

HUMBOLDT COUNTY

Audit Report

COURT REVENUES

July 1, 2017, through June 30, 2021



MALIA M. COHEN
California State Controller

October 2023



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

October 30, 2023

Dear County, Court, City, University, College, and Department Representatives:

The State Controller's Office audited Humboldt County's court revenues for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county underremitted \$74,280 in state court revenues to the State Treasurer because it:

- Underremitted the State Trial Court Improvement and Modernization Fund (Government Code [GC] section 77205) by \$31,537;
- Underremitted the State Restitution Fund – Diversion Restitution Fee (Penal Code section 1001.90) by \$2,318; and
- Underremitted the State's General Fund (Health and Safety Code section 11502) by \$40,425.

In addition, we found that the Superior Court of California, Humboldt County made distribution errors related to DUI and fish and game violations. Furthermore, the Humboldt County Treasurer–Tax Collector's Revenue Recovery Team made distribution errors related to red light, regular speeding, and proof of financial responsibility violations; failed to impose the domestic violence fee; and incorrectly prioritized the distribution of installment payments.

We also identified deficiencies that are not significant to our audit objective, but warrant the attention of management. Specifically, we found that the court and the Revenue Recovery Team incorrectly collected revenues for the County Courthouse Construction Fund (GC section 76100); and we found that the following parking entities imposed and collected incorrect parking surcharges:

- Universities and colleges – California State Polytechnic University, Humboldt; and College of the Redwoods;
- Cities – City of Arcata, City of Eureka, and City of Fortuna;
- Special districts – Humboldt County Sheriff's Department; and
- State of California – Department of Parks and Recreation.

The county made payments totaling \$74,280 in its monthly Report to the State Controller of Remittance to State Treasurer (TC-31) in June 2023.

The Tax Programs Unit will calculate interest on the underremitted amount and bill the county in accordance with GC sections 68085, 70353, and 70377.

If you have questions regarding interest and penalties, please contact Jennifer Montecinos, Manager, Tax Administration Section, by telephone at (916) 324-5961, or by email at lgpsdtaxaccounting@sco.ca.gov.

If you have questions regarding the audit findings, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138, or by email at lkurokawa@sco.ca.gov.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/rs

Attachment—Recipient Addresses

cc: The Honorable Steve Madron, Chair
Humboldt County Board of Supervisors
Lynda Gledhill, Executive Officer
California Victim Compensation Board
Matt Espenshade, Manager
Internal Audit Services
Judicial Council of California
Anita Lee, Senior Fiscal and Policy Analyst
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Recipient Addresses

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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 Humboldt County on the Report to State Controller of Remittance to State Treasurer (TC-31) for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county underremitted \$74,280 in state court revenue. In addition, we found that the Superior Court of California, Humboldt County made distribution errors related to DUI and fish and game violations. Furthermore, Humboldt County Treasurer-Tax Collector's Revenue Recovery Team made distribution errors related to red light, regular speeding, and proof of financial responsibility violations; failed to impose the domestic violence fee; and incorrectly prioritized the distribution of installment payments.

We also identified deficiencies that are not significant to our audit objective, but warrant the attention of management. Specifically, we found that the court and the Revenue Recovery Team incorrectly collected revenues for the County Courthouse Construction Fund (Government Code [GC] section 76100); and we found that various entities imposed and collected incorrect parking surcharges.

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 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

Objective, Scope, and Methodology

court. Furthermore, GC section 12410 provides the SCO with general audit authority to superintend the fiscal concerns of the State.

Our audit objective was to determine the propriety of the court revenues remitted to the State Treasurer pursuant to the TC-31 process.

The audit period was July 1, 2017, through June 30, 2021.

To achieve our objective, we performed the following procedures.

General

- We gained an understanding of the county and the court's revenue collection and reporting processes, and of the criteria that were significant to our audit objective.
- We interviewed county personnel regarding the monthly TC-31 remittance process, and the MOE calculation.
- We interviewed county and court personnel regarding the revenue distribution process and the case management system.
- We reviewed documents supporting the transaction flow.
- We scheduled monthly TC-31 remittances prepared by the county and the court showing court revenue distributions to the State.
- We performed a review of the complete TC-31 remittance process for revenues collected and distributed by the county and the court.
- We assessed the reliability of data from the case management 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% 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. 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. We contacted entities that did not remit the required parking surcharges and reviewed their required distributions. Errors found were not projected to the intended (total) population.
- 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, haphazardly selected a non-statistical sample of 62 cases for 11 violation types. We were not able to identify the case population due to the inconsistent timing of when tickets were issued versus when they were paid, and the multitude of entities that remit collections to the county for remittance to the State.

We tested the sample as follows:

- We recomputed the sample case distributions and compared them to the actual distributions.
- We recalculated 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 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 and court may be required to make under GC sections 70353 and 77201.1(b), included in the TC-31.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. Specifically, we found that the county underremitted \$74,280 in court revenues to the State Treasurer because it:

- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 77205) by \$31,537;
- Underremitted the State Restitution Fund – Diversion Restitution Fee (Penal Code [PC] section 1001.90) by \$2,318; and
- Underremitted the State’s General Fund (Health and Safety Code [HSC] section 11502) by \$40,425.

