

# County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector  
Internal Audits Section

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## Probation Department: Biennial Juvenile Trust Funds Audit



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# Auditor-Controller/Treasurer/Tax Collector

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**January 25, 2017**

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### **SUBJECT: BIENNIAL JUVENILE TRUST FUNDS AUDIT**

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing and Welfare and Institutions Code 275, we have completed an audit of the Probation Department for the period of July 2014 through June 2016. The objectives of the audit were to determine if internal controls were in place and effective over the juvenile trust funds of the Probation Department and to determine whether the Department complied with Welfare and Institutions Code Section 873. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that should be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on January 9, 2017 and discussed our observations with management on January 17, 2017. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Probation Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

**Oscar Valdez**

Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By:



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# **Probation Department: Biennial Juvenile Trust Funds Audit**

<b>Executive Summary</b>	<b>1 - 3</b>
<b>Audit Background</b>	<b>4 - 5</b>
<b>Scope, Objectives, and Methodology</b>	<b>6</b>
<b>Audit Findings and Recommendations</b>	<b>7 - 11</b>



## Summary of Audit Results

We concluded that the Probation Department had areas where their internal controls over juvenile trust funds should be improved and that the Department was in compliance with Welfare and Institutions Code Section 873.

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department's juvenile trust funds.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<b>Finding:</b> Deposit procedures should be improved.	7
	<b>Recommendation:</b> We recommend the Department ensure that cash deposits are performed weekly if amounts less than \$1,000 are collected. Outlying sites should be monitored to ensure that cash is brought to Fiscal on a regular basis.	
2	<b>Finding:</b> There was insufficient supporting documentation for deposits.	8
	<b>Recommendation:</b> We recommend the Department maintain supporting documentation for deposits. Outlying sites should be strongly urged and monitored to bring their cash directly to Fiscal Services on a regular basis. Fiscal staff should also maintain a receipt book log and review and reconcile receipts before issuing new receipt books.	
3	<b>Finding:</b> Departmental procedures for trust fund disbursements were not followed.	9
	<b>Recommendation:</b> We recommend supervisory personnel provide training to staff to familiarize them with the Departmental policies and procedures.	



Finding No.	Findings and Recommendations	Page No.
4	<b>Finding:</b> There is lack of controls over inventory of trust fund equipment purchases.	10
	<b>Recommendation:</b> We recommend each juvenile detention center location track their trust fund equipment purchases and notify Fiscal Services of their inventory.	

- **Finding 1: Deposit procedures should be improved.**

We reviewed 285 transactions for timeliness. One hundred and sixty-two of the sample selection had deposits that were not made in a timely manner. Monies are received from outlying sites and then submitted to Fiscal Services. Outlying sites are holding onto monies for as long as 487 days. In one instance, a class was held on February 9, 2015 and monies were not submitted to Fiscal Services until June 9, 2016 and deposited on June 10, 2016.

- **Finding 2: There was insufficient supporting documentation for deposits.**

We reviewed 285 transactions and found nineteen did not have adequate supporting documentation. There were twelve instances in which there were gaps in issued receipts that could not be accounted for. There were seven instances where either receipts were missing the payment method or payment method was not accurately marked.

- **Finding 3: Departmental procedures for trust fund disbursements were not followed.**

We reviewed 157 randomly selected disbursements, which included 94 requests for advances, 30 requests for reimbursements and 33 miscellaneous transactions that were transfers, bank service charges or voided checks. Thirty-six out of the ninety-four advances did not have a datestamp of when receipts were received at Fiscal Services, therefore, it is unknown if receipts were received within the departmental timeframe of 14 calendar days. Thirty out of ninety-four "Advance" requests had receipts that were submitted over the 14 day timeframe. Twenty-three out of 124 transactions did not have both the Requesting Party and the Supervisor's signatures on each receipt. Two



out of 124 transactions had purchases commingled with personal purchases on a receipt. Nine out of 124 transactions had receipt dates that did not reflect the event date or service month.

- **Finding 4: There is lack of controls over inventory of trust fund equipment purchases.**

Neither the Department nor the Juvenile Detention Center locations keep track of equipment that is purchased through the Juvenile Trust Fund monies.



## BIENNIAL JUVENILE TRUST FUNDS AUDIT

### The Department

The San Bernardino County Probation Department (Department) provides temporary detention for minors generally between ages 12 and 18, who are detained pending Juvenile Court hearings or who remain in custody by order of the Juvenile Court. The Department's mission is to provide a safe, secure and healthy environment which ensures the dignity and fulfills the needs of legally detained minors.

### The Juvenile Detention and Assessment Centers

The Department operates two Juvenile Detention and Assessment Centers (JDAC).

- **Central Valley JDAC**  
This center is located in the city of San Bernardino. The original Correction Standards Authority capacity was 168 beds, but the County Board of Supervisors approved the construction of a new facility, breaking ground in Spring 2009. The new capacity is now 280 beds.
- **High Desert JDAC**  
The center is located in Apple Valley and was built in 2004. It has a Corrections Standards Authority capacity of 200 beds.

