

JEFFERY S. BURGH
AUDITOR-CONTROLLER



ASSISTANT
AUDITOR-CONTROLLER
JOANNE McDONALD

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

CHIEF DEPUTIES
BARBARA BEATTY
AMY HERRON
JILL WARD
MICHELLE YAMAGUCHI

January 16, 2020

Honorable Kent M. Kellegrew
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 BIENNIAL PERIOD ENDED JUNE 30, 2019

Dear Judge Kellegrew:

In accordance with 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") trust accounts during the 2-year period of July 1, 2017, through June 30, 2019.

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, we found that VCPA satisfactorily managed the two established JBF trust accounts. For example, procedures for recording, depositing, and safeguarding cash collections were generally sufficient. We also verified that proper corrective action had been taken to address the issue noted in our prior audit report dated January 31, 2018, regarding depositing money into the County Treasury on a timely basis.

However, opportunities were available to improve certain JBF procedures by:

- Better protecting the identities of juveniles by redacting juvenile names on documents uploaded into the Ventura County Financial Management System.
- Confirming that all payments due from the inmate phone services provider are received.
- Ensuring that trust account reconciliations are reviewed and approved by management.

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VCPA management initiated corrective action to address our findings. VCPA management stated that corrective actions were completed on December 31, 2019.

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

Sincerely,



JEFFERY S. BURGH

Auditor-Controller

Attachment

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

County of Ventura
Office of the Auditor-Controller



AUDIT OF THE VENTURA COUNTY PROBATION AGENCY'S
MANAGEMENT OF JUVENILE ACCOUNTS
FOR THE BIENNIAL PERIOD ENDED JUNE 30, 2019

January 16, 2020

Jeffery S. Burgh
Auditor-Controller

**AUDIT OF THE VENTURA COUNTY PROBATION AGENCY'S
MANAGEMENT OF JUVENILE ACCOUNTS
FOR THE BIENNIAL PERIOD ENDED JUNE 30, 2019**

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**AUDIT OF THE VENTURA COUNTY PROBATION AGENCY'S
MANAGEMENT OF JUVENILE ACCOUNTS
FOR THE BIENNIAL PERIOD ENDED JUNE 30, 2019**

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 2018-19, VCPA was allocated 445 authorized positions with a budget of over \$74 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 Welfare and Institutions (“W&I”) Code Section 276. Two Juvenile Benefit Fund (“JBF”) trust accounts were established in the Ventura County Financial Management System (“VCFMS”) for the purpose of managing such transactions:

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

The activity and balance for each account for the 2-year period of July 1, 2017, through June 30, 2019, is summarized below.

	<u>Colston</u>	<u>Youth Services</u>	<u>Total</u>
Beginning Balance, July 1, 2017	\$ 133,131	\$ 60,738	\$ 193,869
Deposits	71,553	26,907	98,460
Disbursements	<u>(26,324)</u>	<u>(3,921)</u>	<u>(30,245)</u>
Ending Balance, June 30, 2019	\$ <u>178,360</u>	\$ <u>83,724</u>	\$ <u>262,084</u>

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, 2017, through June 30, 2019. Specifically, we:

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

Further, we evaluated whether corrective action had been taken to address the issue noted in our prior audit report dated January 31, 2018, regarding delayed trust deposits.

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 trust accounts. Specifically, we verified that:

- Procedures for recording, depositing, and safeguarding cash collections were generally sufficient.
- Disbursements from the JBF trust accounts appeared to be for the reasonable benefit of the juveniles.
- Trust account transactions were properly supported with sufficient documentation.

In addition, VCPA had fully implemented the planned corrective action in response to our prior audit to deposit money into the County Treasury on a timely basis.

However, our audit disclosed that VCPA actions were needed to: better protect the identities of juveniles; confirm that all payments due from the inmate phone services provider are received; and ensure that trust account reconciliations are reviewed and approved by management on a monthly basis.

Following are details of the areas where improvements were needed, and the attached Appendix summarizes the status of corrective action taken since our prior audit. VCPA management initiated corrective action in response to the current audit as noted.

