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February 23, 2009

Honorable Kevin J. McGee  
Presiding Judge of the Superior Court  
800 South Victoria Avenue  
Ventura, CA 93009

**SUBJECT: AUDIT OF THE VENTURA COUNTY PROBATION AGENCY'S MANAGEMENT OF  
JUVENILE ACCOUNTS**

Dear Judge McGee:

In accordance with Welfare and Institutions Code 275(b), we have completed our audit of the Ventura County Probation Agency's (Probation's) management of juvenile accounts. Our overall audit objective was to determine whether Probation properly managed the two established Juvenile Benefit Fund (JBF) trust accounts during the 2-year period of July 1, 2005 through June 30, 2007.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

**EXECUTIVE SUMMARY**

Overall, Probation satisfactorily managed the two JBF trust accounts. Procedures for recording, depositing and safeguarding cash collections were generally sufficient. In addition, disbursements from the JBF trust accounts appeared to be for the reasonable benefit of the juveniles. Also, JBF trust account reconciliations were performed monthly and submitted in a timely manner to the Auditor-Controller.

However, opportunities were available to improve some departmental procedures. Specifically, improvement could be achieved by:

- Implementing and strengthening certain controls over the cash collections process.
- Confirming the receipt of goods with appropriate signatures.
- Enhancing trust account monitoring procedures to facilitate proper accountability.

Probation management initiated corrective action to address our findings. Corrective action is planned to be completed by December 31, 2009.

Honorable Kevin J. McGee  
February 23, 2009  
Page 2

We appreciate the cooperation and assistance extended by Probation's management and staff during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Cohen', with a long horizontal stroke extending to the right.

CHRISTINE L. COHEN  
Auditor-Controller

Attachment

cc: Honorable Steve Bennett, Chair, Board of Supervisors  
Honorable Kathy Long, Vice Chair, Board of Supervisors  
Honorable Linda Parks, Board of Supervisors  
Honorable Peter C. Foy, Board of Supervisors  
Honorable John C. Zaragoza, Board of Supervisors  
Marty Robinson, County Executive Officer  
Karen J. Staples, Director, Probation Agency

**AUDIT OF THE VENTURA COUNTY PROBATION AGENCY'S  
MANAGEMENT OF JUVENILE ACCOUNTS**

**BACKGROUND:**

The mission of the Ventura County Probation Agency (Probation) is to promote community safety through a system of graduated sanctions that balance services to the victim, offender, and community. During fiscal year (FY) 2006-07, Probation was allocated 518 authorized positions with a budget of over \$60 million.

Probation is authorized to receive money and direct disbursements on behalf of juveniles on probation and/or housed in juvenile facilities in accordance with Welfare and Institutions Code 276. Two Juvenile Benefit Fund (JBF) trust accounts were established for the purpose of managing such transactions: 1) the Youth Services Juvenile Benefit account (6250-7604) is for the general benefit of juveniles on informal and formal probation; and 2) the Colston Benefits account (6250-7593) is for juveniles housed in County facilities. These two accounts reported balances of \$155,191 and \$64,412, respectively, as of June 30, 2007. During the 2-year period of July 1, 2005 through June 30, 2007, \$204,633 was collected and \$69,044 was disbursed for these two accounts combined.

The Auditor-Controller is mandated to audit Probation's handling of juvenile accounts on a biennial basis in accordance with Welfare and Institutions Code 275(b) as authorized by the Board of Supervisors on December 19, 2006.

**SCOPE:**

Our overall audit objective was to determine whether Probation properly managed the two established JBF trust accounts during the 2-year period of July 1, 2005 through June 30, 2007. Specifically, we evaluated cash intake, deposit, and safeguarding procedures to establish accountability over funds collected. Our tests were performed at the four facilities where collections occur: 1) Probation Administration at the Ventura County Government Center; 2) East County Juvenile Services in Simi Valley; 3) West County Youth Services in Oxnard; and 4) the Juvenile Justice Complex (JJC) in Oxnard. We also reviewed procedures for money collected in the field by probation officers.

In addition, our audit included a review of disbursements made from the JBF trust accounts to ensure that these funds were used for the benefit of the juveniles. We also verified that the trust fund accounts, as reported in the Ventura County Financial Management System (VCFMS), accurately reflected trust fund activity.