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

In addition, we found that the court made distribution errors related to DUI and fish and game violations. Furthermore, the Revenue Recovery Team made distribution errors related to red light, regular speeding, and proof of financial responsibility violations; failed to impose the domestic violence fee; and incorrectly prioritized the distribution of installment payments. These instances of noncompliance are non-monetary; they are described in the Findings and Recommendations section.

We also identified deficiencies that are not significant to our audit objective, but warrant the attention of management. Specifically, we found that the court and the Revenue Recovery Team incorrectly collected revenues for the County Courthouse Construction Fund (GC section 76100); and we found that the following parking entities imposed and collected incorrect parking surcharges:

- Universities and colleges – California State Polytechnic University, Humboldt (Cal Poly Humboldt); and College of the Redwoods;
- Cities – City of Arcata, City of Eureka, and City of Fortuna;
- Special districts – Humboldt County Sheriff’s Department; and
- State of California – Department of Parks and Recreation (CDPR).

These instances of noncompliance are described in the Observations and Recommendations section.

The county made payments totaling \$74,280 in its monthly TC-31 remittances in June 2023 to the State Treasurer.

Follow-up on Prior Audit Findings

The county has satisfactorily resolved the findings noted in our prior audit report, for the period of July 1, 2005, through June 30, 2013, issued on April 7, 2017, with the exception of Finding 1 of this audit report.

Views of Responsible Officials

We issued a draft report on August 2, 2023. Representatives for the county responded on August 15, 2023, via email stating that the county does not disagree with the findings and issued the required payments. The court’s representatives responded by letter dated August 18, 2023 (Attachment A), agreeing with the audit results. Cal Poly Humboldt’s representatives responded by letter dated August 15, 2023 (Attachment B), agreeing with the audit results. The City of Arcata’s representatives responded by letter dated August 15, 2023 (Attachment C), agreeing with the audit results. CDPR’s representatives responded on August 16, 2023, via email stating that the department “has taken the recommendations from the audit into advisement and will affirm there is no further misinterpretation of the statutory requirements”.

Restricted Use

This audit report is solely for the information and use of Humboldt County; Superior Court of California, Humboldt County; Cal Poly Humboldt; the College of the Redwoods; the City of Arcata; the City of Eureka; the City of Fortuna; the Humboldt County Sheriff's Department; CDPR; the JCC; and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

October 30, 2023

**Schedule—
Summary of Audit Findings Affecting Remittances to the State Treasurer
July 1, 2017, through June 30, 2021**

Finding ¹	Fiscal Year				Total	Reference ²
	2017-18	2018-19	2019-20	2020-21		
Underremitted 50% excess of qualified revenues						
State Trial Court Improvement and Modernization Fund – GC §77205	\$5,445	\$26,092	\$ -	\$ -	\$31,537	Finding 1
Incorrect calculation of the TC-31 remittances						
State Restitution Fund – Diversion Restitution Fee – PC §1001.90	-	-	660	1,658	2,318	Finding 2
Incorrect distribution of revenues from the bail bond forfeitures						
State General Fund – HSC §11502	-	-	36,750	3,675	40,425	Finding 3
Total amount underremitted to the State Treasurer	\$5,445	\$26,092	\$37,410	\$5,333	\$74,280	

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

²See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Underremitted 50%
excess of qualified
revenues (repeat
finding)**

During our recalculation of the 50% excess of qualified revenues, we found that the county used an incorrect qualified revenue amount in its calculation for each fiscal year. The errors resulted in the county underremitting the 50% excess of qualified revenues to the State Treasurer by a net of \$31,537 for the audit period. The qualified revenues were incorrectly calculated because the county misinterpreted the required calculations.

For the audit period, the county provided support for its calculation of the 50% excess of qualified revenues. We reviewed the county's calculations and reconciled the qualified revenues to revenue collection reports provided by the court and the county. We noted that qualified revenues in the calculations did not reconcile to the county's collection reports due to calculation errors related to the State penalty assessment (PC section 1464), traffic violator school (TVS) fees (Vehicle Code [VC] section 42007), and the additional TVS fee revenues (VC section 42007.1). The errors also occurred because the court incorrectly distributed revenues from base fines and forfeitures (PC section 1463.001).

Furthermore, we noted that the county 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 fine (VC section 42007[c]) revenues from TVS cases from its calculation of the TVS fee (VC section 42007) during the audit period.

We recalculated the county's qualified revenues based on actual court revenues collected for each fiscal year. After our recalculation, we found that the county had understated qualified revenues by \$1,289,576 for the audit period.

