
Total	(6,256)	(2,816)	(2,242)	(9,453)	(20,767)	Finding 4
Incorrect distribution of domestic violence fee revenues						
State Domestic Violence Restraining Order Reimbursement Fund — PC §1203.097	(3,111)	(2,201)	(2,937)	(2,014)	(10,263)	
State Domestic Violence Training and Education Fund — PC §1203.097	(3,110)	(2,201)	(2,936)	(2,014)	(10,261)	
Total	(6,221)	(4,402)	(5,873)	(4,028)	(20,524)	Finding 5
Net amount underremitted to the State Treasurer	\$ (12,477)	\$ (7,218)	\$ 140,180	\$ (13,481)	\$ 107,004	

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—
Incorrect calculation
of 50% excess of
qualified revenues
(repeat finding)**

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 the audit period. However, these errors did not result in underremittances to the State Treasurer, as the qualified revenues were below the county's base amount for each fiscal year. The qualified revenues were 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 collection reports. We determined that qualified revenues did not reconcile to the collection reports for each fiscal year.

We noted that the county made several errors during its calculation of the 50% excess of qualified revenues. Errors included applying qualified revenue percentages twice to state penalty assessment (PC section 1464) and traffic violator school (TVS) fee (Vehicle Code [VC] section 42007.1) revenues in each fiscal year; and failing to include all county base fine (PC section 1463.001) and state penalty assessment (PC section 1464) revenues collected by the court during the audit period. We also noted that the county did not reduce TVS fee (VC section 42007) or county base fine (PC section 1463.001) revenues by their respective qualified revenue percentages in fiscal year (FY) 2021-22 and FY 2022-23 resulting in overstatements of qualified revenues.

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 (VC section 42007[c]) from its calculation of the TVS fee (VC section 42007) during the audit period.

As noted in Finding 4, the county Auditor-Controller's Office made duplicate distributions of base fine reduction penalties related to DUI and proof of financial responsibility violations, resulting in understatement of county base fine (PC section 1463.001) qualified revenues.

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 a net of \$4,225,932 for the audit period.

The net understatement of qualified revenues for the audit period is as follows:

- The county understated qualified revenues by \$183,543 because it incorrectly duplicated base fine reduction penalties for DUI and proof of financial responsibility violations.
- The county understated qualified revenues by a net of \$118,143 because it failed to include all county base fine (PC section 1463.001) revenues in its calculation and incorrectly applied the qualified revenue percentage.
- The county understated qualified revenues by a net of \$1,297,651 because it applied the qualified revenue percentage twice for state penalty assessment (PC section 1464) revenues and failed to include all state penalty assessment revenues collected in FY 2022-23.
- The county overstated qualified revenues by a net of \$539,034 because it incorrectly applied the qualified revenue percentage for TVS fee (VC section 42007) revenues.
- The county understated qualified revenues by \$729,206 because it applied the qualified revenue percentage twice for the TVS fee (VC section 42007.1) revenues.
- The county incorrectly excluded the following revenues from its calculation of the TVS fee (VC section 42007):
 - Courthouse Construction Fund (GC section 76100) – \$45,855;
 - Criminal Justice Facilities Construction Fund (GC section 76101) – \$45,855;
 - Emergency Medical Services Fund (GC section 76104) – \$458,542;
 - Maddy Emergency Medical Services Fund (GC section 76000.5) – \$458,542; and
 - City base fines (VC section 42007[c]) – \$1,427,629.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Totals
	2019-20	2020-21	2021-22	2022-23	
Qualified revenues reported	\$ 4,192,646	\$ 4,139,041	\$ 5,632,147	\$ 3,727,132	\$ 17,690,966
Audit adjustments:					
PC §1463.001 base fine reductions	69,320	19,806	41,325	53,092	183,543
PC §1463.001 understatements	327,320	42,623	(159,248)	(92,552)	118,143
PC §1464 understatements	651,600	384,819	(17)	261,249	1,297,651
VC §42007 overstatements	85,188	37,720	(363,625)	(298,317)	(539,034)
VC §42007.1 understatements	228,134	94,980	208,883	197,209	729,206
GC §76100 understatements	14,346	5,973	13,135	12,401	45,855
GC §76101 understatements	14,346	5,973	13,135	12,401	45,855
GC §76104 understatements	143,456	59,726	131,350	124,010	458,542
GC §76000.5 understatements	143,456	59,726	131,350	124,010	458,542
VC §42007(c) understatements	431,558	204,669	416,967	374,435	1,427,629
Total	2,108,724	916,015	433,255	767,938	4,225,932
Adjusted qualified revenues	<u>\$ 6,301,370</u>	<u>\$ 5,055,056</u>	<u>\$ 6,065,402</u>	<u>\$ 4,495,070</u>	<u>\$ 21,916,898</u>

Despite the understatement of qualified revenues, the errors did not result in an underremittance to the State Treasurer, as the adjusted qualified revenues are still below the base amount for the county in all four fiscal years.

