

# MENDOCINO COUNTY

Audit Report

## COURT REVENUES

*July 1, 2017, through June 30, 2021*



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

August 2024



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

August 16, 2024

Dear County, Court, City, and Department Representatives:

The State Controller's Office (SCO) audited Mendocino County's (the county's) court revenues for the period of July 1, 2017, through June 30, 2021.

Our audit found that the county underremitted a net of \$166,290 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 \$103,221;
- Overremitted the State's DNA Identification Fund (GC section 76104.6) by \$17,372;
- Underremitted the State's DNA Identification Fund (GC section 76104.7) by \$66,835;
- Underremitted the State's Fish and Game Preservation Fund (Fish and Game Code section 13003) by \$6,185;
- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 68090.8) by \$3,372; and
- Underremitted the State's General Fund (Health and Safety Code section 11502) by \$4,049.

In addition, we found that the county and the Superior Court of California, Mendocino County made incorrect distributions related to traffic and criminal violations, parking surcharges, and prioritization of installment payments.

We also identified a deficiency that is not significant to our audit objective but warrants the attention of management. Specifically, we found that the parking entities incorrectly collected parking surcharges for the county's Courthouse Construction Fund.

The county should remit \$166,290 to the State Treasurer via the Report to State Controller of Remittance to State Treasurer (TC-31) and include the Schedule of this audit report. On the TC-31, the county should specify the account name identified on the Schedule of this audit report and state that the amounts are related to the SCO audit period of July 1, 2017, through June 30, 2021.

County, Court, City, and Department Representatives

August 16, 2024

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The county should not combine audit finding remittances with current revenues on the TC-31. A separate TC-31 should be submitted for the underremitted amounts for the audit period. For your convenience, the TC-31 and directions for submission to the State Treasurer's Office are located at [https://www.sco.ca.gov/ard\\_trialcourt\\_manual\\_guidelines.html](https://www.sco.ca.gov/ard_trialcourt_manual_guidelines.html).

The underremitted amounts are due no later than 30 days after receipt of this final audit report. The SCO will add a statutory 1.5% per month penalty on the applicable delinquent amounts if payment is not received within 30 days of issuance of this final audit report.

Once the county has paid the underremitted amounts, the Tax Programs Unit will calculate interest on the underremitted amounts and bill the county in accordance with GC sections 68085, 70353, and 70377.

Please mail a copy of the TC-31 and documentation supporting the corresponding adjustments to the attention of the following individual:

Tax Programs Unit Supervisor  
Bureau of Tax, Administration, and Government Compensation  
Local Government Programs and Services Division  
State Controller's Office  
Post Office Box 942850  
Sacramento, CA 94250

If you have questions regarding payments, TC-31s, or interest and penalties, please contact Jennifer Montecinos, Manager, Tax Administration Section, by telephone at (916) 324-5961, or by email at [lgpsdtaxaccounting@sco.ca.gov](mailto:lgpsdtaxaccounting@sco.ca.gov).

If you have questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138, or by email at [lkurokawa@sco.ca.gov](mailto:lkurokawa@sco.ca.gov).

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

KT/rs

Attachment

County, Court, City, and Department Representatives

August 16, 2024

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Copy: The Honorable Maureen Mulheren, Chair  
Mendocino County Board of Supervisors  
Matt Espenshade, Manager  
Internal Audit Services  
Judicial Council of California  
Lynda Gledhill, Executive Officer  
California Victim Compensation Board  
Anita Lee, Senior Fiscal and Policy Analyst  
Legislative Analyst's Office  
Sandeep Singh, Manager  
Local Government Policy Unit  
State Controller's Office  
Jennifer Montecinos, Manager  
Tax Administration Section  
State Controller's Office

## Recipient Addresses

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Sara Pierce, Acting Auditor-Controller/  
Treasurer-Tax Collector  
Mendocino County  
Low Gap Road, Room 1080  
Ukiah, CA 95482

Kim Turner, Court Executive Officer  
Superior Court of California, Mendocino County  
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Isaac Whippy, Finance Director  
City of Fort Bragg  
416 North Franklin Street  
Fort Bragg, CA 95437

Daniel Buffalo, Finance Director  
City of Ukiah  
300 Seminary Avenue  
Ukiah, CA 95482

Manuel Orozco, Finance Director  
City of Willits  
111 East Commercial Street  
Willits, CA 95490

Crystal Flores, Acting Deputy Director  
Administrative Services Division  
California Department of Parks and Recreation  
715 P Street  
Sacramento, CA 95814

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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 Mendocino County (the 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 a net of \$166,290 in state court revenues to the State Treasurer. In addition, we found that the county and the Superior Court of California, Mendocino County (the court) made incorrect distributions related to traffic and criminal violations, parking surcharges, and the prioritization of installment payments.

