



**Audit of the Ventura County Probation
Agency's Management of Juvenile
Accounts for the 2-Year Period Ended
June 30, 2023**

Report Date: January 23, 2024

Office of the Auditor-Controller
County of Ventura, California
Jeffery S. Burgh, Auditor-Controller

JEFFERY S. BURGH
AUDITOR-CONTROLLER

COUNTY OF VENTURA
800 SOUTH VICTORIA AVE.
VENTURA, CA 93009-1540



ASSISTANT
AUDITOR-CONTROLLER
MICHELLE YAMAGUCHI

CHIEF DEPUTIES
BARBARA BEATTY
JASON McGUIRE
KATHLEEN O'KEEFE
RICHARD WHOBREY

January 23, 2024

Honorable Kevin G. DeNoce
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 FOR THE 2-YEAR PERIOD ENDED JUNE 30, 2023**

Dear Judge DeNoce:

In accordance with California Welfare and Institutions Code Section 275(b) and as authorized by the Board of Supervisors on December 19, 2006, we have completed our biennial audit of the Ventura County Probation Agency's (VCPA) management of juvenile accounts. Our overall audit objective was to determine whether VCPA properly managed the two established Juvenile Benefit Fund (JBF) non-operating (formerly known as trust) fund accounts during the 2-year period of July 1, 2021, through June 30, 2023.

Executive Summary

Overall, we found that VCPA satisfactorily managed the two established JBF accounts. For example, procedures for recording, depositing, and safeguarding cash collections were generally sufficient. We also determined that disbursements from the JBF accounts appeared to be for the reasonable benefit of the juveniles and JBF transactions were reconciled appropriately.

However, we identified areas of improvement related to the accuracy of deposit documentation, the timeliness of deposits, the disbursement of JBF purchases, and the security of cash receipts during transport. Specifically, we found that:

- Deposit documentation was not always accurate or complete, which may have contributed to 40 percent of the receipts we tested being deposited into the wrong accounts.
- Cash collections received at the VCPA Field Office were not always deposited timely by Fiscal Services staff.
- VCPA could not always produce evidence to verify that juveniles actually received items purchased with JBF monies, such as clothing, sports equipment, and school supplies.

Honorable Kevin G. DeNoce
January 23, 2024
Page 2

- VCPA could strengthen controls over cash receipts during transport by implementing the use of a locked money bag.

VCPA management initiated corrective action to address our findings. Corrective action was planned to be completed by December 31, 2023.

We appreciate the cooperation and assistance extended by VCPA management and staff during this audit.

Sincerely,



JEFFERY S. BURGH
Auditor-Controller

cc: Honorable Kelly Long, Chair, Board of Supervisors
Honorable Janice S. Parvin, Vice Chair, Board of Supervisors
Honorable Matt LaVere, Board of Supervisors
Honorable Jeff Gorell, Board of Supervisors
Honorable Vianey Lopez, Board of Supervisors
Sevet Johnson, Psy.D., County Executive Officer
Gina Johnson, Director, Probation Agency

Audit Report Contents

Background	1
Scope	1
Findings.....	2
1. Deposits of Juvenile Benefit Fund Cash Receipts	2
1.01 Inaccurate Deposit Documentation.....	3
1.02 Delayed Deposits	3
2. Confirmation of Benefits Received	4
3. Unsecured Transport of Cash Receipts	4
Auditor’s Evaluation of Management Action	5

Background

The mission of the Ventura County Probation Agency (VCPA) is to promote effective interventions, individual accountability, and community well-being. During Fiscal Year (FY) 2022-23, VCPA was allocated 440 authorized positions with a budget of over \$83 million.

VCPA receives money and directs disbursements on behalf of juveniles on probation and/or housed in juvenile facilities in accordance with California Welfare and Institutions Code (WIC) Section 276(c). Two Juvenile Benefit Fund (JBF) non-operating (formerly known as trust) fund accounts were established in the Ventura County Financial Management System (VCFMS) for the purpose of managing such transactions:

- 1) The Juvenile Facilities (JF) Benefit Fund account (N990-821A) is for the benefit of juveniles housed in County facilities.
- 2) The Youth Services (YS) Juvenile Benefit account (N990-821G) is for the general benefit of juveniles on formal and informal probation.

On January 1, 2023, WIC Section 208.1 went into effect, which stated:

“A county or city agency shall not receive revenue from the provision of voice communication services or any other communication services to any person confined in a county or city youth residential placement or detention center.”