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
2019-20	\$ 6,301,370	\$ 11,597,583	\$ (5,296,213)	\$ -	\$ -	\$ -
2020-21	5,055,056	11,597,583	(6,542,527)	-	-	-
2021-22	6,065,402	11,597,583	(5,532,181)	-	-	-
2022-23	4,495,070	11,597,583	(7,102,513)	-	-	-
Total						<u>\$ -</u>

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

As discussed in Finding 1 of our prior audit report dated July 29, 2020, the county incorrectly excluded revenues from the calculation of the TVS fee. This is a repeat finding, as the county did not correct the errors noted in the prior audit report.

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

FY 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.

We also recommend that the court update its CMS to separately account for the Courthouse Construction Fund (GC section 76100), Criminal Justice Facilities Construction Fund (GC section 76101), Emergency Medical Services Fund (GC section 76104), and Maddy Emergency Medical Services Fund (GC section 76000.5) revenues collected from TVS cases.

County's Response

We agree with the finding and will work with the Superior Court on the revenue breakdowns that should be included in the MOE calculation. We will revise the County's 50-50 Excess Split Revenue Computation worksheet.

Court's Response

The court agreed with the audit finding.

FINDING 2— Incorrect remittance of state revenues

During our reconciliation of TC-31 remittances, we found that the county had not properly remitted the State's Trial Court Trust Fund and the State Court Facilities Construction Fund revenues, resulting in a net underremittance to the State of \$148,295. The error occurred due to input errors made by the Auditor-Controller's Office during monthly TC-31 remittance procedures.

We reviewed the county's support for its TC-31 remittances to verify the accuracy of the county's collection and remittance of revenues to the State. We reconciled the revenues remitted to the State on the TC-31 remittances to the county collection reports.

During our review, we found that revenues collected for the State's Trial Court Trust Fund (GC section 76000.3) and the State Court Facilities Construction Fund (GC section 70372[a][b]) did not reconcile to the county's TC-31 remittances in March 2022. The collection reports and the county's monthly TC-31 worksheets supported an additional \$148,295 than the amounts remitted to the State Treasurer.

We discussed the discrepancy with the county staff members, who stated that they could not determine why the remitted revenues did not reconcile to the collection reports or the county's monthly TC-31 worksheet. The failure to remit all revenues collected in the month resulted in

underremittances to the State's Trial Court Trust Fund and the State Court Facilities Construction Fund.

The incorrect remittance had the following effect:

Account Title	Underremitted / (Overremitted)
State Trial Court Trust Fund – GC § 76000.3	\$ 52,989
State Court Facilities Construction Fund – GC§ 70372(b)	52,992
State Court Facilities Construction Fund – GC§ 70372(a)	42,314
Total	<u>\$ 148,295</u>
County General Fund	<u>\$ (148,295)</u>

GC section 68101 requires the county to remit court revenues to the State for all appropriate collections made by the court and deposited with the county treasurer.

Recommendation

We recommend that the county remit \$148,295 to the State Treasurer and report on the TC-31 increases of \$52,989 to the State's Trial Court Trust Fund (GC section 76000.3); of \$52,992 to the State Court Facilities Construction Fund (GC section 70372[b]); and of \$42,314 to the State Court Facilities Construction Fund (GC section 70372[a]).

We also recommend that the county Auditor-Controller's Office review and reconcile its monthly TC-31 worksheets to ensure that all appropriate revenues are included in the TC-31 remittances to the State.

County's Response

We agree with the finding. The under-remittance in the amount of \$148,295 was due to missed data entry for which subsequent correction was not remitted in a timely manner.

The correction was made. We processed the payment and submitted the remittance advice form (TC-31) to the State Treasurer in the net amount of \$107,004.