## Background

State statutes govern the distribution of court revenues, which include fines, penalties, assessments, fees, restitutions, bail forfeitures, and parking surcharges. Whenever the State is entitled to receive a portion of such money, the court is required by Government Code (GC) section 68101 to deposit the State's portion of court revenues with the County Treasurer as soon as is practical and provide the County Auditor with a monthly record of collections. This section further requires that the County Auditor transmit the funds and a record of the money collected to the State Treasurer at least once a month.

The SCO publishes the *Trial Court Revenue Distribution Guidelines (Distribution Guidelines)* to provide direction on the distribution of fines, fees, forfeitures, penalties, and assessments. The *Distribution Guidelines* group code sections that share similar exceptions, conditions, or distributions into a series of nine tables.

The Judicial Council of California (JCC) provides forms and worksheets to ensure the proper calculation and distribution of fines, fees, forfeitures, penalties, and assessments. The guidance includes forms used to compute the annual maintenance-of-effort (MOE) calculation and worksheets to verify the more complex revenue distributions.

## Audit Authority

We conducted this audit under the authority of GC section 68103, which requires the SCO to review the county's reports and records to ensure that all fines and forfeitures have been transmitted. In addition, GC section 68104 authorizes the SCO to examine records maintained by the court. Furthermore, GC section 12410 provides the SCO with general audit authority to superintend the fiscal concerns of the State.

## Objective, Scope, and Methodology

Our audit objective was to determine the propriety of the court revenues remitted to the State Controller's Office 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 MOE calculation.
- We interviewed court personnel regarding the court's revenue distribution process and case management system (CMS).
- We reviewed documents supporting the transaction flow.
- We scheduled the monthly TC-31 remittances prepared by the county and the court showing court revenue distributions to the State.
- We performed a review of the complete TC-31 remittance process for revenues collected and distributed by the county and the court.
- We assessed the reliability of data from the CMSs based on interviews and our review of documents supporting the transaction flow. We determined that the data was sufficiently reliable for purposes of this report.

### **Cash Collections**

- We scheduled monthly cash disbursements prepared by the county and the court showing court revenue distributions to the State, county, and cities for all fiscal years in the audit period.
- We performed analytical procedures using ratio analysis for state and county revenues to assess the reasonableness of the revenue distributions based on statutory requirements.
- We recomputed the annual MOE calculation for all fiscal years in the audit period to verify the accuracy and completeness of the 50% of qualified revenues remitted to the State.

### **Distribution Testing**

- We assessed the priority of installment payments by haphazardly selecting a non-statistical sample of three installment payments to verify priority. Errors found were not projected to the intended (total) population.
- We scheduled parking surcharge revenues collected by entities that issue parking citations within the county to ensure that revenues were correct, complete, and remitted in accordance with state statutory requirements. 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, we haphazardly selected a non-statistical sample of 66 cases for 11 violation types.

We were not able to identify the case population due to the inconsistent timing of when tickets were issued versus when they were paid, and the multitude of entities that remit collections to the county for remittance to the State. We tested the sample as follows:

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

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

We did not review any court revenue remittances that the county and the court may be required to make under GC section 70353 and 77201.1(b), included in the TC-31.

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

## Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. Specifically, we found that a net of \$166,290 in state court revenues was underremitted to the State Treasurer because the county:

- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 77205) by \$103,221;
- Overremitted the DNA Identification Fund (GC section 76104.6) by \$17,372;
- Underremitted the DNA Identification Fund (GC section 76104.7) by \$66,835;
- Underremitted the Fish and Game Preservation Fund (Fish and Game Code [FGC] section 13003) by \$6,185;
- Underremitted the State Trial Court Improvement and Modernization Fund (GC section 68090.8) by \$3,372; and
- Underremitted the State's General Fund (Health and Safety Code [HSC] section 11502) by \$4,049.

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

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

We also identified a deficiency that is not significant to our audit objective but warrants the attention of management. Specifically, we found that the parking entities incorrectly collected parking surcharges for the county’s Courthouse Construction Fund. This instance of noncompliance is described in the Observation and Recommendation section.

The county should remit \$166,290 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, 2008, through June 30, 2015, issued June 30, 2017, with the exception of Findings 1, 3, 4, and 9 of this audit report. The implementation status of corrective actions is described in the Appendix.

**Views of Responsible Officials**

We issued a draft audit report on May 1, 2024. The county’s representative responded by email dated May 9, 2024, agreeing with the audit results. In addition, the court’s representative responded by email dated May 1, 2024, agreeing with the audit results.

