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January 30, 2014

Honorable Brian J. Back
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 Back:

In accordance with Welfare and Institutions ("W&I") 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 management of juvenile accounts. The results of our audit are summarized below.

BACKGROUND

The mission of the Ventura County Probation Agency ("VCPA") is to promote community safety through a system of graduated sanctions that balance services to the victim, offender, and community. During fiscal year 2012-13, VCPA was allocated 514 authorized positions with a budget of over \$61 million.

VCPA 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 Section 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 \$37,466 and \$73,018 respectively, as of June 30, 2013. During the 2-year period of July 1, 2011, through June 30, 2013, \$121,395 was deposited and \$113,404 was disbursed for these two accounts combined.

SCOPE

Our overall audit objective was to determine whether VCPA properly managed the two established JBF trust accounts during the 2-year period of July 1, 2011, through June 30, 2013. 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 deputy 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 issue noted in our two prior audit reports dated January 29, 2010, and January 25, 2012, regarding the development of policies and procedures for JBF fiscal activities, including the collection, disbursement, and safeguarding of JBF monies.

We performed audit tests and evaluations using documents provided by VCPA, each collection location, and the Auditor-Controller's Office for the period January 2006 through June 2013. Except as discussed in the following paragraph, the audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors ("*IIA Standards*").

In connection with our audit, certain disclosures are necessary pursuant to *IIA Standards*. Specifically, *IIA Standards* state: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment." In the temporary absence of an appointed or elected Auditor-Controller, the County Executive Officer ("CEO") has designated the Assistant Auditor-Controller as acting department head with an associated assignment pay premium. This necessarily impairs *IIA Standards* regarding independence because the Assistant Auditor-Controller currently receives the acting department head assignment pay premium as approved by the CEO and because the department under audit is subject to CEO oversight. However, as the integrity of our audit findings have not been subject to inappropriate influence by the CEO, the reader of this report can rely on the information contained herein.

FINDINGS

Overall, we found that VCPA 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, and trust fund accounts were appropriately reconciled.

VCPA had taken proper corrective action to develop formal procedures on collection and safeguarding activities. Guidance on disbursements was reasonably incorporated in the JBF requisition form.

However, our audit disclosed two areas where improvements were needed to further strengthen VCPA's accountability over juvenile benefit funds. Specifically, accountability was not established over receipt slip numbers to ensure all collections were submitted for deposit. We also found that attention was needed to document that certain items purchased with JBF monies were received by the juveniles.

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

1. **Receipt Document Accountability.** VCPA did not establish document accountability for receipt slip numbers to ensure that all collections were submitted for deposit. We acknowledge that VCPA ensured each receipt was logged in juvenile records and confirmed monies collected matched the amount written on receipt slips. However, additional steps were needed to ensure that all receipt slips were submitted for deposit. For example, VCPA used the Cash Receipt ("CR") Deposit Schedule to document the detail of each JBF deposit into the County Treasury, including logging each receipt slip number. Upon return of a receipt book, VCPA could sort the CR Deposit Schedule to verify that all receipt numbers were accounted for, and if not, verify the disposition of any missing receipt numbers (e.g., voided receipts). Our testing of 75 (8%) out of 900 receipt slips from books completed during the 2-year period confirmed accountability for all of the receipts tested. However, without verification that each receipt slip has been accounted for, VCPA would be unaware of whether any misappropriation occurred.

Management Action. VCPA management stated:

"There are other internal control measures in place that reduce the risk of misappropriating funds. One such measure is that any funds collected are recorded in the client's case file, which is reviewed by either a Senior or Supervising Deputy Probation Officer to ensure minors have complied with all requirements prior to closing a case file. There have not been any complaints from clients regarding missing payments, which indicates a low risk of misappropriation of funds.

"To further reduce the risk of misappropriation, VCPA will create a procedure to review receipt books in the field. The process will require a fiscal staff to review receipt books in the field and match a sample of receipts to the daily collection logs. Due to the low volume in payments collected, it takes about a year or more for a receipt book to be completed and returned to fiscal, which makes it very difficult to trace all the receipts back to the deposits as suggested in the finding. For this reason, we believe it would be more beneficial to conduct field reviews on a regular basis."

2. **Confirmation of Benefits Received.** VCPA did not always have an appropriate mechanism in place to reasonably ensure that the juveniles received the benefit of purchases. Specifically, of the 14 disbursements we reviewed, 3 (21%) disbursements included purchases of \$2,200 in bus passes/tokens and \$100 in gift cards. While VCPA produced inventory lists for one bus company's passes and the gift cards, an inventory list was not maintained for the other bus company's tokens. Further, the inventory lists that were maintained did not support that the juveniles actually received the items purchased, such as with signatures of the juveniles or of supervisors affirming distribution of the items.

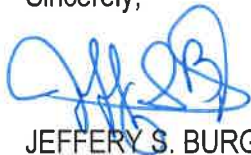
Management Action. VCPA management stated: "We have procedures in place to ensure the appropriate distribution of gift cards and bus tokens. VCPA has a log for every gift card and bus token that is purchased, and a log for when they are distributed, which requires appropriate signatures. We will work with staff to ensure these procedures are consistently followed."

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 2014.

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

Sincerely,



JEFFERY S. BURGH
Assistant Auditor-Controller

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
Michael Powers, County Executive Officer
Mark Varela, Director, Probation Agency