FINDING 3— Incorrect remittance of state surcharge revenues

During our reconciliation of TC-31 remittances, we found that the county had not properly remitted revenues for the 20% state surcharge (PC section 1465.7) and the state court construction penalty (GC section 70372[a]). The errors did not impact total remittances to the State but did result in underremittances to the State's General Fund and overremittances to the State Court Facilities Construction Fund. The error occurred due to calculation errors in the county auditor-controller's monthly TC-31 worksheet used to complete the county's TC-31 remittances.

We reviewed the county's support for its TC-31 remittances to verify the accuracy of the county's collection and remittance of revenues to the State. We reconciled the revenues remitted to the State on the TC-31 remittances to collection reports.

During our review, we found that revenues for the State's General Fund (PC section 1465.7) and the State Court Facilities Construction Fund (GC section 70372[b]) did not reconcile to the county's TC-31 remittances in each month of the audit period. The collection reports supported \$417,694 less in the State's General Fund revenues and \$417,694 more in State Court Facilities Construction Fund revenues.

We discussed the discrepancy with county staff members and reviewed the county's revenue documentation. During our review, we found errors in the county auditor-controller's monthly TC-31 worksheets used to complete the TC-31 remittances each month. Revenues collected for the 20% state surcharge were erroneously included in the same account as the state court facilities construction penalty.

The incorrect remittance had the following effect:

Account Title	Underremitted / (Overremitted)
State General Fund – PC § 1465.7	\$ 417,694
State Court Facilities Construction Fund – GC § 70372(a)	(417,694)
Total	<u>\$ -</u>

GC section 68101 requires the county to remit court revenues to the State for all appropriate collections made by the court and deposited with the county treasurer.

Recommendation

We recommend that the county report on the TC-31 an increase of \$417,694 to the State's General Fund (PC section 1465.7) and a decrease of \$417,694 to the State Court Facilities Construction Fund (GC section 70372[a]).

We also recommend that the county Auditor-Controller's Office review and reconcile its monthly TC-31 worksheets to ensure that all revenues are remitted to the appropriate state fund in its monthly TC-31 remittances.

County's Response

We agree with the finding and the correction was made. County reported on the TC-31 the increase to the State's General Fund (PC section 1465.7) by \$417,694 and a decrease to the State Court Facilities Construction Fund (GC section 70372[a]) by \$417,694.

**FINDING 4—
Incorrect distribution
of revenues from base
fine enhancements**

During our testing of DUI and proof of financial responsibility violations, we found that the county Auditor-Controller's Office had performed duplicate distributions of base fine enhancement penalties. The duplicate distributions resulted in a net overremittance to the State of \$20,767. The error also resulted in a net understatement of \$183,543 in qualified revenues for the 50% excess of qualified revenues calculation. The errors occurred because the county Auditor-Controller's Office did not update its monthly TC-31 worksheet to reflect changes in the court's CMS.

We verified, on a sample basis, distributions made by the court and the county's Department of Tax and Collections (DTAC) in each entity's CMS. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested a total of six DUI cases and four proof of financial responsibility cases from the court and DTAC.

We found that the court and DTAC properly distributed the base fine enhancement penalties in all 10 cases tested. However, the county Auditor-Controller's Office performed additional distributions of the county DUI penalty (PC section 1463.14[a]), the county uninsured motorist penalty (PC section 1463.22[a]), and the state uninsured motorist penalty (PC sections 1463.22[b] and 1463.22[c]), in its monthly TC-31 worksheet. The county multiplied the number of DUI and proof of financial responsibility convictions during each month by the individual penalty amounts. The total amount of penalties calculated was then distributed from the county base fines (PC section 1463.001) and city base fines (PC section 1463.002).

The distributions made by the Auditor-Controller's Office in the monthly TC-31 worksheets result in duplicate distributions of the penalties, as the court's and DTAC's CMSs perform the distributions automatically at the time of payment. The distribution of the DUI penalty by the Auditor-Controller's Office does not result in a direct underremittance to the State, as it affects only the county and city accounts. However, the distribution of the uninsured motorist penalties does result in overremittances to the State and underremittances to the city and county base fines. Additionally, the distribution of all four penalties results in understatements of qualified revenues, as the county base fines are a qualified revenue in the calculation of 50% excess of qualified revenues.

