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COUNTY OF SAN BERNARDINO

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March 5, 2009

Michelle Scray, Chief Probation Officer
Probation Department
175 West Fifth Street
San Bernardino, CA 92415-0460

SUBJECT: PROBATION DEPARTMENT BIENNIAL FOLLOW-UP AUDIT

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, Internal Control and Cash Manual and Section 275(b) of the Welfare and Institutions Code, we have completed a follow-up audit of the accounting records relating to Probation Department (PRB) juvenile trust funds. Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Background

Juvenile Trust Funds are authorized by the Statute and administered by PRB for the benefit, education, and general welfare of youth in the custody of the department. Deputy Chief Probation Administrator is the custodian for administration of the Juvenile Trust Funds.

Objectives, Scope and Methodology

The objective of this follow-up audit was to determine whether Probation Department implemented the four recommendations contained in an earlier report, *Probation Department Biennial Fiscal Audit* issued June 22, 2007. We reviewed trust fund activities for the period of February 1, 2008 through May 31, 2008. To determine the implementation status of the recommendations, we:

- interviewed Probation Department (PRB) officials;
- reviewed and analyzed cash handling controls;
- reviewed and examined trust fund accounting records;
- tested PRB compliance with California Welfare and Institutional Code 873, Inter-Bureau Procedure #98-05-46 and Internal Control and Cash Manual (ICCM) – January 2008

Conclusion

The previous audit made four (4) recommendations to PRB, of which two (2) have been implemented and two (2) have been partially implemented. The details of these recommendations and their implementation status follow.

We sent a draft report to the department on February 3, 2009 and discussed our observations with management on February 3, 2009. The department's responses to our recommendations are included in this report.

Results of Follow-up Audit

Previous Finding: (January 2003) - Bank statements were not reconciled timely.

Previous Recommendation #1- "The Deputy Chief Department Administrator should: (a.) Update and implement the procedure manual for juvenile trust funds, to include instructions for monitoring trust funds; (b.) Require documented evidence of supervisory review of control activities, and require reconciliation of Department records to bank statement each month; and (c.) Consider placing the Treatment Division ($25,045) and Youth Justice Center ($44,212) trust funds in an interest bearing accounts, as permitted by Welfare & Institutional Code 873(g)."

Previous Management's Response- "Department agrees with recommendation (a) and (b); however (c) will be investigated to determine its potential for the department."

Current Status: PARTIALLY IMPLEMENTED

Recommendation: We acknowledge the Department has made improvement in reconciling bank statements timely and documenting evidence of supervisory review. However, the Department should ensure that all aspects of fiscal operations are clearly documented in an up-to-date procedures manual. Procedures must comply with County policies.

Management's Response: The procedure is nearing completion and was provided to the audit team for review and input at the time of this follow-up audit in July, 2008. It was returned with comments during the exit interview in February, 2009 and we are in the process of finalizing the procedure, with a target completion date of March 31, 2009.

Auditor's Response: The Department's response addresses planned actions to correct deficiencies noted in the finding.

Previous Finding: (December 2004) - Outstanding checks exceeded on year were not voided and bank balances adjusted.

Previous Recommendation #2-"The Deputy Chief Department Administrator should ensure appropriate accounting entries are made to Department fund records for voided checks. "

Previous Management's Response- "The department concurs with this finding. Procedures have been implemented to correspond with the recommendation."

Current Status: IMPLEMENTED

Previous Finding: (June 2007) - Deposits are not made timely.

Previous Recommendations #3: "The Deputy Chief Department Administrator should ensure (1) all monies collected are deposited no later than the next business day, as required by County policy; (2) all personnel are aware of the County cashiering and deposits policies and procedures; and (3) supervisors review the deposit for accuracy, timeliness and noting their reviews by initials and date of review on deposit slips."

Previous Management's Response: "The department concurs with this finding. Procedures have been implemented to correspond with the recommend changes."

Current Status: IMPLEMENTED

Previous Finding: (June 2007) - Established procedures for Trust Fund Withdrawals were not enforced.

Previous Recommendation #4- "The Deputy Chief Officer should ensure established County policies on cash controls and California Welfare and Institutional Code 873 are complied with for disbursements of juvenile trust funds. Also, supervisory personnel should monitor, including documenting the monitoring, disbursement of juvenile trust funds."

Previous Management's Response- "The procedure manual is in the process of being updated to reflect necessary revisions."

Current Status: PARTIALLY IMPLEMENTED

Recommendation: We acknowledge the Department has made improvement in disbursements of juvenile trust funds. However, all aspects of a department's operations should be clearly documented in an up-to-date procedures manual. The

procedures should include sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary financial activities.

Management's Response: The procedure is nearing completion and was provided to the audit team for review and input at the time of this follow-up audit in July, 2008. It was returned with comments during the exit interview in February, 2009 and we are in the process of finalizing the procedure, with a target completion date of March 31, 2009.

Auditor's Response: The Department's response addresses planned actions to correct deficiencies noted in the finding.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard Ochi, CPA
Chief Deputy Auditor
Internal Audits Section

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