We performed audit tests and evaluations using documents provided by each collection location and the Auditor-Controller's Office. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. For our audit, we used documents and records for the period July 2005 through May 2008.

**FINDINGS:**

Overall, we found that Probation satisfactorily managed the two established JBF trust accounts. Specifically, we determined that procedures for recording and depositing collections were generally sufficient. We also verified that controls for the physical safeguarding of cash appeared to be adequate.

In addition, our tests disclosed that disbursements, for items and purposes such as snacks, testing fees, and counseling services, appeared to be for the reasonable benefit of the juveniles. We also confirmed that JBF trust reconciliations were performed on a monthly basis as required and submitted to the Auditor-Controller in a timely manner.

However, our audit disclosed that certain departmental procedures were in need of improvement. Specifically, we found that controls needed to be strengthened over cash collections to better account for all receipt documents and reconcile collections to receipt documentation in a more timely manner. We also noted that evidence was needed to show that goods were confirmed upon receipt. Further, we identified that trust account variances were not always explained, trust account subsidiary ledgers were not always maintained, and voluntary donation ledgers could be established.

Summarized below are details of the areas where improvements were needed. Probation management initiated corrective action during the audit as noted.

1. **Cash Collections.** Procedures were in need of improvement to assure that cash collections were complete and accounted for properly. Specifically, attention was needed to address missing receipts and the timeliness of cash reconciliations.

- A. **Missing Receipts.** Our review of the JJC's collection log disclosed that two cash receipt forms were not accounted for during the 8-month period of November 2006 through June 2007. Although the JJC used pre-numbered receipt forms and maintained a collection log listing receipts in numerical sequence, JJC fiscal staff could not confirm whether the two receipts were voided or actually represented missing collections. We recognize that the 2 missing receipts represented less than 2 percent of the 112 receipts issued or voided during the period reviewed. However, maintaining accountability for all receipts is necessary to mitigate the risk of loss, theft, or misappropriation of cash collections.

**Management Action.** Probation management concurred with the finding and stated: "Prior to the audit, as of September 2007, Probation Fiscal took steps to review the internal controls over the cash handling procedures relating to the Juvenile Benefit Fund. As a result of that review, Fiscal implemented action in FY 2007-08 to add a label to receipts booklets instructing staff not to remove original copy of 'voided' receipts. Also, we replaced loose leaf pre-numbered receipts with bound pre-numbered receipt booklets and to require employees to document the transfer of accountability over the issuance/return of receipts booklets. Furthermore, we redesigned the deposit worksheet to include a column for tracking/accounting for receipts."

- B. **Cash Reconciliations.** Collections made at the East County, West County, and JJC facilities were not reconciled to receipt documentation in a timely manner, which impacted the timely deposit of cash in some instances. Specifically, cash received at the JJC was reconciled only once a week, rather than daily, by JJC fiscal staff. Also, at the East County and West County facilities, such reconciliations were not performed for several weeks by Probation Administration fiscal staff due to the outlying nature of the facility locations. As a result, East County and West County collections were not always submitted for deposit into the County Treasury in a timely manner. For example, our sample of 12 receipt forms issued from September 2006 through June 2007, representing \$2,320 in cash and money orders, disclosed that collections were deposited an average of 52 days after receipt. In addition, because checks were not endorsed until

reconciliations were performed by fiscal staff, the delayed reconciliation process impacted the timely endorsement of checks. The daily reconciliation of cash to receipt documents would assist in the early detection of discrepancies and reduce the risks associated with unprocessed collections.

**Management Action.** Probation management concurred with the finding and stated: "Prior to the audit, Probation Fiscal conducted an internal control review of cash handling procedures over the Juvenile Benefit Fund. Based on our review, procedures were implemented in FY 07-08 to increase the frequency of deposits at the East and West County facilities to at least biweekly. In addition, we strengthened collection/safeguarding controls by requiring the use of custom designed envelopes for storing money, receipts, and other important correspondence. The envelopes capture the signature of both the Probation employee and payor. In addition, the envelopes show the amount, receipt number, client's/payor's name, and date. Also, each envelope must be entered in the 'Safe Deposit Log' and stored in the safe immediately. Furthermore, two keys (Fiscal and program staff each have one key) are required for opening the safe, which guarantees that the safe can only be opened under dual custody and in the presence of Fiscal."