We performed a revenue analysis of the proof of financial responsibility revenues and redistributed the penalty and base fine distributions made by the Auditor-Controller's Office. After performing our analysis, we determined that the errors had resulted in a net overremittance to the State of \$20,767. Furthermore, we determined that the redistributed base fines from DUI and proof of financial responsibility cases resulted in a \$183,543 net understatement of qualified revenues.

The incorrect distribution had the following effect:

Account Title	Underremitted / (Overremitted)
State General Fund – PC § 1463.22(c)	\$ (15,975)
State Transportation Fund – Motor Vehicle Account – PC § 1463.22(b)	(4,792)
Total	<u>\$ (20,767)</u>
County General Fund – PC § 1463.22(a)	\$ (27,954)
County and City General Funds – PC § 1463.001	48,721
Total	<u>\$ 20,767</u>

PC section 1463.14(a) requires that \$50.00 of each fine collected for each conviction of a DUI violation be deposited into a special account, to be used exclusively to pay for alcohol and drug testing.

PC section 1463.22(a) requires the county to deposit \$17.50 for each conviction of a proof of financial responsibility violation in a special account and allocated to defray costs incurred while administering cases related to proof of financial responsibility.

PC section 1463.22(b) requires that \$3.00 for each conviction of a proof of financial responsibility violation be remitted to the SCO for deposit in the Motor Vehicle Account of the State Transportation Fund.

PC section 1463.22(c) requires that \$10.00 for each conviction of a proof of financial responsibility violation be deposited into the State's General Fund.

Recommendation

We recommend that the county:

- Reduce subsequent remittances to the State Treasurer by \$20,767 and report on the TC-31 decreases of \$15,975 to the State's General Fund and of \$4,792 to the State Transportation Fund – Motor Vehicle Account; and
- Update its monthly TC-31 worksheet to ensure that surcharges, fines, penalties, and fees are distributed in accordance with statutory requirements.

County's Response

We agree with the finding and the correction was made. County reduced remittances to the State Treasurer by \$20,767 and reported on the TC-31 the decreases to the State's General Fund of \$15,975 and the [State] Transportation Fund – Motor Vehicle Account of \$4,792.

FINDING 5— Incorrect distribution of revenues from domestic violence fee

During testing of domestic violence cases, we found that DTAC had not properly distributed revenues to the State and the county for the domestic violence fee (PC section 1203.097). The distribution error resulted in a net

overremittance to the State of \$20,524. The error occurred because DTAC misinterpreted the *Distribution Guidelines* and applied the incorrect distribution percentages for the domestic violence fee.

We verified, on a sample basis, distributions made by DTAC using its CMS. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested a total of four domestic violence cases from DTAC. We found that DTAC had made incorrect distributions in two of the four cases. In the two cases that contained errors, DTAC had incorrectly allocated two-thirds of the domestic violence fee to the State and one-third to the county.

We performed a revenue analysis of the domestic violence revenues collected by DTAC. We redistributed the revenues to the state and county fees in accordance with PC section 1203.097. After performing our analysis, we determined that the errors had resulted in an overremittance to the State of \$20,524.

The incorrect distribution had the following effect:

Account Title	Underremitted / (Overremitted)
State Domestic Violence Restraining Order Reimbursement Fund – GC § 1203.097	\$ (10,263)
State Domestic Violence Training and Education Fund – GC § 1203.097	(10,261)
Total	<u>\$ (20,524)</u>
County Domestic Violence Program Special Fund – GC § 1203.097	<u>\$ 20,524</u>

PC section 1203.097(a)(5) requires that two-thirds of the domestic violence fee collected be posted to the county's domestic violence programs special fund and the remaining one-third be remitted to the State Treasurer. This section further requires that the remaining one-third be split evenly between the State's Domestic Violence Restraining Order Reimbursement Fund and the State's Domestic Violence Training and Education Fund.

Recommendation

We recommend that the county reduce remittances to the State Treasurer by \$20,524 and report on the TC-31 decreases of \$10,263 to the State's Domestic Violence Restraining Order Reimbursement Fund and of \$10,261 to the State's Domestic Violence Training and Education Fund.

We also recommend that the county's DTAC:

- Correct its distribution procedures to ensure that domestic violence fee 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

We agree with the finding and the correction was made. County reduced remittances to the State Treasurer by \$20,524 and reported on the TC-31 decreases to the [State's] Domestic Violence Restraining Order Reimbursement Fund of \$10,263 and the [State's] Domestic Violence Training and Education Fund of \$10,261.