Qualified revenues were understated for the audit period for the following reasons:

- The county understated qualified revenues by \$297,891 because it miscalculated the revenues from base fines (PC section 1463.001);
- The county understated qualified revenues by \$527,478 because it miscalculated revenues from the State Penalty Assessment (PC section 1464);
- The county overstated qualified revenues by \$155,655, because it miscalculated revenues from TVS fee (VC section 42007.1);
- The county understated qualified revenues in its calculation of the TVS fee (VC section 42007) by \$666,719, as follows:
 - TVS fee (VC section 42007) by \$435,127;
 - Courthouse Construction Fund (GC section 76100) by \$6,987;

- Criminal Justice Facilities Construction Fund (GC section 76101) by \$6,984;
- Emergency Medical Services Fund (GC section 76104) by \$72,082;
- Maddy Emergency Medical Services Fund (GC section 76000.5) by \$72,082; and
- City base fines (VC section 42007[c]) by \$73,457.
- The county overstated qualified revenues from base fines and forfeitures (PC section 1463.001) by \$46,857 for the audit period because the court miscalculated the revenues collected from bail bond forfeitures for health and safety cases.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Total
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	
Qualified revenues reported	\$ 683,242	\$ 698,189	\$ 606,967	\$ 526,987	\$ 2,515,385
Auditor adjustments:					
PC § 1463.001 understatments	87,997	71,798	73,099	64,997	297,891
PC § 1464 understatements	150,026	143,577	134,778	99,097	527,478
VC § 42007 understatements	159,773	214,697	154,828	137,421	666,719
VC § 42007.1 overstatements	(39,053)	(49,575)	(32,794)	(34,233)	(155,655)
PC § 1463.001 overstatements	(5,513)	(919)	(36,750)	(3,675)	(46,857)
Total	<u>353,230</u>	<u>379,578</u>	<u>293,161</u>	<u>263,607</u>	<u>1,289,576</u>
Adjusted qualified revenues	<u>\$ 1,036,472</u>	<u>\$ 1,077,767</u>	<u>\$ 900,128</u>	<u>\$ 790,594</u>	<u>\$ 3,804,961</u>

The incorrect qualified revenues resulted in the county underremitting the 50% excess of qualified revenues by a net of \$31,537 for the audit period.

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

Fiscal Year	Qualifying Revenues	Base Amount	Excess Amount Above the Base	50% Excess Amount Due the State	County Remittance to the State Treasurer	County Underremittance to the State Treasurer ¹
2017-18	\$ 1,036,472	\$ 1,025,583	\$ 10,889	\$ 5,445	\$ -	\$ 5,445
2018-19	1,077,767	1,025,583	52,184	26,092	-	26,092
2019-20	900,128	1,025,583	(125,455)	-	-	-
2020-21	790,594	1,025,583	(234,989)	-	-	-
Total						<u>\$ 31,537</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 April 7, 2017, the county underremitted the 50% excess of qualified revenues. This is a repeat finding, as the county did not correct the distribution errors noted in our 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 fiscal year 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement and Modernization Fund.

Recommendation

We recommend that the county:

- Remit \$31,537 to the State Treasurer and report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund; and
- Ensure that the proper accounts are included in the calculation of each line item on the 50% Excess Split Revenue Computation Form.

County Response

County representatives responded via email on August 15, 2023, stating that the county does not disagree with the findings and has issued the required payments.

**FINDING 2—
Incorrect calculation
of TC-31 remittances**

During our review and reconciliation of the TC-31 remittances, we found that a portion of restitution funds was incorrectly excluded from the TC-31 remittances, resulting in an underremittance of \$2,318 to the State Treasurer for the audit period. Revenues were misreported due to input errors in the county’s consolidated revenue collection reports. The input errors resulted in the exclusion of the State’s Restitution Fund – Diversion Restitution Fee (PC section 1001.90) revenues from remittances.

We found that the county did not remit Diversion Restitution Fee (PC section 1001.90) revenues that it received from the court. For four months in 2020 (March, July, September, and October) and five months in 2021 (January through April, and June) the county remitted only those revenues collected by the Revenue Recovery Team, omitting revenues collected by the court. We performed a revenue analysis of the TC-31 revenues to determine the fiscal effect of the error. Upon completion of our analysis, we determined that the omission resulted in an underremittance of \$2,318.

The underremitted revenues are as follows:

Account Title	Underremitted / (Overremitted)
State Restitution Fund — Diversion Restitution Fee — PC §1001.90	\$ 2,318

GC section 68101(a) requires the court to deposit the State’s portion of court revenues with the County Treasurer as soon as is practical, and further requires the County Auditor to transmit the funds to the State Treasurer at least once a month.

Recommendation

We recommend that the county:

- Remit \$2,318 to the State Treasurer and report on the TC-31 an increase to the State's Restitution Fund – Diversion Restitution Fee (PC section 1001.90); and
- Review the manual process for combining collection reports to ensure that all revenues collected are properly reported and remitted on TC-31 forms.

County Response

County representatives responded via email on August 15, 2023, stating that the county does not disagree with the findings and has issued the required payments.

