

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Karen J. Staples, Director
Ventura County Probation Agency

Date: November 15, 2007

From: Christine L. Cohen

Subject: **AUDIT OF CHANGE IN DIRECTOR – VENTURA COUNTY PROBATION AGENCY**

EXECUTIVE SUMMARY

We have completed our audit of the change in Director for the Ventura County Probation Agency (VCPA). Our overall objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding Director. 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.

Overall, VCPA satisfactorily transferred accountability and administrative functions from the preceding to the succeeding Director. For example, accountability for fixed assets was properly transferred from the former Director to the incoming Director. In addition, controls over the physical custody of petty cash funds were adequate, and surprise cash counts were conducted on a regular basis by VCPA management. We also noted that VCPA created a separation checklist to ensure appropriation actions were taken upon a change in Director, such as collecting badges, credit cards, and other County property.

However, opportunities were available to improve some department procedures. Specifically, during our audit, we found that:

- Oversight of petty cash funds was in need of improvement to strengthen internal controls.
- Required documents were not always completed in a timely manner.
- Sensitive non-fixed assets have not been defined or inventoried as required by County policy.
- Travel expenses were not always properly supported with receipt documentation.
- Sworn officer identification badges and weapon cards have not been signed by the incoming Director.

VCPA management initiated corrective action to address our findings. Corrective action is planned to be completed by December 31, 2008.

Karen J. Staples, Director, Ventura County Probation Agency

November 15, 2007

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We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Linda Parks, Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable Peter Foy, Board of Supervisors
Honorable John K. Flynn, Board of Supervisors
John F. Johnston, County Executive Officer



**AUDIT OF CHANGE IN DIRECTOR
VENTURA COUNTY PROBATION AGENCY**

BACKGROUND:

The Ventura County Probation Agency (VCPA) is part of the corrections component of the criminal justice system. VCPA's main goal is to promote community safety through a system of graduated sanctions that balances services to the victim, offender, and community.

The current Director, Karen J. Staples, was appointed to replace Calvin C. Remington as VCPA Director effective February 11, 2007. VCPA was authorized 523 positions for fiscal year 2007-08 and a combined budget of over \$64 million.

SCOPE:

Our overall objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding Director. Specifically, we verified whether petty cash, trust funds, and bank accounts were properly accounted for, the account use was appropriate, and balances were reasonably stated at the time of the change. We also confirmed that fixed assets were properly accounted for and properly transferred to the incoming Director. We verified whether required documents, such as *Statements of Economic Interests* and signature authorizations, were completed. We reviewed actions taken to update security measures, including the deactivation of access cards and termination of computer access. We confirmed whether County equipment was collected and accounted for properly and whether personal expenses were finalized for the prior Director.

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 October 2006 through July 2007.

FINDINGS:

Overall, we found that VCPA satisfactorily transferred accountability and administrative functions from the preceding to the succeeding Director. We confirmed that County equipment was collected from the prior Director and that electronic security controls were properly updated. In addition, we verified that California Form 700, *Statement of Economic Interests*, was filed and that personal expenses were finalized for the prior Director. We also noted that an annual inventory of fixed assets was properly conducted and that accountability for fixed assets was properly transferred to the succeeding Director in a timely manner. Further, we confirmed that the reconciliation processes for trust fund accounts and outside bank accounts were reasonable, and that these accounts appeared necessary to assist with VCPA's operations.

However, although our count of select petty cash funds in April and May 2007 disclosed that the funds were intact, oversight of petty cash funds was in need of improvement. In addition, although the *Statement of Economic Interests* and trust fund signature authorization forms were eventually filed for the incoming Director, improvements were needed to ensure timely completion of the documents. We also noted that VCPA did not define or inventory sensitive non-fixed assets, and did not ensure that proper documentation

was submitted to support business travel expenses. Further, sworn officer identification (ID) badges and weapon cards have not yet been signed by the incoming Director to transfer authority to deputy probation officers.

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

1. **Petty Cash Oversight.** Attention was needed to better manage and control VCPA's five petty cash funds totaling \$900. Specifically, improvements were needed to address borrowing of funds, expenditure thresholds, employee reimbursements, timely replenishment of petty cash funds, and documented prior approvals for expenses.

A. **Borrowing of Funds.** A custodian inappropriately borrowed money from a non-petty cash fund to cover petty cash expenditures that exceeded the authorized petty cash fund amount. Two of the three petty cash funds we reviewed had proper receipts/vouchers totaling the authorized amount. However, receipts/vouchers for the Juvenile Facilities petty cash fund totaled \$46 more than the \$300 authorized fund amount. Although the borrowing was documented with an "IOU" by the petty cash custodian, such practices are not allowed in accordance with County Administrative Policy No. Chapter VII (A) – 8.

Management Action. VCPA management stated: "We will be counseling staff about the appropriate uses and management of all funds (e.g., petty cash funds, collections, meal funds, etc.) under the Agency's custody."

B. **Expenditure Threshold.** Petty cash funds were sometimes used to pay for expenditures that exceeded the \$25 threshold set by County Administrative Policy No. Chapter VII (A) – 8. Three of six transactions from the Youth Services petty cash fund from November 2005 to July 2006 exceeded the \$25 threshold by an average of \$16 per transaction. Four out of ten transactions from the Juvenile Facilities petty cash fund from September 2006 to May 2007 exceeded the \$25 threshold by an average of \$91 per transaction. Although funds were used to pay for allowable expenditures, adherence to the Policy was needed to avoid circumvention of the normal procurement process.

Management Action. VCPA management stated: "We are in the process of developing procedures for Petty Cash, which will address that certain expenses cannot exceed \$25. Training will also be provided to Fiscal staff to ensure proper use and management of the petty cash funds."

