

**SAN BERNARDINO COUNTY  
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR  
INTERNAL AUDITS DIVISION**

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**PROBATION DEPARTMENT:  
BIENNIAL TRUST FUND AUDIT**

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*This office is committed to serving our customers by processing, safeguarding, and providing information regarding the finances and public records of the County. We perform these functions with integrity, independent judgment, and outstanding service. We are accurate, timely, courteous, innovative, and efficient because of our well-trained and accountable staff.*

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**Probation Department:  
Biennial Trust Fund Audit**

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## San Bernardino County



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*Assistant Auditor-Controller/Treasurer/Tax Collector*

February 29, 2024

Tracy Reece, Chief Probation Officer  
Probation Department  
175 West Fifth Street, 4<sup>th</sup> Floor  
San Bernardino, CA 92415-0460

RE: Biennial Trust Fund Audit

We have completed an audit of Probation Department's (Department) trust fund for the period of July 1, 2020, through June 30, 2022. The objectives of our audit were to determine if the internal controls over the Department's trust fund were properly designed and effective, and to determine whether the Department complied with Welfare and Institution Code 873 (e) and (h).

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

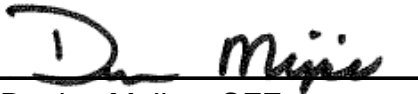
We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on January 25, 2024, and discussed our observations with management on February 8, 2024. 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,

Ensen Mason CPA  
Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By:   
Denise Mejico, CFE  
Chief Deputy Auditor

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San Bernardino County Audit Committee

Date Report Distributed: 2/29/24

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## Summary of Audit Results

We concluded that the Department had areas where internal controls over the trust fund could 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 trust fund.

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>Controls over the depositing process could be improved.</b>	6
	We recommend that documented reviews of the deposit slip are conducted by a supervisory-level employee to ensure accuracy. We further recommend that the transaction dates are completed on all receipts issued, in accordance with the Internal Controls and Cash Manual.	
2	<b>Departmental procedures for trust fund administrative reviews were not always followed.</b>	7
	We recommend that the Department review their existing policies and procedures and determine if they need to be updated. If updated, the written policies and procedures should be distributed to new and existing employees. The development of updated written policies and procedures will help establish an organizational structure and provide guidelines for employee responsibilities and duties.	
3	<b>Departmental procedures for trust fund disbursements were not always followed.</b>	8
	We recommend that the Fiscal Section reiterate the procedure guidelines to staff prior to the disbursement of checks to emphasize the importance of adhering to the guidelines.	

## BIENNIAL TRUST FUND AUDIT

### The Department

The Department's mission is to protect the community through assessment, treatment, and control of adult and juvenile offenders by providing a range of effective services based on legal requirements and recognized professional standards. The Detention Corrections Bureau (DCB) operates Juvenile Detention and Assessment Centers (JDAC) that are responsible for housing male and female 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 operates three Juvenile Detention and Assessment Centers. The Bureau's mission is to provide a safe, secure, and healthy environment which ensures dignity and fulfills the needs of legally detained minors.

### Detention Corrections Bureau

The DCB oversees the operation of all juvenile detention services, including two Juvenile Detention and Assessment Centers and the Gateway juvenile placement program.

- **Central Valley JDAC**  
Located in the city of San Bernardino, the center has a Corrections Standard Authority capacity of 280 beds.
- **High Desert JDAC**  
Located in Apple Valley, the center has a Corrections Standards Authority capacity of 200 beds.
- **Gateway Program**  
Located in the city of San Bernardino, the center has a capacity of 40 beds. Developed in collaboration with the Department of Behavioral Health and other County agencies, the program utilizes evidence-based assessments, treatments, and evaluations aimed at reducing recidivism.

### The Trust Fund

The Department has one Bank of America trust fund account, Probation Juvenile Trust Fund, from which funds are 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. Funds are generated from gifts, donations, fees for programs, proceeds from fundraising projects, and sales or awards for youth vocational training programs.

### Scope and Objectives

Our audit examined the Department's trust fund for the period of July 1, 2020, through June 30, 2022.

The objectives of our audit were to:

- Determine if the internal controls over the Probation Department's trust fund are properly designed and effective.
- Determine whether the Department complied with the 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 is deposited into the juvenile trust fund.
  - Any money received from a telephone provider for the juveniles is deposited into the juvenile trust fund.
  - Any interest accrued on investments of excess money within the juvenile trust fund be deposited into the juvenile trust fund.
  - Juvenile trust fund money is disbursed in accordance with WIC 873 (e) and (h).