**Restricted Use**

This audit report is solely for the information and use of the county; the court; the City of Fort Bragg; the City of Ukiah, City of Willits; the California Department of Parks and Recreation; 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](http://www.sco.ca.gov).

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

August 16, 2024

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

Finding <sup>1</sup>	Fiscal Year				Total	Reference <sup>2</sup>
	2017-18	2018-19	2019-20	2020-21		
Underremitted 50% excess of qualified revenues						
State Trial Court Improvement and Modernization Fund — GC §77205	\$ 26,953	\$ 35,526	\$ 34,276	\$ 6,466	\$ 103,221	Finding 1
Incorrect distribution of DNA identification penalties						
State DNA Identification Fund — GC §76104.6	(5,542)	(4,851)	(4,182)	(2,797)	(17,372)	
State DNA Identification Fund — GC §76104.7	20,105	19,751	15,913	11,066	66,835	
Total	14,563	14,900	11,731	8,269	49,463	Finding 2
Incorrect distribution of fish and game violations						
State Fish and Game Preservation Fund — FGC §13003	3,507	1,165	793	720	6,185	Finding 3
Incorrect distribution of revenues from bail bond forfeitures						
State Trial Court Improvement and Modernization Fund — GC §68090.8	748	1,225	711	688	3,372	Finding 4
Incorrect distribution of health and safety violations						
State General Fund — HSC §11502	1,410	911	840	888	4,049	Finding 5
Net amount underremitted to the State Treasurer	\$ 47,181	\$ 53,727	\$ 48,351	\$ 17,031	\$ 166,290	

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

<sup>2</sup>See 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 had used an incorrect qualified revenue amount in its calculation for each fiscal year. As a result of these errors, the county underremitted the 50% excess of qualified revenues by a net of \$103,221 for the audit period. The 50% excess of qualified revenues was incorrectly calculated because the county misinterpreted the required calculations.

For the audit period, the county provided support for its calculations of the 50% excess of qualified revenues. We reviewed the county's calculations and reconciled the qualified revenues to revenue collection reports provided by the court and the county. We noted that qualified revenues in the calculations did not reconcile to the county's collection reports because the county had excluded parking and bail bond forfeiture revenues, had not included all required revenues and collection costs, and had erroneously applied qualified revenue percentages twice for some revenues.

As noted in Finding 3, the court and county's collection department incorrectly distributed additional base fine revenues (Penal Code [PC] section 1463.28) from fish and game violations. This incorrect distribution resulted in a net overstatement of PC section 1463.001 qualified revenues in each fiscal year.

As noted in Finding 5, the county's collections department incorrectly distributed additional base fine revenues (PC section 1463.28) from health and safety violations. This incorrect distribution resulted in a net overstatement of PC section 1463.001 qualified revenues in each fiscal year.

Furthermore, we noted that the county had incorrectly excluded revenues collected for the Criminal Justice Facilities Construction Fund (GC section 76101), the Emergency Medical Services Fund (GC section 76104), the Maddy Emergency Medical Services Fund (GC section 76000.5), and city base fines (Vehicle Code [VC] section 42007[c]) from its calculation of the traffic violator school (TVS) fee (VC section 42007) during the audit period. We also noted that the county had incorrectly included revenues for the Courthouse Construction Fund (GC section 76100) that are no longer collected by the court or the county.

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 \$341,521 for the audit period.

Qualified revenues were understated as follows:

- The county overstated qualified revenues by \$4,037 in fiscal year (FY) 2017-18 because it did not reduce revenues by all related recovery costs in June 2017.

- The county understated qualified revenues by \$14,858 for the audit period because it did not include GC section 76000(c) parking revenues remitted to the county by external parking agencies.
- The county understated qualified revenues by \$21,196 for the audit period because it did not include all PC section 1463.001 base fine revenues collected by the court and county collection department.
- The county understated qualified revenues by \$113,353 in FY 2020-21 because it erroneously applied the qualified revenue percentage twice for PC section 1464 and VC section 42007.1 revenue funds.
- The county overstated qualified revenues by \$4,049 for the audit period because the county's collections department incorrectly distributed additional base fine revenues from health and safety violations.
- The county overstated qualified revenues by \$9,279 for the audit period because the court and county's collection department incorrectly distributed additional base fine revenues from fish and game violations.
- The county understated qualified revenues by \$60,118 for the audit period because it did not include bail bond forfeiture revenues in its calculation.
- The county overstated qualified revenues by \$6,625 for the audit period because it erroneously included in the calculation GC section 76100 revenues that were no longer collected by the court or county's collection department.
- The county incorrectly excluded the following revenues from its calculation of the TVS fee (VC section 42007):
  - Criminal Justice Facilities Construction Fund (GC section 76101) – \$1,122;
  - Emergency Medical Services Fund (GC section 76104) – \$77,432; and
  - Maddy Emergency Medical Services Fund (GC section 76000.5) – \$77,432.