C. **Employee Reimbursements.** Petty cash custodians did not always require employees claiming reimbursement to acknowledge in writing that reimbursement was received. Our review of receipts submitted for reimbursement dated between April 2003 and May 2007 disclosed that 8 of 26 (31%) did not have signatures of employees submitting the receipts. In addition, only 3 out of 26 (12%) receipts had a statement signed by the employee acknowledging receipt of cash for the expenditure. Without an employee signature and statement that reimbursement was received, a risk exists that employees may request a reimbursement when one has already been given.

Management Action. VCPA management stated: "A log will be developed to document: amount disbursed; items to be purchased; amount reimbursed; and initials from the petty cash custodian and employee receiving petty cash funds/reimbursement."

- D. **Timely Replenishment of Petty Cash Funds.** Petty cash custodians did not always request replenishment of petty cash funds in a timely manner, indicating that the size of at least two of VCPA's petty cash funds may be larger than needed. County Administrative Policy No. Chapter VII (A) – 8 states that petty cash funds should be replenished on a monthly basis. However, for two of three funds we reviewed, General Claim Forms were submitted in 2007 for petty cash expenditures incurred in 2003, 2004, and 2005. Untimely replenishment increases the risk of not identifying misappropriation or theft of cash in a timely manner and also results in the posting of expenditures to improper accounting periods.

Management Action. VCPA management stated: "We are in the process of developing procedures for Petty Cash, which will address the requirement to replenish the fund on a timely basis. Training will also be provided to Fiscal staff to ensure proper use and management of the petty cash funds."

- E. **Documented Approvals for Expenses.** Our review of three petty cash funds disclosed that the custodians did not always obtain written/documented approval from a manager/supervisor prior to expending funds. Although verbal approval was obtained for expenditures, funds without documented prior approvals are at risk of being used inappropriately, such as claiming reimbursement for personal purchases or creating fictitious receipts.

Management Action. VCPA management stated: "We are in the process of developing procedures for Petty Cash, which will address the requirement to obtain manager approval for using petty cash funds. Training will also be provided to Fiscal staff to ensure proper use and management of the petty cash funds."

2. **Timely Completion of Documents.** Required documents were not always completed in a timely manner, which could result in fines and increase the risk of unauthorized transactions.

- A. **Statement of Economic Interests.** California Form 700, *Statement of Economic Interests*, was not filed in a timely manner by the incoming Director. Form 700 informs the public about potential conflicts of interest and is required to be filed within 30 days after assuming or leaving office. The incoming Director's form was signed on March 27, 2007, 44 days after assuming office on February 11, 2007. Untimely filing can result in fines by the Fair Political Practices Commission and challenge the County's compliance efforts.

Management Action. VCPA management stated: "We are in the process of developing a checklist to ensure that all activities associated with a change in Chief Probation Officer are completed in a timely manner."

- B. **Department Document and Function Signatures.** The incoming Director did not complete a Department Document and Function Signatures form, which authorizes individuals to sign for and/or receive specified trust account documents, in a timely manner. The form was completed in July 2007 for the period of March through June 2007, approximately 130 days after the incoming

Director assumed office. Failure to properly authorize and transfer accountability in a timely manner could potentially allow for unauthorized transactions and/or access to financial accounts resulting in misappropriation of assets.

Management Action. VCPA management stated: "We are in the process of developing a checklist to ensure that all activities associated with a change in Chief Probation Officer are completed in a timely manner."

3. **Sensitive Non-Fixed Assets.** VCPA has not defined or inventoried sensitive non-fixed assets as required by County Administrative Policy No. Chapter VII (B) – 3. Sensitive non-fixed assets are non-capitalized items with a value of less than \$5,000, and are subject to pilferage and misappropriation if not properly controlled. Although an inventory of firearms was properly conducted by VCPA, the department owns approximately 500 computers and 209 cell phones and blackberries, none of which have been inventoried. Without periodic inspections of these items and other potentially high-risk assets, theft or loss could occur without detection.

Management Action. VCPA management stated: "We are in the process of developing procedures to maintain an inventory listing of sensitive non-fixed assets and conduct a physical inventory at Fiscal Year End."

4. **Documentation for Travel Expenses.** Business travel expenses charged to the prior Director's County credit card were not always properly supported with receipt documentation. County Administrative Policy No. Chapter VII (C) – 1 states that supporting documentation generally includes the actual invoices, receipts, sales slips, passenger coupons, hotel bills, etc. Although the outgoing Director charged 15 transactions totaling \$2,534 from October 2006 through April 2007, the Director provided supporting documentation for only 3 transactions totaling \$826. Proper original documentation is needed to verify the appropriateness of charges made, which mitigates the risk of unauthorized charges, such as personal purchases or other unallowable items.

Management Action. VCPA management stated: "For instances when receipts are misplaced, we are required to document that the receipts were misplaced. However, we will be developing procedures to request reimbursement from employees who routinely misplace receipts."

5. **Transfer of Authority.** Sworn officer ID badges and weapon cards have not been signed by the incoming Director to transfer authority to deputy probation officers. Welfare and Institutions Code 270 gives the probation officer (i.e., Probation Agency Director) the authority to appoint deputies or assistant probation officers. The term of office of each deputy and/or assistant probation officer officially expired when the prior Director's term expired and needed to be reinstated when the incoming Director assumed office. Although the purchase order was placed timely on February 14, 2007, the printing company has not correctly printed approximately 300 sworn officer ID badges and weapon cards, which has delayed compliance.

Management Action. VCPA management stated: "We are in the process of developing a checklist to ensure that all activities associated with a change in Chief Probation Officer are completed in a timely manner."

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, 2008.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