**FINDING 3—
Incorrect distribution
of revenues from bail
bond forfeitures**

During our testing of court cases, we found that the court did not properly distribute revenues from bail bond forfeitures, resulting in a net underremittance of \$40,425 to the State Treasurer for the audit period. These errors also resulted in an overstatement of \$46,856 in the county's qualified revenues for the county base fines and forfeitures (PC section 1463.001) line item. The court did not properly distribute revenues from base fines (PC section 1463.001) in three of eight cases; and it did not properly distribute revenues from health and safety base fines (HSC section 11502) in two of the eight cases. The errors 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 each sample case, we recomputed the distributions and compared them to the actual distributions. During initial testing, we found that the court had incorrectly distributed revenues from bail bond forfeitures in one of four cases tested. Due to the errors noted and the low volume of bail bond forfeitures, we increased testing to include all bail bond forfeitures from the audit period; this resulted in four additional cases being tested. During testing, we found the following distribution errors:

- For the bail bond forfeiture health and safety cases, the court distributed the county portion of the revenues from forfeitures as base fines (PC section 1463.001) rather than health and safety base fines (HSC section 11502); and
- The court incorrectly distributed revenues from forfeitures pursuant to Health and Safety Code as forfeitures pursuant to Penal Code.

We performed a revenue analysis of the revenues from bail bond forfeiture health and safety cases to determine the fiscal effect of the distribution error. Upon completion of our analysis, we determined that the distribution errors resulted in the court underremitting the State's General Fund for health and safety base fine (HSC section 11502) revenues by a net of \$40,425. The errors also resulted in an overstatement of qualified revenues (PC section 1463.001) by \$46,856 (\$62,475 × 75%), see Finding 1.

The incorrect distributions had the following effect:

<u>Account Title</u>	<u>Underremitted / (Overremitted)</u>
State General Fund — HSC §11502	\$ <u>40,425</u>
County General Fund — PC §1463.001	\$ (62,475)
County General Fund — HSC §11502	<u>22,050</u>
Total	<u>\$ (40,425)</u>

PC section 1463.009 requires that revenues from forfeited bail be distributed pursuant to PC section 1463.

PC section 1463.001(b)(1) requires that the base fines which are subject to specific distributions be distributed to the specified funds of the State or the local agency.

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

Recommendation

We recommend that the court:

- Remit \$40,425 to the State Treasurer and report on the TC-31 an increase to the State's General Fund (HSC section 11502) for health and safety base fines; and
- We also recommend that the court correct its case management system to ensure that bail bond forfeitures are distributed in accordance with statutory requirements.

Court's Response

The Court agrees it did not properly distribute revenues from bail bond forfeitures. The Court corrected its case management system to ensure that bail bond forfeitures are distributed in accordance with statutory requirements. The funds were distributed to the County and therefore the County will need to submit the corrected documents. The Court will need to provide the County with the correct distribution.

FINDING 4— Incorrect distribution of revenues from DUI violations (court)

During testing of court cases, we found that court incorrectly distributed revenues from DUI cases. The errors occurred because the court misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing, we found that the court did not properly distribute revenues for the 2% state

automation fee (GC section 68090.8) from the alcohol abuse and education penalty (PC section 1463.25).

For DUI violations, we found that the court did not distribute the 2% for the alcohol abuse and education penalty (PC section 1463.25) to the state automation fee (GC section 68090.8) for two of the four cases tested. According to the court, the issue was corrected when it implemented its new case management system in October 2019.

We performed a revenue analysis of the DUI revenues to determine the fiscal effect of the distribution error. Due to the low number of total DUI cases, we determined the distribution errors to be immaterial.

GC section 68090.8(b) requires the county treasurer, prior to making any other required distribution, to transmit 2% of all fines, penalties, and forfeitures collected in criminal cases to the State Trial Court Improvement and Modernization Fund to be used exclusively to pay the costs of automated systems for the trial courts.

Recommendation

We recommend that the court:

- Ensure that the 2% state automation fee (GC section 68090.8) is properly applied; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The Court agrees that it incorrectly distributed revenues from DUI cases. The Court has made the necessary corrections to ensure that the 2% state automation fee (GC section 68090.8) is properly applied. This issue was resolved when the Court implemented its new case management in 2019.

FINDING 5— Incorrect distribution of revenues from fish and game violations

During testing of court cases, we found that the court incorrectly distributed revenues from fish and game cases. The errors 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 each sample case, we recomputed the distributions and compared them to the actual distributions. We tested two violations and found that the court did not properly calculate revenues in one case.

For fish and game violations, we found that in one of two cases tested, the court did not distribute 2% of the secret witness penalty (Fish and Game section 12021) to the state automation fee (GC section 68090.8). According to the court, the issue was corrected when the court implemented a new case management system in October 2019. The case with correctly distributed revenues was processed by the new system.

We performed a revenue analysis of the fish and game violation revenues to determine the fiscal effect of the distribution error. Upon completion of our analysis, we found that the errors did not have a material effect on the revenues remitted to the State.

GC section 68090.8 requires the county treasurer, prior to making any other required distribution, to transmit 2% of all fines, penalties, and forfeitures collected in criminal cases to the State Trial Court Improvement and Modernization Fund to be used exclusively to pay the costs of automated systems for the trial courts.