As a result, WIC Section 208.1 terminated the primary revenue source for the JF Benefit Fund account, and deposits to this account decreased by more than 59 percent (%) since the prior audit period. Additionally, due to the extenuating circumstances brought about by the COVID-19 pandemic, juveniles were not assigned community service as frequently, and therefore, contributions in lieu of community service diminished. Consequently, deposits to the YS account decreased by more than 80% since the prior audit period.

The activity and balance for each account for the 2-year period of July 1, 2021, through June 30, 2023, is summarized below.

	<u>JF</u>	<u>YS</u>	<u>Total</u>
Beginning Balance, July 1, 2021	\$ 211,026	\$ 104,867	\$ 315,893
Deposits	44,216	4,612	48,828
Disbursements	<u>(48,506)</u>	<u>(2,260)</u>	<u>(50,766)</u>
Ending Balance, June 30, 2023	\$ <u>206,736</u>	\$ <u>107,219</u>	\$ <u>313,955</u>

Scope

Our overall audit objective was to determine whether VCPA properly managed the two established JBF accounts during the 2-year period of July 1, 2021, through June 30, 2023. Specifically, we:

- evaluated cash intake, deposit, and safeguarding procedures to establish accountability over funds collected;
- reviewed disbursements made from the JBF accounts to ensure that these funds were used for the benefit of the juveniles; and
- verified that the JBF accounts, as reported in VCFMS, accurately reflected JBF activity.

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

Findings

Overall, we found that VCPA satisfactorily managed the two established JBF accounts. Specifically, we verified that:

- Procedures for recording, depositing, and safeguarding cash collections were generally sufficient.
- Disbursements from the JBF accounts appeared to be for the reasonable benefit of the juveniles.
- JBF accounts were appropriately reconciled.

In our prior audit report dated December 17, 2021, we found that the JBF account balances had more than doubled over the past 6 years. We noted that in the FY 2019-20 and FY 2020-21 year-end JBF account reconciliations, VCPA stated: “We have a 2-3 year plan to find qualifying expenses to apply Trust funds balance toward” to clear deposits held exceeding 5 years. During the current audit, management stated that VCPA had not implemented a formal plan to clear aged balances. However, the year-end JBF liability aging schedules indicated that balances held exceeding 5 years for the JF account and the YS account decreased by approximately 70% and 3.5%, respectively, since the previous audit. Overall, we found that the JBF account balances decreased by roughly 0.6% from the prior audit period, and VCPA made progress on clearing aged balances in both accounts.

However, our audit identified areas of concern related to the accuracy of deposit documentation, the timeliness of deposits, and the security of cash receipts during transport. We also found that VCPA did not have an adequate process in place to consistently document the receipt of JBF purchases by juveniles.

Following are details of the areas where improvements were needed. VCPA management initiated corrective action in response to the current audit as noted.

1. Deposits of Juvenile Benefit Fund Cash Receipts

Improvements were needed to ensure that VCPA prepared deposit documentation correctly and deposited cash receipts timely. Specifically, we found that deposit documentation was not always accurate or complete and that cash receipts were not always deposited into the correct JBF account. Additionally, we determined that cash receipts were not always deposited timely due to a lack of adherence to the agency’s current internal procedures for collecting cash from the VCPA Field Office.

1.01 Inaccurate Deposit Documentation

Deposit documentation for JBF cash receipts was not always accurate or complete, which may have contributed to the depositing of receipts into the wrong accounts. VCPA's *Money Handling Procedures* stated that cash receipts were recorded on a receipt slip, placed in and recorded on an envelope, then recorded on a Master Safe Log before the envelope was dropped in the safe. A Cash Receipt (CR) Deposit Schedule was prepared to support the amount recorded in VCFMS. Our testing of 10 JBF receipt slips found that:

- The CR Deposit Schedule for 7 (70%) of the receipts incorrectly indicated the deposit was for Victim Restitution instead of JBF. However, the Master Safe Log properly recorded these receipts as JBF, and six were deposited correctly into the YS account while one was incorrectly deposited to Victim Restitution.
- The remaining 3 (30%) receipts did not have an associated CR Deposit Schedule and were not recorded on the Master Safe Log. Two of these receipts were incorrectly deposited to Victim Restitution and one was incorrectly deposited to the County General Fund.