### The Trust Funds

The Department had six individual operational checking accounts with Bank of America from which funds were requested and disbursed for activities, supplies and equipment that directly benefit the youth population in department programs. These funds are not part of the General Operating Expenses provided for in the County Budget. Trust funds are generated from gifts, donations, fees for programs, proceeds from fund raising projects and sales or awards for youth vocational training programs.

- Juvenile Hall Trust Fund
- Treatment Division Trust Fund
- Project Focus Trust Fund



- Sustaining Trust Fund
- Youth Justice Center Trust Fund
- Youth Accountability Trust Fund

In November 2015, the Youth Accountability Trust Fund was closed and the remaining monies transferred to the Sustaining Trust Fund.



## Scope and Objectives

Our audit examined the Department's juvenile trust funds for the period of July 2014 through June 2016.

The objectives of our audit were to:

- Determine if the internal controls over the Probation Department's juvenile trust funds were properly designed and effective.
- Determine whether the Department complied with Welfare and Institutions Code (WIC) Section 873, which requires that:
  - Any profit made from the juvenile hall store is deposited into the juvenile trust fund.
  - 10% of the gross sales of confined minor hobbycraft are deposited into the juvenile trust fund.
  - Any money received from a telephone provider for the juveniles is deposited into the juvenile trust fund.
  - Any excess money within the juvenile trust fund is invested and the interest accrued is deposited into the juvenile trust fund.
  - Juvenile trust fund money is disbursed in accordance with Welfare and Institutions Code 873 (e) and (h).

## Methodology

In achieving the audit objectives, the following audit procedures were performed, including but not limited to:

- Interview of Probation Department personnel.
- Review of the Department's policies and procedures.
- Examination of original source documents and system generated reports.



## **Finding 1: Deposit procedures should be improved.**

The County's Internal Controls and Cash Manual (ICCM) Chapter 9 states that the deposit of all monies collected must be made by the next business day when the dollar amount reaches \$1,000 (including cash, checks and money orders), or at least weekly if lesser amounts are collected.

The following condition was identified when we reviewed 285 transactions:

- One hundred and sixty-two of the sample selection had deposits that were not made in a timely manner. Monies are received from outlying sites and then submitted to Fiscal Services. Outlying sites are holding onto monies for as long as 487 days.
  - In one instance, a class was held on February 9, 2015 and monies were not submitted to Fiscal Services until June 9, 2016 and deposited on June 10, 2016.

Monies from class fees collected by outlying sites were not being submitted to Fiscal Services in a timely manner. Maintaining cash at outlying sites longer than necessary significantly increases the risk of loss, theft or embezzlement.

### **Recommendation:**

We recommend that the Department ensure that cash deposits are performed weekly if amounts less than \$1,000 are collected, as stated in the ICCM guidelines. Receipts should be delivered to the Fiscal Services Administration at least weekly by outlying sites if their amounts are less than \$1,000. We further recommend that outlying sites be strongly urged and monitored to bring their cash directly to Fiscal on a regular basis.

### **Management's Response:**

The Department concurs. On August 10, 2016, the Department issued and implemented Temporary Department Order (TDO) #54 - Cash/Negotiable Instruments Handling and Delivery for Deposit to Fiscal. TDO#54 requires that receipts be delivered to Fiscal Services weekly, cash deposits be performed weekly for amounts less than \$1,000 and immediately for amounts of \$1,000 and over, and establishes procedures to ensure compliance with TDO#54 and the County's Internal Controls and Cash Manual (ICCM).

### **Auditor's Response:**

The Department's actions will correct the deficiencies noted in the finding.



### **Finding 2: There was insufficient supporting documentation with deposits.**

The County's Internal Controls and Cash Manual (ICCM) Chapter 2 states that all transactions and pertinent events should be accurately and properly recorded on documents and records. Sufficient and relevant data should be recorded to provide an audit trail and to document evidence that a transaction took place. When monies are collected by Probation Officers (POs) for class registration, receipts are issued from a receipt book. One copy of the handwritten receipt is distributed to the attendee, the second copy is kept by the PO and the third copy stays in the receipt book. When monies are deposited with the Fiscal Services staff, the copies of receipts or the attendance roster are also submitted to the staff.

The following conditions were identified when we reviewed 285 transactions:

- Nineteen out of 285 transactions did not have adequate supporting documentation.
  - There were twelve instances in which there were gaps in issued receipts that could not be accounted for.
  - There were seven instances where either receipts were missing the payment method or payment method was not accurately marked.

Probation Officers do not consistently keep track of their class attendees through roster logs or issue receipts for every transaction with an attendee. In addition, Probation Officers do not always bring cash to Fiscal Services for deposit on a regular basis. The risk of misappropriation increases when transactions are not properly recorded.