The following table shows the audit adjustments to qualified revenues:

	Fiscal Year				Totals
	2017-18	2018-19	2019-20	2020-21	
Qualified revenues reported	\$ 1,055,808	\$ 1,088,433	\$ 1,076,326	\$ 581,992	\$ 3,802,559
Audit adjustments:					
Recovery cost overstatements	(4,037)	-	-	-	(4,037)
GC §76000(c) understatements	3,882	2,664	6,040	2,272	14,858
PC § 1463.001 understatements	9,268	5,951	5,977	-	21,196
Calculation errors	-	-	-	113,353	113,353
PC § 1463.28 overstatements (HSC)	(1,410)	(911)	(840)	(888)	(4,049)
PC § 1463.28 overstatements (FGC)	(5,261)	(1,748)	(1,190)	(1,080)	(9,279)
Bail bond forfeiture understatements	13,746	22,509	13,066	10,797	60,118
GC §76100 overstatements	(1,986)	(2,243)	(2,396)	-	(6,625)
GC §76101 understatements	-	-	-	1,122	1,122
GC §76104 understatements	19,851	22,415	23,947	11,219	77,432
GC §76000.5 understatements	19,851	22,415	23,947	11,219	77,432
Total	53,904	71,052	68,551	148,014	341,521
Adjusted qualified revenues	\$ 1,109,712	\$ 1,159,485	\$ 1,144,877	\$ 730,006	\$ 4,144,080

As a result the miscalculation, the county underremitted the 50% excess of qualified revenues by \$103,221 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 <sup>1</sup>
2017-18	\$ 1,109,712	\$ 717,075	\$ 392,637	\$ 196,319	\$ (169,366)	\$ 26,953
2018-19	1,159,485	717,075	442,410	221,205	(185,679)	35,526
2019-20	1,144,877	717,075	427,802	213,901	(179,625)	34,276
2020-21	730,006	717,075	12,931	6,466	-	6,466
Total						\$ 103,221

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

GC section 77205(a) requires the county to remit 50% of the qualified revenues that exceed the amount specified in GC section 77201.1(b)(2) for FY 1998-99, and each fiscal year thereafter, to the State Trial Court Improvement and Modernization Fund.

Recommendation

We recommend that the county:

- Remit \$103,221 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 50-50 Excess Split Revenue Computation Form.

County’s Response

The county agrees with the audit finding.

**FINDING 2—  
Incorrect distribution  
of revenues from  
DNA identification  
penalties**

During our testing of the court and the county’s collection department cases, we found that both did not properly distribute the revenues from DNA identification penalties. The errors resulted in a net underremittance to the State of \$49,463. This error occurred because the court and the county’s collections department misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court and the county’s collections department using its case distribution systems. For distributions during the audit period, the county’s collections department used distribution tables provided by the court.

We tested a total of 40 cases from the court and the county’s collections department in which the DNA identification penalties were imposed (GC sections 76104.6 and 76104.7). In 36 of the 40 cases tested, we found that the court and the county’s collections department incorrectly distributed the revenues from both DNA identification penalties. The court and the county’s collections department distributed \$1.25 for every \$10 portion of base fines for the DNA identification penalty (GC section 76104.6) and \$3.75 for every \$10 portion of base fines for the DNA identification penalty (GC section 76104.7) rather than the required \$1.00 and \$4.00, respectively.

We discussed the issue with court and county’s collection department staff members and found that the error was corrected by the court when it switched to a new CMS in February 2021. However, the distribution tables used by the county collections department were not updated to reflect the changes.

We performed a revenue analysis of the DNA identification revenues and redistributed the net revenues collected according to the requirements set forth in GC sections 76104.6 and 76104.7. After performing our review, we determined the errors resulted in a net underremittance to the State of \$49,463.

The incorrect distribution had the following effect:

<u>Account Title</u>	<u>Underremitted / (Overremitted)</u>
State's DNA Identification fund – GC §76104.6	\$ (17,372)
State's DNA Identification fund – GC §76104.7	66,835
Total	<u>\$ 49,463</u>
County's DNA Identification Fund – GC §76104.6	<u>\$ (49,463)</u>

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

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

#### Recommendation

We recommend that the county remit \$49,463 to the State Treasurer and report on the TC-31 an increase to the DNA Identification Fund (GC section 76104.7) by \$66,835 and a decrease to the DNA Identification Fund (GC section 76104.6) by \$17,372.

We also recommend that the county's collections department update its distribution system to ensure that all surcharges, fines, penalties, and fees are distributed in accordance with statutory requirements.

We also recommend that the court and the county's collections department periodically verify the accuracy of its distributions using the JCC's testing sheets.