1. **Redaction of Confidential Information.** VCPA did not always redact confidential juvenile names prior to uploading documents into VCFMS. During our review of disbursement activity in VCFMS, we noted that one disbursement contained 18 pages of support listing full juvenile names to demonstrate receipt of the disbursement benefit. W&I Code Section 827 mandates that juvenile information shall remain confidential and can only be released to officers of the court, specific agencies, or by order of the presiding judge of the juvenile court. Including full juvenile names in VCFMS documents inappropriately makes this information available to those outside of the limits of the W&I Code.

Recommendation. VCPA management should ensure that all staff are adequately trained and reminded of juvenile confidentiality responsibilities when attaching supporting documentation to VCFMS transactions.

Management Action. VCPA management stated: "Fiscal will no longer upload documents containing client names into VCFMS. Instead, we will retain such documents electronically for audit purposes. Fiscal will add this topic to the new hire checklist, to be discussed when ushering in a new Fiscal employee. Additionally, the VCPA California Law Enforcement Telecommunications System (CLETS)/Criminal Offender Record Information (CORI) coordinator will incorporate the topic of safeguarding client confidentiality in VCFMS as part of the new hire and refresher trainings."

2. **Missing Phone Commission Payment.** VCPA did not always ensure monthly phone commission payments were received, resulting in one payment being missed for nearly a year until questioned during our audit. The County contracts with a company that provides inmate phone and related services to the detention facilities operated by the Sheriff's Office and VCPA, and the company pays the County a monthly commission. During the transition to a new phone service provider in 2018, VCPA's share of the monthly commissions was mistakenly included in the payment to the Sheriff's Office. Although VCPA discovered the error in February 2019 and notified the Sheriff's Office about the missing commissions, all except the January 2019 commission of \$2,267.91 were eventually transferred to VCPA. Because monthly phone commission payments are the primary source of revenue for the Colston account, VCPA management needed to better ensure that funds were received as expected.

Recommendation. VCPA's Fiscal Services Unit should ensure that all commission payments are received as part of monthly trust account reconciliations.

Management Action. VCPA management stated: "Effective December 2019, Fiscal created a 'Colston commission tracker' worksheet to evidence that commission payments are received for each month, to recalculate the commissions as reported by the management company, and to ensure that we are receiving the contracted minimum annual guarantee. Fiscal will create any ancillary schedules, as needed, to evidence that we are reviewing the commissions for accuracy and completeness."

3. **Trust Account Reconciliation Approval.** VCPA did not always obtain management approval of monthly trust account reconciliations. The Auditor-Controller's Accounting Bulletin 16-01 issued June 30, 2016, revised June 2017, Section VI(F) regarding trust account reconciliations stated: "Reconciliations are to be reviewed and approved by appropriate department staff, retained by the department, and are subject to audit." Our review of 6 months of reconciliations for both JBF accounts disclosed that reconciliations for 2 months (33%) were not signed by management. According to VCPA during the audit, up to 15 months (63%) of reconciliations during the 2-year audit period may not have been approved. Had the reconciliations been subject to management review and approval, the missing commission payment discussed in Finding 2 above may have been identified in a timely manner.

Recommendation. VCPA's Fiscal Services Unit should ensure that trust account reconciliations are approved by management in accordance with the Accounting Bulletin as management signatures provide assurance and accountability that transactions are appropriate and accurate.

Management Action. VCPA management stated:

"Effective November 2019, Fiscal reinstated the practice of obtaining management approval for the trust reconciliations on a monthly basis.

"As noted in Finding 2, effective December 2019, Fiscal created a 'Colston commission tracker' worksheet to evidence that commission payments are received for each month, to recalculate the commissions as reported by the management company, and to ensure that we are receiving the contracted minimum annual guarantee."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit findings. VCPA management stated that corrective actions were completed on December 31, 2019.

**AUDIT OF THE VENTURA COUNTY PROBATION AGENCY'S
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FOR THE BIENNIAL PERIOD ENDED JUNE 30, 2019**

CORRECTIVE ACTION IMPLEMENTATION SUMMARY

Prior Audit Finding	Status of Corrective Action
1. VCPA did not always deposit Youth Services money received at the Oxnard Field Office into the County Treasury on a timely basis.	Implemented.