FINDING 6— Incorrect distribution of revenues from DUI violations

During testing of court cases, we found that the court had not properly distributed revenues from DUI violations. The error occurred due to a clerical error made by court staff at the time of entry into the CMS.

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 a total of two DUI cases from the court. We found that the court made incorrect distributions in one of the two cases. The distributions made by the court for this case did not follow the statutory requirements, resulting in numerous incorrect distributions to state funds including the State Penalty Fund (PC section 1464), the State's DNA Identification Fund (GC section 76104.7), and the State's General Fund (PC section 1465.7).

We discussed this issue with court representatives, who stated that the distribution error was due to a clerical error made by court staff when the case information was entered into the CMS. Errors were found in only one case, and it did not appear to be a systemic error with the court's CMS. We performed a revenue analysis of the error and found that the distribution errors had not resulted in a material underremittance to the State.

PC section 1465.7 requires the courts to levy a 20% state surcharge 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. The penalty is assessed on criminal offenses and Vehicle Code or local ordinance violations. Parking violations are excluded.

GC section 76104.7(a) requires that 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.

Recommendation

We recommend that the court:

- Review its distribution procedures to ensure that case revenue information is entered correctly into its CMS; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The court agreed with the audit finding.

**FINDING 7—
Failure to enhance
base fines on Health
and Safety cases
(repeat finding)**

During testing of DTAC cases, we found that the court did not impose the criminal laboratory analysis fee (Health and Safety Code [HSC] section 11372.5) or the drug program fee (HSC section 11372.7) as base fine enhancements in its CMS. The error occurred because the court misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by DTAC using its CMS. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested two health and safety cases referred to DTAC by the court. We found that the criminal laboratory analysis fee and the drug program fee were not imposed as base fine enhancements in either of the two cases. The failure to enhance the base fines results in an under-collection of each penalty assessment calculated from the base fines.

We discussed this issue with DTAC representatives and found that the court did not impose the criminal laboratory fee or the drug program fee as base fine enhancements before referring the cases to DTAC for collection. We discussed the issue with court staff members, who stated that the court had updated its CMS after the prior SCO audit to impose both fees as enhancements. However, both cases tested in the current audit had violation dates before the issuance of the prior final audit report and when the court updated its CMS.

We did not perform a revenue analysis of this error as the court cannot retroactively collect from defendants or recalculate the base fine enhancements.

As discussed in Finding 4 of our prior audit report dated July 29, 2020, the county failed to enhance base fines on health and safety cases. This is a repeat finding as the county did not correct the errors noted in the prior audit report.

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 court:

- Correct its CMS to comply with statutory requirements;
- Ensure that the criminal laboratory analysis fee and the drug program fee are programmed as base fine enhancements in the court's CMS, especially for those cases referred to DTAC for collection; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The court agreed with the audit finding.

Observation and Recommendation

OBSERVATION— Incorrect distributions to Emergency Medical Services Fund (repeat observation)

During our testing of red-light TVS cases, we found that the court had not properly distributed revenues to the Emergency Medical Services Fund (GC section 76104). 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 red-light TVS cases and found that the court had not properly distributed revenues in all four cases. We found that the court distributed \$0.70 of every \$7.00 collected for the local penalty to the Emergency Medical Services Fund (GC section 76104) rather than the required \$2.00 for every \$7.00 collected (VC section 42007[b]).

The distribution errors resulted in underremittances to the Emergency Medical Services Fund and overremittances to the county TVS Fee (VC section 42007). The distribution had no impact on state revenues, as both are county revenues and are qualified revenues in the county's 50% excess of qualified revenues calculation.

We discussed this error with court representatives, who stated that the court updated its CMS in 2024 to fix the distribution error. We did not perform a revenue analysis of the error as it had no impact on State revenues.

As discussed in Finding 3 of our prior audit report dated July 29, 2020, the county made incorrect distributions to the Emergency Medical Services Fund. This is a repeat issue because the court did not update its CMS to correct the distribution error until 2024.

VC section 42007(b)(2) requires counties with an established Maddy Emergency Medical Services Fund to collect \$2 for every \$7 pursuant to GC section 76000, and to collect \$2 for every \$10 pursuant to GC section 76000.5 for deposit in the fund.