#### County and Court's response

The county and the court agree with the audit finding.

### **FINDING 3— Incorrect distribution of revenues from fish and game violations (repeat finding)**

During our testing of fish and game cases, we found that the court and the county's collections department did not distribute PC section 1463.28 base fine revenues in compliance with FGC section 13003, resulting in a net underremittance to the State of \$6,185. The error also resulted in a net overstatement of qualified revenues by \$9,279. The errors occurred because the court and the county's collections department misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court and the county's collection department using their CMSs. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested a total of six fish and game cases, two from the court and four from the county's collections department.

We found that in all six cases, the court and the county's collections department did not properly distribute additional base fines according to FGC section 13003. In each case, the court and the county's collections department distributed 100% of the additional base fines (PC section 1463.28) to the county's general fund (PC section 1463.001) rather than distributing 50% to the State's Fish and Game Preservation Fund and 50% to the county's Fish and Game Preservation Fund as required by FGC section 13003. This error resulted in a net underremittance to the State and an overstatement of qualified revenues.



We performed a revenue analysis of fish and game revenues and redistributed the net base fine collections according to FGC section 13003. After performing our review, we determined that the errors resulted in a net underremittance to the State of \$6,185. Furthermore, we found that the distribution errors resulted in a net overstatement of qualified revenues by \$9,279.

The incorrect distribution had the following effect:

Account Title	Underremitted / (Overremitted)
State's Fish and Game Preservation Fund – FGC §13003	\$ 6,185
County's Fish and Game Preservation Fund – FGC §13003	\$ 6,185
County's General Fund – PC §1463.28	(12,370)
	<u>\$ (6,185)</u>

FGC section 13003 requires all fines and forfeitures imposed or collected for Fish and Game Code violations to be distributed as follows: 50% to the State’s Fish and Game Preservation Fund and 50% to the county in which the offense was committed.

Recommendation

We recommend that the county remit \$6,185 to the State Treasurer and report on the TC-31 an increase to the State’s Fish and Game Preservation Fund (FGC section 13003).

We also recommend that the court and the county’s collections department:

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

County and Court’s response

The county and the court agree with the audit finding.

**FINDING 4—  
Incorrect distribution  
of revenues from bail  
bond forfeitures  
(repeat finding)**

During testing of court cases, we found that the court did not properly distribute revenues from bail bond forfeitures, resulting in a net underremittance to the State of \$3,372. 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 bail bond forfeiture cases from the court. We found that in all four cases, the court

failed to distribute 2% from the bail bond forfeitures collected for the state automation penalty (GC section 68090.8). The error resulted in underremittances to the State and overremittances to the county and court, as the county has an agreement with the court to equally share revenues from bail bond forfeitures.

We performed a revenue analysis of the bail bond forfeiture revenues and redistributed the bail bond forfeitures according to statute. After performing our review, we determined that the errors resulted in a net underremittance to the State of \$3,372.

The incorrect distribution had the following effect:

<u>Account Title</u>	<u>Underremitted / (Overremitted)</u>
State Trial Court Improvement and Modernization Fund – GC §68090.8	\$ 3,372
County's General Fund	\$ (1,686)
Mendocino County Superior Court	(1,686)
	<u>\$ (3,372)</u>

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 county remit \$3,372 to the State Treasurer and report on the TC-31 an increase to the State Trial Court Improvement and Modernization Fund.

We also recommend that the court correct its CMS to ensure that bail bond forfeitures are distributed in accordance with statutory requirements.

Court’s Response

The court agrees with the audit finding.

**FINDING 5—  
Incorrect distribution  
of revenues from  
health and safety  
violations**

During our testing of health and safety cases, we found that the county’s collection department did not properly distribute PC section 1463.28 base fine revenues according to HSC section 11502, resulting in a net underremittance to the State of \$4,049. The error also resulted in a net overstatement of qualified revenues by \$4,049. The errors occurred because the collections department misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the collections department using its CMS. For each sample case, we recomputed the

distributions and compared them to the actual distributions. We tested a total of four health and safety cases distributed by the collections department.

We found that in all four cases, the collections department did not properly distribute additional base fines in accordance with HSC section 11502. In each case, the collections department distributed 100% of the additional base fines (PC section 1463.28) to the county’s general fund (PC section 1463.001) rather than distributing 75% to the State’s General Fund and 25% to the county’s general fund as required by HSC section 11502. This error resulted in a net underremittance to the State and an overstatement of qualified revenues.

We also found that the collections department did not impose the Criminal Laboratory Analysis Fee (HSC section 11372.5) or the Drug Program Fee (HSC section 11372.7) as base fine enhancements in each of the four cases tested.

