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January 29, 2010

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, 2007 through June 30, 2009.

The audit was conducted in conformance 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.

We also verified that proper corrective action had been taken to address five issues noted in our prior audit report dated February 23, 2009, regarding: accounting for receipt forms; reconciling collections in a timely manner; confirming receipt of goods; explaining trust fund variances; and maintaining trust account subsidiary ledgers.

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

- Formally documenting policies and procedures for significant JBF fiscal control activities.
- Ensuring that disbursements are supported with purchase receipts and management authorization.
- Implementing procedures to verify receipt of certain items by the intended juveniles.
- Changing Probation Administration's safe combination as necessary upon staff turnover.

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Probation management initiated corrective action to address our findings. Corrective action is planned to be completed by February 28, 2011.

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

Sincerely,



CHRISTINE L. COHEN
Auditor-Controller

Attachment

cc: Honorable Kathy Long, Chair, Board of Supervisors
Honorable Linda Parks, Vice Chair, Board of Supervisors
Honorable Steve Bennett, 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) 2008-09, Probation was allocated 522 authorized positions with a budget of over \$62 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 \$219,711 and \$87,077, respectively, as of June 30, 2009. During the 2-year period of July 1, 2007 through June 30, 2009, \$195,910 was deposited and \$108,725 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, 2007 through June 30, 2009. 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 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, accurately reflected trust fund activity.

Further, we evaluated whether corrective action had been taken to address five issues noted in our prior audit report dated February 23, 2009, regarding: accounting for receipt forms; reconciling collections in a timely manner; confirming receipt of goods; explaining trust fund variances; and maintaining trust account subsidiary ledgers.

We performed audit tests and evaluations using documents provided by each collection location and the Auditor-Controller's Office. The audit was performed in conformance 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 2007 through June 2009.

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 reasonable. In addition, our tests disclosed that disbursements, for items and purposes such as counseling, medical services, and clothing, appeared to be for the reasonable benefit of the juveniles.

We also confirmed that Probation had taken proper corrective action to address issues in our prior audit report. Specifically, improvements had been made to: account for cash receipt forms properly; reconcile collections in a timely manner; confirm goods received to vendor invoices; explain trust account variances; and maintain trust account subsidiary ledgers.

We recognize that Probation had previously identified areas for improvement related to JBF fiscal activities and has taken proactive steps to strengthen internal controls. However, our audit disclosed other areas where improvements were needed to further strengthen JBF accountability. Specifically, formally documenting procedures over significant JBF fiscal activities would facilitate the proper application of established internal controls. Further, attention was needed to ensure that JBF disbursements were supported with proper purchase receipts and to verify receipt of certain items by the juveniles. We also found that Probation Administration's safe combination needed to be changed when staff with knowledge of the combination left the department.

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

1. **Policies and Procedures.** Formal departmental policies and procedures had not been developed to guide employees in performing JBF fiscal activities. These activities, including the collection, disbursement, and safeguarding of JBF monies, are susceptible to weakness unless properly controlled. Our audit disclosed that Probation management provided staff with verbal instructions of certain departmental practices, such as proper use of JBF Requisition forms and accountability/audit over receipt forms/books. In addition, although Probation issued a memorandum with procedures for gift cards, passes, and tickets purchased with grant funds, such procedures were only informally applied to similar JBF purchases. Formalizing such departmental procedures with the approval of Probation management would provide authoritative guidance on critical aspects of significant fiscal activities.

Management Action. Probation management stated: "VCPA concurs with this audit finding. Agency policies and procedures instructing employees on the proper handling of JBF account funds with regard to collection, disbursement, and safeguarding of JBF monies are currently under construction."

2. **Supporting Documentation and Approval for Disbursements.** JBF disbursement requests were not always accompanied by purchase receipts or prior management approval for the purchases. Of the 26 disbursements we selected for review, 4 (15%) reimbursements to Deputy Probation Officers totaling \$441 were not accompanied by purchase receipts. Three of these payments were for \$400 in clothing purchased for specified juveniles, and one payment for \$41 was for pizza purchased for certain juveniles as an award. Proper original receipt documentation was needed to verify that the items intended for juveniles were actually purchased and that the reimbursement requests were valid. In

addition, support was not available to establish that 2 (8%) of the 26 disbursements were authorized by management prior to the purchases as required.

Management Action. Probation management stated: "VCPA concurs with this finding. The use of a Trust Fund Requisition form, granting prior approval for use of these trust funds, will be required for the Colston Benefit trust account (7593.) In addition, we will revise the Trust Fund Requisition form to require the attachment of the purchase receipt with the form. Fiscal staff will be instructed not to reimburse Agency staff for trust fund purchases made with personal funds, without a receipt."

3. **Confirming Benefits Received.** Certain items purchased with JBF monies could be susceptible to misappropriation without controls in place to reasonably ensure that the juveniles received the benefit of the purchases. For example, of the 26 JBF disbursements we selected for review, 4 disbursements were to reimburse Deputy Probation Officers for clothing and luggage purchased for needy juveniles. In addition, during the period under audit, we identified five purchases of gift cards totaling \$1,112 and one purchase of tickets for a field trip totaling \$108. However, support was not available to verify that the juveniles actually received the items purchased, such as with a confirming signature of the person ultimately receiving the benefit.

Management Action. Probation management stated: "The Trust Fund Requisition form will be revised to include a location for the recipient(s) to sign for receipt of items purchased with fund monies on their behalf. The gift card, tickets, and passes policy and procedures include a Distribution Log which features a recipient signature column. Group events will be documented with signed attendance sheets and included with documentation of the expenditures. Agency staff will be apprised of the Trust Fund Requisition form revisions and Fiscal staff will notify management of any non-compliance with the new policy and procedures."

4. **Access to Safes.** The combination to Probation Administration's safe was not changed when employees with knowledge of the safe combination were terminated/transferred, thereby allowing the possibility for unauthorized access to the safe's contents. We are aware of at least one employee who was provided with the safe combination and left the department within the past 2 years, although the safe combination has yet to be changed. We recognize that the risk of this individual improperly accessing the safe was mitigated by the location of the safe within the access-controlled Probation office. However, control could be strengthened by changing the combination upon staff terminations/transfers, if not annually.

Management Action. Probation management stated:

"VCPA concurs with this finding. We currently have two safes for this discussion. One safe is relatively new, less than three years old, located at the Juvenile Facility. The fiscal staff currently assigned to the Juvenile Facility unit have been the only fiscal staff at the Juvenile Facility since it opened in 2004. There have been no transfers or terminations of fiscal staff from the Juvenile Facility since 2004. The new safe comes with a feature that allows us to change the combination of the lock, at our convenience. Immediate action will be taken to change the combination of the new safe. The second safe, located in Fiscal Administration, is a much older safe, greater than ten years old. GSA Facilities Maintenance has been contacted and the combination of the older safe will be changed shortly.

"Although the combination on the older safe has not been changed for some time, we do have layers of security that must be cleared prior to receiving access to the Fiscal Administration safe. Prior employees would require an escort through the Fiscal Administration unit in order to access the safe. We will be constructing a policy regarding security of all fiscal safes that will include changes of the safe combinations annually or whenever staff leave the Agency, whichever occurs first."

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 February 28, 2011.

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