2. **Confirming Receipt of Goods.** Probation staff did not always provide written confirmation that vendor invoices properly reflected goods received. Our review of 6 invoices for over \$5,400 and 334 cases/boxes in food supply purchases disclosed that the invoices were not signed to confirm that a count of goods received was performed. Although Probation asserted during our audit that goods shipped by vendors were counted and verified to invoices, a confirming signature was needed to document that the goods invoiced were actually received.

**Management Action.** Probation management concurred with the finding and stated: "During the period under review, although employees did not always provide a signature to confirm that products were received, employees marked the invoice for items received, noted the corrected invoice amount, and stamped 'OK to Pay' on the invoice. The invoice was then submitted to the Division Manager for approval. As of October 2008, we implemented the use of a new stamp that states 'Counted and Received' and provides space for the employee to sign and date when the items were received."

3. **Trust Accounts.** The trust account monitoring process was in need of improvement to facilitate proper accountability. Specifically, we noted that reconciliations of trust account variances were not performed, trust account subsidiary ledgers were not always maintained, and ledgers could be used to track voluntary donations.
  - A. **Reconciliation of Variances.** Departmental records for the two JBF trust accounts did not always agree with VCFMS balances. Our sample of reconciliations for FY 2005-06 disclosed three instances where variances occurred and were not explained on the trust fund reconciliations submitted to the Auditor-Controller. Specifically, the Youth Services Juvenile Benefit account (6250-7604) was out of balance by \$2,120 and \$35 for October 2005 and May 2006, respectively. The Colston Benefits account (6250-7593) was out of balance by approximately \$589 for October 2005. Although the variances did not appear to be significant, the fiduciary nature of trust accounts requires proper reconciliation, including explanation of variances, to promote accountability.

**Management Action.** Probation management concurred with the finding and stated: "Prior to the audit, Probation Fiscal took steps to review the internal controls over the trust accounts. As a

result of that review, action was taken in July 2008 to provide a description of the variances and estimated dates for resolving the variances. Although we agree that the variances identified during the audit did exist, it should be noted that the variances were corrected by the following month."

- B. **Trust Account Subsidiary Ledgers.** Proper maintenance of trust account subsidiary ledgers was needed to track details of transactions as required by the County of Ventura Auditor-Controller's Accounting Bulletin 03-03. Although Probation normally maintained a trust account subsidiary ledger and did produce the ledger for FY 2005-06 during our audit, the subsidiary ledger for FY 2006-07 was inadvertently overwritten. As a result, assurance over trust account monitoring could not be confirmed.

**Management Action.** Probation management concurred with the finding and stated: "Prior to the audit, Probation Fiscal took steps to review procedures over the trust accounts. Based on our review, Fiscal introduced the use of the new trust ledgers to track all financial transactions and monitor trust balances on a daily basis. The new trust ledgers were placed in operation as of July 2008."

- C. **Voluntary Donation Ledgers.** Opportunities were available to ensure proper accountability of voluntary donations. The court and probation officers may request that clients make donations to victims or the JBF trust accounts. However, Probation could not provide assurance that all such donations collected were submitted to the appropriate corresponding victim or the JBF trust accounts because a tracking mechanism had not been established. Therefore, establishing ledgers for voluntary donations would help to ensure that donations collected were accounted for properly and traceable to the corresponding victim or to the appropriate JBF trust accounts.

**Management Action.** Probation management concurred with the finding and stated: "Prior to closing a Probation supervisory case, a senior or higher level Deputy Probation Officer must review the case file to ensure the minor complied with all requirements. For single sanctioned cases that do not require Probation supervision, the Clerical staff verifies whether minors satisfied all case requirements. In the event that minors select to make a voluntary charitable contribution to the JBF, reviewers must confirm that payment was made. Reviewers confirm payment by: (1) reviewing copies of receipts maintained in the case files, and (2) reading entries made in the minor's electronic case file regarding payment of voluntary charitable contributions. Probation management will ensure that this review, as mandated by our Field Supervision manual, is consistently performed for all applicable juvenile cases. In addition, Probation management will take action to develop a report using the Ventura County Integrated Justice Information System (VCIJIS) that shows the status of voluntary contribution payments. This report will not only be used by program staff for casework management but also by Fiscal to support the collection of deposit amounts."

**AUDITOR'S EVALUATION OF MANAGEMENT ACTION:** We believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective actions by December 31, 2009.

We appreciate the cooperation and assistance extended by Probation's management and staff during this audit.