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January 25, 2012

Honorable Vincent J. O'Neill, Jr.
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 O'Neill:

In accordance with Welfare and Institutions (W & I) Code 275(b), we have completed our audit of the Ventura County Probation Agency's management of juvenile accounts. The results of our audit are summarized below.

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 2010-11, Probation was allocated 513 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 W & I 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 \$80,276 and \$22,217, respectively, as of June 30, 2011. During the 2-year period of July 1, 2009, through June 30, 2011, \$119,522 was deposited and \$323,817 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 W & I 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, 2009, through June 30, 2011. Specifically, we evaluated cash intake, deposit, and safeguarding procedures to establish accountability over funds collected. Our tests were performed at the three facilities where collections occur: 1) East County Juvenile Field Services in Simi Valley; 2) Juvenile Field Services in Oxnard; and 3) Juvenile Facilities in Oxnard. We also reviewed procedures for funds 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 the four issues noted in our prior audit report dated January 29, 2010, regarding: developing policies and procedures for JBF fiscal activities; requiring supporting documentation and prior approval for disbursements; confirming benefits received by juveniles; and improving security of JBF safes. We also determined that corrective action was no longer necessary to establish a tracking mechanism for voluntary contributions, as initially noted in our prior audit report dated February 23, 2009.

We performed audit tests and evaluations using documents provided by Probation, 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 2009 through June 2011.

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, disbursements from the JBF trust accounts appeared to be for the reasonable benefit of the juveniles.

We also confirmed that Probation had taken proper corrective action to address most of the issues in our prior audit report. Specifically, improvements had been made to: require supporting documentation and prior approval for disbursements; require signatures confirming benefits received by juveniles; and increase security of JBF safes.

Our audit disclosed one area where improvements were needed to further strengthen JBF accountability, which was also noted in our prior audit report. Specifically, formally documenting procedures regarding significant JBF fiscal activities would facilitate the proper application of established internal controls.

Summarized below are details of the area in which improvements were needed. Probation management initiated corrective action as noted.

Policies and Procedures. Although Probation management had stated in our prior audit report that procedures were under construction, formal departmental policies and procedures had not yet 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. Formalizing such departmental procedures with the approval of Probation management would provide authoritative guidance on critical aspects of significant fiscal activities, as well as provide consistency and continuity of operations.

Management Action. Probation management stated: "Ventura County Probation Agency concurs with the need to document our internal control procedures over the Juvenile Benefit Fund. We will complete this task by June 30, 2012."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit finding. Management planned to complete corrective actions by June 30, 2012.

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

Sincerely,



CHRISTINE L. COHEN
Auditor-Controller

cc: Honorable John C. Zaragoza, Chair, Board of Supervisors
Honorable Peter C. Foy, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Michael Powers, County Executive Officer
Mark Varela, Director, Probation Agency