Recommendation

We recommend that the court:

- Ensure that the 2% state automation fee (GC section 68090.8) is properly distributed; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

Court's Response

The Court agrees that it incorrectly distributed revenues from fish and game cases. This issue was resolved when the Court implemented its new case management in 2019. The Court has made the necessary corrections to ensure that the 2% state automation fee (GC section 68090.8) is properly applied. This issue was resolved when the Court implemented its new case management in 2019.

FINDING 6— Incorrect distribution of revenues from red light violations

During testing of the Revenue Recovery Team cases, we found that the team incorrectly distributed revenues from red light violations. The errors occurred because the Revenue Recovery Team misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the Revenue Recovery Team using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested two cases, and found that the Revenue Recovery Team incorrectly calculated revenues from both of them.

For red light violations, we found that the Revenue Recovery Team did not distribute 30% of the revenues collected for the following funds to the Red Light Allocation Fund (PC section 1463.11):

- County base fines (PC section 1463.001);
- City base fines (PC section 1463.002);
- The State Penalty Fund (PC section 1464);
- 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 Emergency Medical Air Transportation penalty (GC section 76000.10[c]);
- The State Court Facilities Construction Fund – Immediate and Critical Needs Account (GC section 70372[a]); and
- The State Court Facilities Construction Fund (GC section 70372[a]).

We performed a revenue analysis of the red-light-violation revenues to determine the fiscal effect of the distribution error. Upon completion of our analysis, we found that these errors did not have a material effect on the revenues remitted to the State. Furthermore, during the audit, the Interim Treasurer–Tax Collector informed us that the Revenue Recovery Team stopped processing traffic violations in October 2018, and cases after that date have been processed by the court. As the Revenue Recovery Team no longer processes new traffic violations, the discrepancy will not affect newer cases.

PC section 1463.11 requires that the first 30% of red light violation base fines, state penalties, and county penalties (PC sections 1463 and 1464, and GC sections 76000 and 76100, respectively) collected to be distributed to the general fund of the county or city in which the violation occurred. The Emergency Medical Air Transportation penalty is referenced in this statute as part of the State’s penalty portion within PC section 1464.

Recommendation

We recommend that, if the Revenue Recovery Team processes red light cases in the future, it:

- Correct its case management system to comply with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC’s testing sheets.

County’s Response

The county responded via email on August 15, 2023, stating that it does not disagree with the findings.

FINDING 7— Incorrect distribution of revenues from regular speeding violations

During testing of the Revenue Recovery Team cases, we found that the team incorrectly distributed revenues from regular speeding violations. The errors occurred because the Revenue Recovery Team misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the Revenue Recovery Team using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested two violations, and found that the Revenue Recovery Team incorrectly calculated revenues from both of them.

For regular speeding violations, we found that the Revenue Recovery Team distributed \$41.70 to the State penalty assessment (PC section 1464) rather than \$40, resulting in an underremittance to the State Court Facilities Construction Fund (GC section 70372[a]) by \$1 for each case. Additionally, the county base fine (PC section 1463.001) was reduced by 2% and the 2% was remitted to the State Penalty Assessment Fee (PC section 1464), resulting in the underremittance of base fines.

We performed a revenue analysis of the regular speeding violation revenues to determine the fiscal effect of the distribution error. Upon completion of our analysis, we found that the errors did not have a material effect on the revenues remitted to the State. Furthermore, during the audit, the Interim Treasurer–Tax Collector informed us that the Revenue Recovery Team stopped processing traffic violations in October 2018, and that all traffic cases after that date would be processed by the court. As the Revenue Recovery Team no longer processes new traffic violations, the discrepancy will not affect newer cases.

PC section 1464(a) requires that there a penalty of \$10 for every \$10 (or fraction thereof) be levied upon every fine, penalty, or forfeiture imposed and collected by the courts for all criminal offenses.

PC section 1464(e) requires 70% of the State Penalty Assessment to be deposited in the State Penalty Assessment Fund and 30% to remain on deposit in the county’s general fund.

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

Recommendation

We recommend that, if the Revenue Recovery Team processes regular speeding violations in the future, it:

- Correct its case management system to comply with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC’s testing sheets.

County’s Response

The county responded via email on August 15, 2023, stating that it does not disagree with the findings.

FINDING 8— Failure to impose the domestic violence fee

During testing of the Revenue Recovery Team cases, we found that the team did not consistently impose the domestic violence fee (PC section 1203.097). The errors occurred because the Revenue Recovery Team misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the Revenue Recovery Team using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested four cases and found that the Revenue Recovery Team failed to impose the domestic violence fee (PC section 1203.097) in two cases.

After completion of our review, we determined that we would not analyze errors related to the Revenue Recovery Team's fee collection because the team cannot retroactively collect the fee from defendants. Therefore, we did not perform a revenue analysis.

PC section 1203.097(a)(5) requires the county to post two-thirds of the domestic violence fee to its Domestic Violence Fund. 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 Revenue Recovery Team:

- Ensure that the domestic violence fee (PC section 1203.097) is consistently imposed in accordance with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

County's Response

The county responded via email on August 15, 2023, stating that it does not disagree with the findings.