### **Recommendation:**

We recommend the Department maintain supporting documentation for deposits. The Department should properly communicate the necessary policies and procedures outlined in the ICCM to assist the staff in effectively performing their job duties. We further recommend that outlying sites be strongly urged and monitored to bring their cash directly to Fiscal Services on a regular basis. Fiscal staff should also maintain a receipt book log which lists each employee, their corresponding receipt book and receipts turned in. When receipt books are submitted to Fiscal in exchange for new receipt books, we recommend that Fiscal staff review and reconcile the receipts before issuing a new receipt book.

### **Management's Response:**

The Department concurs. On August 10, 2016, the Department issued and implemented Temporary Department Order (TDO) #54 - Cash/Negotiable Instruments Handling and Delivery for Deposit to Fiscal. TDO#54 requires supporting documentation for deposits and reconciliation of receipt books to



assigned staff. TDO#54 is part of the Department's Policy Manager System which tracks each employee's receipt of the procedure and provide documentation that the procedure has been marked as read.

### **Auditor's Response:**

The Department's actions will correct the deficiencies noted in the finding.

### **Finding 3: Departmental procedures for trust fund disbursements were not followed.**

The Probation Department Trust Fund Procedures state that the Requesting Party shall purchase necessary goods and provide detailed and dated receipts for purchases. In addition, itemized receipts shall be submitted to Fiscal within fourteen business days from purchase, and the Requesting Party and their Immediate Supervisor shall sign and print their names on all receipts. Prior written approval should be obtained from a Division Director or above employee and trust fund purchases cannot be commingled with personal/non trust fund purchases. Purchases must be made by the event date or service month.

We reviewed 157 randomly selected disbursements, which included 94 requests for advances, 30 requests for reimbursements and 33 miscellaneous transactions that were transfers, bank service charges or voided checks. The following conditions were noted during testing:

- Thirty-six out of the ninety-four advances did not have a datestamp of when receipts were received at Fiscal Services, therefore, it is unknown if receipts were received within the departmental timeframe of 14 calendar days.
- Thirty out of ninety-four "Advance" requests had receipts that were submitted over the 14 day timeframe.
- Twenty-three out of 124 transactions did not have both the Requesting Party and the Supervisor's signatures on each receipt.
- Two out of 124 transactions had purchases commingled with personal purchases on a receipt.
- Nine out of 124 transactions had receipt dates that did not reflect the event date or service month.

Employees are not familiar with their Department's written procedures, leading to an increase in risk for the potential misuse of trust fund monies.



## **Recommendation:**

We recommend that the supporting documentation be date-stamped upon receipt at Fiscal Services. We recommend supervisory personnel provide training to staff to familiarize them with the Departmental policies and procedures, such as submitting receipts with proper signatures within the specified timeframe. Trust fund purchases should not be commingled with personal purchases on receipts. We further recommend that supervisory personnel should monitor and approve the disbursement process to ensure staff is complying with the procedures.

## **Management's Response:**

The Department concurs. In addition to issuing and implementing Temporary Department Order (TDO) #54 - Cash/Negotiable Instruments Handling and Delivery for Deposit to Fiscal, the Department has implemented regular training classes on this topic. Training includes date-stamping documentation upon receipt at Fiscal, weekly submittal of receipts with proper signatures, no comingling of trust fund and personal purchases, among other items. Classes are conducted by the Supervising Fiscal Specialist, the most recent occurring on October 27, 2016. The next class is being offered on March 8, 2017.

## **Auditor's Response:**

The Department's actions and planned actions will correct the deficiencies noted in the finding.

## **Finding 4: There is lack of controls over inventory of trust fund equipment purchases.**

The County of San Bernardino Policy 11-04 SP3 "Procurement of Goods, Supplies and Equipment-Equipment Control" was adopted to assure the Board of Supervisors, County management, and the public that appropriate control is maintained over County-owned property below the fixed asset level of \$5,000. Once a department establishes inventory controls of sensitive equipment, a department's inventory list shall be updated on an annual basis and filed with the County Clerk by June 30 of each year. Sensitive equipment is defined as all equipment purchased at cost of less than \$5,000, purchased by the County and utilized by Departments in the delivery of programs and services.

Neither the Department nor the Juvenile Detention Center locations keep track of equipment that is purchased through the Juvenile Trust Fund monies.



If inventory of sensitive equipment is not maintained by the Department as evidenced by its submittal to the County Clerk, the Department cannot ensure that its equipment is safeguarded, increasing the risk of undetected loss.

**Recommendation:**

We recommend that each juvenile detention center location track their trust fund equipment purchases and notify Fiscal Services of their inventory. We recommend the Department file this inventory listing indicating these were purchases from trust fund monies, along with their sensitive equipment inventory list that is filed with the County Clerk, on an annual basis.

**Management's Response:**

The Department concurs. Equipment purchased by the trust funds that meet the definition will be included in the Department's Sensitive Equipment and/or Fixed Asset Inventory List and will be annually inventoried and filed with the County Clerk on an annual basis as per County Policy 11-04-SP3.

**Auditor's Response:**

The Department's planned actions will correct the deficiencies noted in the finding.