We performed a revenue analysis of the health and safety revenues and redistributed the net base fine collections according to HSC section 11502. After performing our review, we determined that the errors resulted in a net underremittance to the State of \$4,049. Furthermore, we found that the distribution errors resulted in a net overstatement of qualified revenues by \$4,049.

The incorrect distribution had the following effect:

Account Title	Underremitted / (Overremitted)
State's General Fund – HSC §11502	\$ 4,049
County's General Fund – HSC §11502	\$ 1,349
County's General Fund – PC §1463.28	(5,398)
	<u>\$ (4,049)</u>

No revenue analysis was performed related to Criminal Laboratory Analysis Fee or the Drug Program Fee, as the collections department cannot retroactively impose the fees.

HSC section 11502(a) requires revenues from base fines related to health and safety violations to be deposited with the county treasurer. HSC section 11502(a) further requires the county to deposit 75% of the forfeited bail with the State Treasurer and 25% with the city or county, depending on where the offense occurred.

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 a violation of Chapter 6 of Health and Safety Code to pay a drug program fee in an amount not to exceed \$150 for each separate offense, and requires the court to increase the total fine as necessary to include the increment.

#### Recommendation

We recommend that the county remit \$4,049 to the State Treasurer and report on the TC-31 an increase to the State's General Fund (HSC section 11502).

We also recommend that the county's collections department:

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

#### County's Response

The county agrees with the audit finding.

### **FINDING 6— Incorrect distribution of revenues from red- light violations**

During our testing of red-light cases, we found that the court and the county's collections department did not properly distribute the red-light allocation (PC section 1463.11) revenues. This error occurred because the court and the county's collections department misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court and the county's collections department using their CMSs. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested a total of eight red-light violation cases, four from the court and four from the county's collections department.

We found that in all eight cases, the court and the county's collections department did not properly distribute red-light allocation revenues. The court and the county's collections department distributed the red-light allocation revenues (PC section 1463.11) into the same fund as county base fines (PC section 1463.001). Furthermore, the court and the county's collections department failed to distribute 30% from the Emergency Medical Air Transportation (EMAT) penalty (GC 76000.10[c]) and the State Court Facilities Construction Fund (SCFCF) penalty for the red-light allocation (GC section 70372[a]).

Commingling the base fines and red-light allocation revenue does not result in an underremittance to the State or the county. However, it effects the county's 50% excess of qualified revenues, as the red-light allocation revenues are not qualified revenues. The incorrect distribution of the EMAT and SCFCF penalties results in overremittances to the State and underremittances to the county and cities.

We discussed the issue with court and the county's collections department staff members, and requested red-light case information for each fiscal year of the audit. However, due to inadequacies in the court's legacy distribution system, the court could not provide detailed case information. With no detail reports, we could not complete a revenue analysis of the red-light violation revenues or determine whether the errors had a material effect on State remittances.

The court corrected the errors related to the EMAT and SCFCF penalties when it switched to its new distribution system in February 2021. The court's new system distributes base fine and red-light allocation revenues into separate funds. However, the court continues to distribute both revenues to the county's general fund upon remittance to the county.

PC section 1463.11(a) requires that the first 30% of red-light violation base fines, state and county penalties, and the EMAT penalty (PC sections 1463 and 1464, and GC sections 76000 and 76000.10, respectively) collected be distributed to the general fund of the county or city where the violation occurred.

#### Recommendation

We recommend that the court and the county's collections department:

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

#### County and Court's Response

The county and the court agree with the audit finding.

### **FINDING 7— Incorrect distribution of revenues from the 2% state automation fee**

During our testing of the court and the county's collections department cases, we found that neither the court nor the county properly distributed revenues for the 2% state automation fee (GC section 68090.8). This error occurred because the court and the county's collections department misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court and the county's collections department using its CMSs. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing of traffic and criminal violations, we found that the court and the county's collections department did not distribute 2% of the EMAT penalty (GC 76000.10[c]), State Restitution Fine (PC section 1202.4[b]), and the Secret Witness penalty (FGC section 12021) for the 2% state automation fee (GC section 68090.8). The court corrected the errors when it switched to its new CMS in February 2021.

We performed a revenue analysis and found that the errors did not result in material underremittances to the State, as the affected funds are both state funds.

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 and county's collections department:

- Correct its CMS to comply with statutory requirements;
- Ensure that the 2% state automation fee is properly assessed and applied; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

We also recommend that the court periodically verify the accuracy of its distributions using the JCC's testing sheets.

#### County and Court's Response

The county and the court agree with the audit finding.