FINDING 9— Incorrect distribution of revenues from proof of financial responsibility violations

During testing of the Revenue Recovery Team cases, we found that the team incorrectly distributed revenues from proof of financial responsibility violations. The errors occurred because the Revenue Recovery Team misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the Revenue Recovery Team using its accounting system. For each sample case, we recomputed the distributions and compared them to the actual distributions. Of the two violations tested, we found that neither was properly calculated by the Revenue Recovery Team.

For proof of financial responsibility (insurance) violations, we found that the Revenue Recovery Team had made incorrect distributions to the state portion (70%) and the county portion (30%) of county base fine (PC section 1463.001), city base fine (PC section 1463.002), and State penalty assessment (PC section 1464). The State penalty assessment (PC section 1464) was being reduced for the base fine reduction (PC sections 1463.22[a] and [c]) penalties rather than the county and city base

finer (PC section 1463) and a higher amount was distributed to the city base fines (PC section 1463.002).

We performed a revenue analysis of the proof of financial responsibility violation revenues to determine the fiscal effect of the distribution error. Upon completion of our analysis, we found that these errors did not have a material effect on revenues remitted to the State. Furthermore, during the audit, the Interim Treasurer–Tax Collector informed us that the Revenue Recovery Team stopped processing traffic violations in October 2018, and that all traffic cases after that date would be processed by the court. As the Revenue Recovery Team no longer processes new traffic violations, the discrepancy will not affect newer cases.

PC section 1463.22 states that, of the revenues collected for the county base fine (PC section 1463), \$17.50 must be deposited into the county special account (PC section 1463.22[a]), \$3.00 must be deposited into the State Transportation Fund (PC section 1463.22[b]), and \$10.00 must be deposited into the State’s General Fund (PC section 1463.22 [c]) .

Recommendation

We recommend that, if the Revenue Recovery Team processes proof of financial responsibility violations in the future, it:

- Correct its case management system to comply with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC’s testing sheets.

County’s Response

The county responded via email on August 15, 2023, stating that it does not disagree with the findings.

FINDING 10— Incorrect prioritization of installment payments

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

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

We tested four cases, and found that the Revenue Recovery Team did not distribute installment payments for any of them according to PC section 1203.1d, subparagraph (b). Upon completion of our testing, we determined that for each of the cases tested, the Revenue Recovery Team correctly distributed the full fine amounts to priority-one and priority-two

revenues before any distributions to other fines and penalties. However, we found that the Revenue Recovery Team incorrectly made proportionate distributions to priority-four revenues prior to making full payments to the priority-three fines and fees.

Additionally, for one of the cases, no revenue distributions were made to the three priority-three revenues, including the State's Restitution Fund (PC section 1202.4), the \$50 health and safety Crime Lab Fee (HSC section 11372.5), and the health and safety Drug Program Fee (HSC section 11372.7), which can be up to \$150. Furthermore, for another case, no revenue distributions were made to the priority-three revenues, including the State's Restitution Fund (PC section 1202.4) and the county's alcohol abuse and prevention program (PC section 1463.25).

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

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

County's Response

The county responded via email on August 15, 2023, stating that it does not disagree with the findings.

Observations and Recommendations

OBSERVATION 1— Incorrect collection of local penalties

During testing of Humboldt County’s Revenue Recovery Team and court cases, we found that they incorrectly collected revenues for the County Courthouse Construction Fund (GC section 76100). The error occurred because the Revenue Recovery Team and the court misinterpreted the *Distribution Guidelines* and incorrectly configured its case management systems.

We verified, on a sample basis, distributions made by the Revenue Recovery Team and the court using their case management systems. For each sample case, we recomputed the distributions and compared them to the actual distributions. During our testing of cases, we found that the Revenue Recovery Team and the court had incorrectly collected \$7.00 for every \$10.00 base fine for the County Courthouse Construction Fund although it was no longer authorized to do so. On December 4, 2017, the county paid off its outstanding bonded indebtedness. Therefore, the Revenue Recovery Team and the court should have reduced the additional county penalty authorized by GC section 76000(a) to \$5.19 and stopped collecting revenues for the County Courthouse Construction Fund.

We did not measure the monetary impact of this error because it was not a distribution error that resulted in overremitted funds to the State Treasurer. Rather, the Revenue Recovery Team and the court overcharged the defendants on each case, meaning that the excess revenues collected were actually owed to the defendants. However, we believe that it would be impractical and difficult to return the overcharged amounts to each defendant.

We discussed the issue with the Revenue Recovery Team and the court, and received a response from the county counsel. County counsel stated that the county will continue to collect \$7.00 in local penalties for the county general fund that was used to pay off the outstanding bond debt. However, in accordance with GC sections 76000(a) and (e), when there is a partial transfer of court facilities and no remaining bond indebtedness, the penalty shall be reduced to the amount listed in GC section 76000(e) for that county, plus an amount that is equal to the percentage of court facilities retained by the county.