### Methodology

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

- Interview of Department staff
- Review of Department's policies and procedures
- Examination of original source documents
- Sampling of receipt and disbursement transactions



## **Finding 1: Controls over the depositing process could be improved.**

The Internal Controls and Cash Manual (ICCM) Chapter 9-4 Bank Deposit Guidelines state that supervisors must verify that deposits are intact and document evidence of review. It also states that deposits of cash must be made by the next business day when the amount of receipts reaches \$1,000 in cash and coin. For receipts of checks and money orders, deposits should be processed immediately.

We identified the following conditions when testing 18 deposit transactions:

- 4 transactions (or 22%) where a deposit slip was not reviewed by an employee of a higher job title than the preparer.
- 1 transaction (or 5%) could not be tested for timeliness due to missing receipt date.

During the pandemic, Administration staff rotated being in the office and there were times when only similar-level staff were on-site. Staff inadvertently did not complete the date portion of the receipt. The risk of undetected errors increases when there is no supervisory review of deposits. When the transaction date is not included on the receipt, monies may not be deposited in a timely manner.

### **Recommendation:**

We recommend that documented reviews of the deposit slip are conducted by a supervisory-level employee to ensure accuracy. We further recommend that the transaction dates are completed on all receipts issued, in accordance with the ICCM.

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

During the trust fund audit period of July 1, 2020, through June 30, 2022, the Department had major disruptions to its normal staffing resources and administrative processes. Supervisory-level staff were not always present in the office (due to social distancing) to sign off on deposits. Additionally, staff were not always able to carry out their normal routine efficiently. The Department has since returned to full operation, post-COVID-19, and, therefore, expects to fully comply with the recommendation that documented reviews of the deposit slip be conducted by a supervisory-level employee to ensure accuracy.

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

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

### **Finding 2: Departmental procedures for trust fund administrative reviews were not always followed.**

The Probation Department Trust Funds Procedure “Administrative Review” states that quarterly, Fiscal Services staff will prepare a detailed report for the deposits, withdrawal, and balances of each fund. The report will be distributed to the Deputy Chief, or designee, and the Administrative Manager or designee. The administrative review and approval will be completed by the Administrative Supervisor, and/or Administrative Manager, the Division Director II over the Administrative Services Bureau, and a Deputy Chief Probation Officer.

We identified the following when testing all 8 reports:

- 4 reports (or 50%) were distributed to the Administrative Manager but were not distributed to the Deputy Chief or designee.
- The same reports were reviewed and approved by the Administrative Supervisor, the Probation Budget Coordinator, and the Administrative Manager, but not reviewed and approved by the Division Director II and a Deputy Chief Probation Officer.

Management implemented a change in the review process, which had not been updated in the procedures. When reports are not distributed to the appropriate staff level, management may not be fully aware of the financial transactions within their unit.

### **Recommendation:**

We recommend that the Department review their existing policies and procedures and determine if they need to be updated. If updated, the written policies and procedures should be distributed to new and existing employees. The development of updated written policies and procedures will help establish an organizational structure and provide guidelines for employee responsibilities and duties.

### **Management’s Response:**

Since the last biennial trust fund audit, the Department went through a major restructuring of its administrative/fiscal chain of command. The result is a reporting structure that is now headed by a Director of Probation Administration (in place of the Deputy Chief Probation Officer), with delegated signature authority to the Administrative Manager, who is next in command (in place of the Division Director). The next level of oversight, downward, is the Budget Coordinator. In the absence of the Budget Coordinator, the Administrative Supervisor provides oversight. These changes are currently being updated in the Department’s policy and will be provided to the Internal Audits Division at the earliest opportunity.

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

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

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

The Probation Department Trust Funds Procedures state that itemized receipts and any unused funds shall be submitted to the Fiscal Section within fourteen (14) business days from date of purchase. This guideline is further emphasized in the Department's Receipt of Funds Acknowledgment Form.

We identified 3 transactions (or 11%) out of 28 disbursements where receipts were not submitted within 14 business days from the date of purchase.

Employees may sometimes be stationed far from the Fiscal Section, causing a delay in submitting receipts. This could lead to potential misuse of trust fund monies.

### **Recommendation:**

We recommend that the Fiscal Section reiterate the procedure guidelines to staff prior to the disbursement of checks to emphasize the importance of adhering to the guidelines.

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

During the trust fund audit period of July 1, 2020, through June 30, 2022, the Department had major disruptions to its normal staffing resources and administrative processes. Operations staff were not always able to carry out their normal routine efficiently, including providing timely documentation of trust fund transactions. The Department has since returned to full operation, post-COVID-19, and, therefore, expects to fully comply with the recommendation that the Fiscal Section reiterate the procedure guidelines to staff before the disbursement of checks to emphasize the importance of adhering to the guidelines.

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

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