Recommendation

We recommend that the court:

- Review its CMS to ensure that revenues are distributed in accordance with statutory requirements.
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The court agreed with the observation.

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Santa Clara County's corrective actions related to the findings contained in our prior audit report dated July 29, 2020.

Prior Audit Finding	Status
Finding 1— Incorrect calculation of 50% excess of qualified revenues	Not implemented; see Finding 1
Finding 2— Overremitted State Court Facilities Construction penalties	Fully implemented
Finding 3— Incorrect distributions to Emergency Medical Services Fund	Not implemented; see the Observation
Finding 4— Failure to enhance base fines on health and safety cases	Not implemented; see Finding 7
Finding 5— Failure to impose administrative screening and citation processing fees	Fully implemented

**Attachment—
Santa Clara County's Response to Audit Results**

County of Santa Clara

Finance Agency
Controller-Treasurer

County Government Center
70 West Hedding Street, East Wing 2nd floor
San Jose, California 95110-1705
(408) 299-5205 FAX 287-7629



March 3, 2025

Chris Ryan, CIA
Audit Manager, Division of Audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250

Subject: State Controller's Office Audit of Santa Clara County's
Court Revenues for the Period July 1, 2019 to June 30, 2023

Dear Mr. Ryan:

We are writing to provide a response to the State Controller's Office audit of Santa Clara County's court revenues for the period July 1, 2019 to June 30, 2023.

FINDING 1 – Incorrect calculation of 50% excess of qualified revenues (repeat finding)

We agree with the finding and will work with the Superior Court on the revenue breakdowns that should be included in the MOE calculation. We will revise the County's 50-50 Excess Split Revenue Computation worksheet.

FINDING 2 – Incorrect remittance of state revenues

We agree with the finding. The under-remittance in the amount of \$148,295 was due to missed data entry for which subsequent correction was not remitted in a timely manner.

The correction was made. We processed the payment and submitted the remittance advice form (TC-31) to the State Treasurer in the net amount of \$107,004 recently.

FINDING 3 – Incorrect remittance of the state surcharge and state court facilities construction penalty revenues

We agree with the finding and the correction was made. County reported on the TC-31 the increase to the State's General Fund (PC section 1465.7) by \$417,694 and a decrease to the State Court Facilities Construction fund (GC section 70372[a]) by \$417,694.

Board of Supervisors: Sylvia Arenas, Betty Duong, Otto Lee, Susan Ellenberg, Margaret Abe-Koga
County Executive: James R. Williams

FINDING 4 – Incorrect distribution of base fine enhancements

We agree with the finding and the correction was made. County reduced remittances to the State Treasurer by \$20,767 and reported on the TC-31 the decreases to the State's General Fund of \$15,975 and the State's Transportation Fund – Motor Vehicle Account of \$4,792.

FINDING 5 – Incorrect distribution of domestic violence fee revenues

We agree with the finding and the correction was made. County reduced remittances to the State Treasurer by \$20,524 and reported on the TC-31 decreases to the State Domestic Violence Restraining Order Reimbursement Fund of \$10,263 and the State Domestic Violence Training and Education Fund of \$10,261.

As of July 1, 2024, the Court is responsible for distributing the Court fee revenues collected, including domestic violence fee revenues.

FINDING 6 – Incorrect distribution of revenues from DUI violations

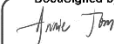
Please see response from the Court.

FINDING 7 – Failure to enhance base fines on Health and Safety cases (repeat finding)

Please see response from the Court.

We appreciate the professionalism of your audit team led by Mr. Douglas Brejnak. Should you have any questions, please contact Trish Phan, General Accounting Manager, at (408) 299-5227.

Sincerely,

DocuSigned by:

DDCAFF80A8F84D7...

Annie Tom
Assistant Controller-Treasurer
County of Santa Clara

Cc: Rebecca Fleming, Chief Executive Officer, Superior Court, Santa Clara County
Annie Tom, Assistant Controller-Treasurer, Controller-Treasurer, Santa Clara County
Dora Espinoza, Assistant Director, Department of Tax and Collections
Walter Eissmann, Director of Finance, Superior Court, Santa Clara County
Jennifer Montecinos, Manager, Tax Administration, State Controller's Office

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

www.sco.ca.gov