GC section 76000(e) requires the \$7.00 additional county penalty authorized by GC section 76000(a) to be reduced by the amount assessed by the county for its Courthouse Construction Fund when the money in that fund is transferred to the State in accordance with GC section 70402. Based on the statute, the county should have reduced the local penalty from \$7.00 to \$5.19.

GC section 70402 states that the amount in a county’s Courthouse Construction Fund established by GC section 76100 shall be transferred to the State Court Facilities Construction Fund at the later of the following dates: (1) The date of the last transfer of responsibility for court facilities from the county to the JCC; or (2) The date of the final payment of the

bonded indebtedness for any court facility that is paid from that fund is retired. As previously mentioned, the county paid off its bonded indebtedness in December 2017.

Recommendation

We recommend that the Revenue Recovery Team and the court correct their case management systems to ensure that revenues are distributed in accordance with statutory requirements.

County's Response

The county responded via email on August 15, 2023, stating that it does not disagree with the findings.

Court's Response

The Judicial Council has addressed this issue with the County of Humboldt and the Court does not have a further response.

OBSERVATION 2— Incorrect collection and distribution of parking surcharges

During our analysis of parking and equipment violations, we found that the following parking entities imposed and collected incorrect parking surcharges:

- Universities and colleges – Cal Poly Humboldt and College of the Redwoods;
- Cities – City of Arcata, City of Eureka, and City of Fortuna;
- Special districts – Humboldt County Sheriff's Department; and
- State of California – CDPR.

The error occurred because the county and parking entities misinterpreted the statutory requirements related to parking surcharges.

External parking agencies are required to collect revenues for parking violations and remit the revenues to the county. Revenues are remitted to the county on a monthly basis and collection reports are included to support the remitted revenues. During our analysis of the collection reports, we found that the aforementioned parking entities incorrectly collected a total of \$12.50 in state and county parking surcharges on every parking violation instead of the required \$11.00.

On December 4, 2017, the county paid off the bonded indebtedness for court facilities. Therefore, parking entities in the county should not have collected \$2.50 for the County Courthouse Construction Fund (GC section 76100). Instead, parking entities should have collected only \$1.00 for the County Courthouse Construction Fund (GC section 76100). The \$1.00 then should have been deposited in the county's general fund in accordance with GC section 76000(c).

We did not measure the monetary impact of this error because it was not a distribution error that resulted in overremitted funds to the State Treasurer. Rather, the county and parking entities overcharged the defendants on each case, meaning that the excess revenues collected were actually owed to the defendants. However, we believe that it would be impractical and difficult to return the overcharged amounts to each defendant.

GC section 76000(b) requires, provided that the board of supervisors has adopted a resolution stating that the implementation of this subdivision is necessary to the county, that for each authorized fund established pursuant to GC section 76100 or GC section 76101, for every parking offense where a parking penalty, fine, or forfeiture is imposed, an added penalty of \$2.50 be included in the total penalty, fine, or forfeiture.

GC section 76000(c) requires the county treasurer to deposit \$1.00 of every \$2.50 collected for the County Courthouse Construction Fund and the County Criminal Justice Facilities Construction Fund into the county's general fund.

GC section 76000(d) states that the authority to impose the \$2.50 penalty authorized by GC section 76000(b) should be reduced to \$1.00 as of the date of transfer of responsibility for facilities, except as money is needed to pay for construction provided for in GC section 76100.

GC section 70372(b) requires the issuing agencies to collect a state surcharge of \$4.50 for every parking fine or forfeiture, for deposit in the State Court Facilities Construction Fund.

During the audit period, GC section 70372(f) required that one-third of the \$4.50 be deposited in the State Court Facilities Construction Fund and two-thirds be deposited in the Immediate and Critical Needs Account. GC section 70372 was amended by Statutes of 2021, Chapter 79, which abolished the Immediate and Critical Needs Account and made various changes to existing law.

GC section 76000.3 requires that parking agencies pay to the State Treasurer a state surcharge of \$3.00 on each parking violation, for deposit in the State's Trial Court Trust Fund.

Recommendation

We recommend that the county and parking entities collect and remit the required state and county parking surcharges, totaling \$11 per infraction, to the county.

County's Response

The county responded via email on August 15, 2023, stating that it does not disagree with the findings.

Cal Poly Humboldt's Response:

The University acknowledges and agrees with the observation and recommendation. Effective August 30, 2022, the county remittance amount was amended for the University to be \$11 per infraction based on the SCO audit observation and recommendation.

City of Arcata's Response:

The City of Arcata has received and reviewed the State Controller's Office (SCO) report on the Humboldt County's court revenues for the period of July 1, 2017, through June 30, 2021. The City does not dispute any of the findings in the report. Unless directed otherwise, the City of Arcata will cease collecting and remitting the additional \$1.50 for the County Courthouse Construction Fund and instead collect and remit a total of \$11.00 in revenue for parking violations in our jurisdiction.

CDPR's Response

CDPR's representatives responded via email on August 16, 2023, stating that the department "has taken the recommendations from the audit into advisement and will affirm there is no further misinterpretation of the statutory requirements."

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Humboldt County's corrective actions related to the findings contained in our prior audit report dated April 7, 2017.