While VCPA transferred the three receipts totaling \$370 from the Victim Restitution account to the YS account in June 2023, the one receipt of \$150 remained in the General Fund until questioned during our audit. Inaccurate deposit documentation increases the risk that cash receipts are not accounted for and deposited properly.

Recommendation. VCPA's Fiscal Services Unit should establish review procedures to confirm that the account on the CR Deposit Schedule matches the account recorded on the receipt slip, envelope, and Master Safe Log for each deposit. Any discrepancies should be researched and the resolution should be documented.

Management Action. VCPA management stated: "VCPA Fiscal has reviewed and updated its procedure to include an additional verification step consisting of matching data (e.g., amounts, dates, account name, etc.) on the Master Safe Log to the CR Deposit Schedule. This additional step will ensure amounts are deposited into the correct account. Further we will require all original receipts be attached in VCFMS for verification to the CR Deposit Schedule. All VCPA Fiscal staff received training on the subject."

1.02 Delayed Deposits

VCPA did not always deposit YS monies received at the Oxnard Juvenile Field Services (JFS) Office into the County Treasury timely. Regarding money received by field offices, VCPA's *Money Handling Procedures* stated: "Fiscal emails or calls the Clerical staff every two weeks to inquire if there's money in the safe and will pick up payments as necessary." However, VCPA management stated that Fiscal Services staff may wait longer than 2 weeks if the amount to be picked up is considered minimal. Of the three YS cash receipts we tested, two (67%) took 35 and 71 days from when the money was placed in the JFS Office Master safe to when the deposit posted in VCFMS. The remaining receipt took 8 days to post. As a result, YS cash receipts were not always properly accounted for in the correct monthly accounting period.

Recommendation. VCPA's Fiscal Services Unit should retrieve money accepted at the JFS Office every 2 weeks, if necessary, according to established procedures to ensure VCPA properly accounts for cash received.

Management Action. VCPA management stated: "VCPA Fiscal has reviewed and updated the Cash Handling Procedures to state 'Fiscal staff will pick up money from the JFS Office every two weeks. Fiscal staff may call or email JFS Clerical Staff prior to inquire if there is any money to be picked up.'"

2. Confirmation of Benefits Received

VCPA did not always have appropriate procedures in place to verify with juveniles that items purchased with JBF funds were received. While VCPA had appropriate procedures to monitor gift card inventory and issuance, similar procedures for other JBF purchases did not exist. Of the six disbursements we reviewed, two (33%) disbursements included \$742 in clothing and other miscellaneous items, such as sports equipment and school supplies. However, VCPA could not produce evidence to verify that the juveniles actually received the items purchased, such as with a confirming signature of the person ultimately receiving the benefit. Without adequate controls in place to reasonably ensure that juveniles received the benefit of the purchases, items purchased with JBF monies could be susceptible to misappropriation.

Recommendation. VCPA management should establish a process to document the distribution of significant or individualized JBF purchases by obtaining a signature from juveniles affirming the receipt of the items.

Management Action. VCPA management stated: "VCPA has updated the JBF Requisition Form to include a line for youth to sign confirming receipt of JBF purchased items made on behalf of a specific youth. VCPA Fiscal has made this new form available to all operational staff and provided training on its use. VCPA Fiscal will include the JBF Requisition Form with youth confirmation signature, and receipt of purchase as attachment to all IET JBF account drawdowns in VCFMS."

3. Unsecured Transport of Cash Receipts

Improvements were needed to strengthen the security of cash receipts during transport between the Oxnard JFS Office and the Fiscal Services Office. During our review of VCPA's *Money Handling Procedures*, we found that Fiscal Services staff transported cash receipts collected at the JFS Office to the Fiscal Office in an unsecured money bag. While adequate controls existed to safeguard cash receipts upon collection and after arriving at the Fiscal Office, using locked bags during transport would strengthen VCPA's cash handling controls overall. Due to the high-risk nature of transporting cash and checks, cash receipts should always be secured to prevent theft or misappropriation.

Recommendation. VCPA management should implement the use of a locked bag when transporting cash receipts from the JFS Office to the Fiscal Office.

Management Action. VCPA management stated: “VCPA Fiscal has been provided a Transportation Security Administration (TSA) approved lock for staff to use when transporting money from the JFS Office to the VCPA Fiscal Office. VCPA Fiscal staff has been advised and trained on its use.”

Auditor's Evaluation of Management Action

We believe that management actions taken or planned were responsive to the audit findings. VCPA management planned to complete corrective action by December 31, 2023.