### **FINDING 8— Incorrect distribution of revenues from fines, assessments, and penalties**

During our testing of the court and the county's collections department cases, we found that neither the court nor the county distributed fines, assessments, and penalties according to the county's uniform bail schedule. This error occurred due to inadequacies in the court's legacy CMS and the distribution tables used by the court and the county's collections department.

We verified, on a sample basis, distributions made by the court and the county's collections department using their CMSs. For each sample case, we recomputed the distributions and compared them to the actual distributions. During testing of traffic and criminal violations, we found that the state, county, and city penalty assessments that are determined by the base fines did not reconcile to the county's uniform bail schedule. We found differences in all cases distributed by the court's legacy distribution system and all cases distributed by the county's collections department.

We discussed the issue with court and the county's collections department staff members and found that the discrepancies were due to rounding errors within the distribution tables in the court's legacy CMS. The inaccurate court distribution tables were also used by the county's collections department. The court corrected the rounding errors when it switched to a new CMS in February 2021. However, the old distribution tables were still being used by the county's collections department.

We did not perform a revenue analysis to determine if the errors resulted in a material underremittance to the State, as it would be impractical to redistribute revenues from every collections department case in the audit period.

PC section 1269b subparagraph (c) requires superior court judges in each county to prepare, adopt, and annually revise a uniform countywide bail schedule for all bailable felony offenses and for all misdemeanor and infraction offenses except Vehicle Code infractions. PC section 1269b subparagraph (c) further requires that the penalty schedule for violations of the Vehicle Code be established by the JCC in accordance with VC section 40310.

#### Recommendation

We recommend that the county's collections department:

- Correct its CMS to comply with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

We also recommend that the court periodically verify the accuracy of its distributions using the JCC's testing sheets.

#### County and Court's Response

The county and the court agree with the audit finding.

### **FINDING 9— Incorrect distribution of traffic violator school revenues (repeat finding)**

During our testing of court cases, we found that the court did not properly distribute TVS revenues. This error occurred because the court misinterpreted the *Distribution Guidelines*.

We verified, on a sample basis, distributions made by the court using its CMSs. For each sample case, we recomputed the distributions and compared them to the actual distributions. We tested a total of eight TVS cases—four red light and four speeding cases. We found errors in six of the eight cases. Errors included the following:

- The court incorrectly distributed red-light allocation revenues (VC section 42007.3) as base fine (PC section 1463.001) or TVS fee (VC section 42007) revenues.
- The court incorrectly converted the Maddy Emergency Medical Services penalty (GC section 76000.5) to the TVS fee (VC section 42007).
- The court made incorrect distributions for the TVS fee (VC section 42007.1), as well as for the Criminal Justice Facilities Construction Fund (GC section 76101).

We discussed the issue with court staff members and requested TVS case information for each fiscal year of the audit. However, due to inadequacies in the court's legacy CMS, the court could not provide detailed case information. With no detail reports, we could not complete a revenue analysis of the TVS revenues or determine whether the errors had a material effect on State remittances.

The court corrected the distribution errors when it switched to a new CMS in February 2021.

VC section 42007.3 requires that the first 30% of red-light TVS violation base fines, state penalties, and county penalties to be distributed to the general fund of the county or city where the offense occurred; and that the balance of the amount collected be deposited by the county treasurer as required by VC section 42007.

VC section 42007(b)(1) requires counties that have established a Criminal Justice Facilities Construction Fund according to GC section 76101 to collect \$1 from each TVS case for deposit with the county and placed in that fund.

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.

During the audit period, VC section 42007.1(b) required that 51% of the \$49 TVS fee be deposited in the Immediate and Critical Needs Account of the SCFCF, with the remaining 49% to be deposited to the county's general fund. Statutes of 2021, Chapter 79 abolished the Immediate and Critical Needs Account and made various changes to existing law.

#### Recommendation

We recommend that the court periodically verify the accuracy of its distributions using the JCC's testing sheets.

#### Court's Response

The court agrees with the audit finding.

### **FINDING 10— Incorrect distribution of revenues from proof of financial responsibility violations**

During our testing of court cases, we found that the court did not properly distribute revenues collected for proof of financial responsibility violations. 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 two proof of financial responsibility cases distributed by the court. In one case tested, we found that the court failed to impose the \$17.50 county base fine reduction



required by PC section 1463.22(a). We discussed this issue with court representatives and found that the court's failure to impose the penalty for this case was a mistake. We determined that the error was isolated and not systemic; therefore, we did not perform a revenue analysis.

PC section 1463.22(a) requires the county to deposit \$17.50 for each conviction of a violation under VC section 16028 into a special account and allocate it to defray costs incurred while administering cases related to proof of financial responsibility.

#### Recommendation

We recommend that the court:

- Ensure that distributions comply with statutory requirements; and
- Periodically verify the accuracy of its distributions using the JCC's testing sheets.