Prior Audit Finding Number	Finding Title	Implementation Status
1	Underremitted the 50% excess of qualified fines, fees, and penalties.	Not implemented - see current Finding 1.
2	Underremitted parking fees.	Fully implemented.
3	Inappropriate distribution of traffic violator school bail (Humboldt County Revenue Recovery).	Fully implemented.
4	Inappropriate distribution of traffic violator school bail (Humboldt County Auditor Controller's Office).	Fully implemented.
5	Inaccurate case information recorded.	Fully implemented.

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



**SUPERIOR COURT OF CALIFORNIA
COUNTY OF HUMBOLDT**

Meara Hattan
Court Executive Officer/
Jury Commissioner

Gregory Elvine-Kreis
Presiding Judge

August 18, 2023

Office of State Controller Malia M. Cohen
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 725A
Sacramento, CA 95816

The Superior Court of California, County of Humboldt (Court) has reviewed the draft audit report and agrees with the State Controller's Office (SCO) audit findings. Through this process the Court has gained experience and awareness that will assist in making improvements to our operations. Below are our responses to each of the findings in the report which pertain to the Court.

Incorrect distribution of revenues from bail bond forfeitures

The Court agrees it did not properly distribute revenues from bail bond forfeitures.

The Court corrected its case management system to ensure that bail bond forfeitures are distributed in accordance with statutory requirements.

The funds were distributed to the County and therefore the County will need to submit the corrected documents. The Court will need to provide the County with the correct distribution.

Incorrect distribution of revenues from DUI violations (court)

The Court agrees that it incorrectly distributed revenues from DUI cases. The Court has made the necessary corrections to ensure that the 2% state automation fee (GC section 68090.8) is properly applied. This issue was resolved when the Court implemented its new case management in 2019.

Incorrect distribution of revenues from fish and game violations

The Court agrees that it incorrectly distributed revenues from fish and game cases. This issue was resolved when the Court implemented its new case management in 2019. The Court has made the

825 Fifth Street ~ Eureka, California 95501 ~ (707) 445-7256

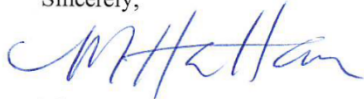
necessary corrections to ensure that the 2% state automation fee (GC section 68090.8) is properly applied. This issue was resolved when the Court implemented its new case management in 2019.

Observation— Incorrect collection of local penalties

The Judicial Council has addressed this issue with the County of Humboldt and the Court does not have a further response.

The Court appreciates having SCO reviews to provide opportunities for improving internal policies.

Sincerely,

A handwritten signature in blue ink, appearing to read "M Hattan".

Meara Hattan
Court Executive Officer

**Attachment B—
Cal Poly Humboldt's Response to Draft Audit Report**



VP for Administration and Finance

August 15, 2023

Lisa Kurokawa
Chief Compliance Audits Bureau, Division of Audits
State Controllers Office
PO Box 942850
Sacramento, CA 94250

Humboldt County Audit Report – Court Revenues (July 1, 2017-June 30, 2021)

Dear Ms. Kurokawa:

Please find herein the campus response for the Humboldt Court Revenue Audit draft report.

Please review the information and let us know if there are any questions, or if we can provide additional information.

Recommendation

We recommend that the county and parking entities collect and remit the required state and county parking surcharges, totaling \$11 per infraction, to the county.

Response

The University acknowledges and agrees with the observation and recommendation. Effective August 30, 2022, the county remittance amount was amended for the University to be \$11 per infraction based on the SCO audit observation and recommendation.

Please direct questions regarding the responses to Sarah Long, Controller, at 707-826-4036 or sarah.long@humboldt.edu.

Sincerely,

Sherie Cornish Gordon
Vice President for Administration & Finance

cc: Sarah Long, Controller



1 Harpst St., Arcata, CA 95521-8299 • Student & Business Services • 707-826-3351 • sherie.gordon@humboldt.edu

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**Attachment C—
City of Arcata's Response to Draft Audit Report**



736 F Street
Arcata CA 95521

City Manager
707-822-5953

Environmental Services
707-822-8184

Police
707-822-2428

Recreation
707-822-7091

Community Development
707-822-5955

Finance
707-822-5951

Engineering
707-825-2128

Transportation
707-822-3775

August 15, 2023

Lisa Kurokawa, Chief
Compliance Audits Bureau, Division of Audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250

Dear Ms. Kurokawa,

The City of Arcata has received and reviewed the State Controller's Office (SCO) report on the Humboldt County's court revenues for the period of July 1, 2017, through June 30, 2021. The City does not dispute any of the findings in the report.

Unless directed otherwise, the City of Arcata will cease collecting and remitting the additional \$1.50 for the County Courthouse Construction Fund and instead collect and remit a total of \$11.00 in revenue for parking violations in our jurisdiction.

If there are any additional actions necessary on the part of the City of Arcata, please feel free to contact me. Thank you for the work that you and your division complete.

Sincerely,

Tabatha Miller
Finance Director

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

www.sco.ca.gov