#### Court's Response

The court agrees with the audit finding.

### **FINDING 11— Incorrect prioritization of installment payments**

During testing of county's collections department cases, we found that the department had incorrectly prioritized distributions of installment payments. The errors occurred because the collections department misinterpreted the *Distribution Guidelines*.

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

We tested three collections department cases and found that in all three cases, the collections department had not properly distributed installment payments according to PC section 1203.1d, subparagraph (b). The collections department did not give priority to the 20% state surcharge (PC section 1465.7, priority two) or to the State's DUI Indemnity allocation (PC section 1463.18, priority three) over priority-three revenues. Furthermore, we found that the collections department did not evenly prorate priority-four revenues, as required by the *Distribution Guidelines*. 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 county's collections department 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 agrees with the audit finding.

### **FINDING 12— Incorrect distribution of revenues from county parking surcharges**

During our analysis of parking and equipment violations, we found that the county had not properly distributed county parking surcharge revenues, resulting in a net understatement of qualified revenues by \$14,858. This error occurred because the county misinterpreted the *Distribution Guidelines* related to parking surcharges.

We reviewed the county's parking documentation to verify the accuracy of the county's collection and distribution of revenues from parking surcharges and equipment violations. We reconciled the revenues remitted to the State and the county to the actual parking reports from the external parking agencies.

During our review, we found that the county had distributed the full amount of county parking surcharges to the Criminal Justice Facilities Construction Fund (GC section 76101). However, \$2.00 from every parking violation should have been distributed to the county's general fund in accordance with GC section 76000(c). As a result of the distribution error, the county understated qualified revenues because the GC section 76000(c) parking revenues are a qualified revenue.

We performed a revenue analysis of the county parking revenues remitted to the court to determine the fiscal effect on the county's 50% excess of qualified revenues. After completing our analysis, we found that the error resulted in a net understatement of qualified revenues of \$14,858 for the audit period.

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 County Criminal Justice Facilities Construction Fund into the county's general fund.

Recommendation

We recommend that the county correct its distribution process to ensure that state and county parking surcharge revenues are distributed in accordance with statutory requirements.

County's Response

The county agrees with the audit finding.

# Observation and Recommendation

## **OBSERVATION— Incorrect collection of county parking surcharges**

During our analysis of parking surcharges remitted to the county, we found that the following entities had imposed and collected incorrect parking surcharges: the City of Fort Bragg, the City of Ukiah, the City of Willits, and the California Department of Parks and Recreation. The error occurred because the aforementioned entities misinterpreted the *Distribution Guidelines* relating 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 parking documentation, we found that the following entities incorrectly collected a total of \$12.50 in state and county parking surcharges on every parking violation collected in the audit period: the City of Fort Bragg, the City of Ukiah, the City of Willits, and the California Department of Parks and Recreation. The parking entities should have collected \$11.00 in state and county parking surcharges.

As the county has transferred the responsibility for its court facilities to the JCC, the entities should not have collected \$2.50 for the Courthouse Construction Fund (GC section 76100). Instead, entities should have collected only \$1.00 for the Courthouse Construction Fund (GC section 76100) and \$2.50 for the Criminal Justice Facilities Construction Fund (GC section 76101). The parking entities did correctly distribute \$1.00 of each county surcharge to the county's general fund in accordance with GC section 76000(c).

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 County Criminal Justice Facilities Construction Fund into the county's general fund.

GC section 76000(d) states that, upon the transfer of responsibility for court facilities from the county to the JCC, authority to impose the \$2.50 penalty authorized by GC section 76000(b) should be reduced to \$1.00, 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 SCFCF.

During the audit period, GC section 70372(f) required that one-third of the \$4.50 be deposited in the SCFCF and two-thirds be deposited in the Immediate and Critical Needs Account. Statutes of 2021, Chapter 79 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 parking entities collect and remit the required state and county parking surcharges, totaling \$11.00 per infraction, to the county.

## Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Mendocino County's corrective actions related to the findings contained in our prior audit report dated June 30, 2017:

Prior Audit Finding Number	Finding Title	Implementation Status
1	Overremitted the 50% excess of qualified fines, fees, and penalties	Not implemented - see current Finding 1
2	Underremitted state DNA penalties	Fully implemented
3	Underremitted state Emergency Medical Air Transportation penalties	Fully implemented
4	Overremitted state domestic violence fees	Fully implemented
5	Underremitted state equipment/tag violation penalties	Fully implemented
6	Underremitted bail bond forfeitures	Not implemented - see current Finding 4
7	Incorrect distribution of traffic violator school fees related to emergency medical service penalties	Not implemented - see current Finding 9
8	Underremitted state fish and game fines	Not implemented - see current Finding 3

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