

**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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# **Probation:**

## **Probation Biennial Trust Fund Audit**

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## San Bernardino County



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June 11, 2025

Tracy Reece, Chief Probation Officer  
Probation  
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 the Probation Department's (Department) trust fund for the period of July 1, 2022, through June 30, 2024. The objectives of our audit were to determine if the internal controls over the Department's juvenile trust fund were properly designed and effective, and to determine whether the Department complied with the Welfare and Institutions Codes (WIC) 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 and discussed our observations with management on May 20, 2025. 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, CFA  
Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By: [REDACTED]  
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Chief Deputy Auditor

Distribution of Audit Report:

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Date Report Distributed: 6/12/25

EM:DLM:PBA:jm

## 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 873 (e) and (h).

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 bank reconciliations could be improved.</b>	8
	We recommend that an employee of a higher-ranking job code perform documented reviews of the monthly bank reconciliations, and that staff investigate and resolve any differences after completing them.	
2	<b>Departmental procedures for trust fund disbursements were not always followed.</b>	9
	We recommend that the Fiscal Services Section reiterate the procedure guidelines to staff prior to the disbursement of checks to emphasize the importance of adhering to the guidelines.	
3	<b>Controls over the depositing process could be improved.</b>	10
	We recommend that supervisors conduct documented reviews of deposit slips to ensure accuracy. Additionally, we recommend that deposits are completed weekly, in accordance with the Probation Department Trust Funds Procedures.	
4	<b>Departmental procedures for trust fund administrative reviews were not always followed.</b>	11
	We recommend that the Department adhere to their policies and procedures to ensure that administrative reviews are performed by the appropriate personnel.	

### BIENNIAL TRUST FUND AUDIT

#### The Department

The Department's mission is to build stronger families and safer communities by improving the lives of those served through assessment, treatment, rehabilitative services, and enforcement. The mission is carried out by providing supervision and case management to adult and youthful offenders, and supervision to youth at two detention and assessment centers.

The Department consists of six bureaus and two divisions, which work together to provide for the health and social service needs of County residents in a variety of ways, from managing field operations in the community to caring for minors in detention, by addressing each individual's criminogenic risk factors and providing services to meet those specific needs:

- **Administrative Services Bureau**

The Administrative Services Bureau (ASB) provides a variety of centralized support services for the entire department that include Probation Office Operations, Capital Improvement and Project Management, External Affairs, Research, Incident Management Team, and the Training Division.

- **Adult Community Services Bureau**

The Adult Community Services Bureau (ACSB) is responsible for adult supervision, case management, and investigation reports for the courts, as well as treatment program options.

- **Adult Specialized Services Bureau**

The Adult Specialized Services Bureau (ASSB) is responsible for the investigation, supervision, and case management of adult offenders in a variety of targeted areas such as Orientation and Assessment, Mental Health, Treatment Courts, DUI, Domestic Violence, and Sex Offender.

- **ARISE Bureau**

The A Restorative Integration for Successful Engagement (ARISE) bureau is responsible for the detention or housing, rehabilitation, reentry, and supervision of youth previously under the jurisdiction of the State Department of Juvenile Justice.

- **Detention Corrections Bureau**

The Detention Corrections Bureau (DCB) has principal responsibility over the county's sole Juvenile Detention and Assessment Center (JDAC). DCB works primarily with local law enforcement agencies; however, on occasion, it also facilitates housing youth who reside out of state, when deemed necessary. DCB also collaborates with other internal and external county agencies, vendors, local community service groups, and faith-based organizations to provide life skills and programming that addresses the needs of the justice-involved youth.

- **Juvenile Community Services Bureau**

The Juvenile Community Services Bureau (JCSB) serves the community by working with youth who are involved in the early, middle, and late stages of the juvenile justice system.

- **Automated Services Division**

The Automated Services Division provides the Department and its customers with infrastructure support and business solution analysis/development. Technical staff provide 24-hour support for the hardware and software needs of staff and customers across business lines.

- **Financial Services Division**

The Financial Services Division is responsible for the organizational and administrative support functions that include accounts payable, budgets, grants, legal, payroll/personnel, purchasing, and analytical units. Areas of concentration range from fiscal management to contract development and maintenance services.

### The Trust Fund

The Department has one Bank of America trust fund account, Juvenile Hall 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.



During FY 2023-24, the ARISE Secured Youth Treatment Facility (SYTF) fund was established as a subaccount of the Juvenile Hall Trust Fund. The ARISE subaccount is used to hold funds on behalf of youth detained at the ARISE SYTF. These funds are issued by colleges in the High Desert.

Although the Welfare and Institutions Code (WIC) 873 refers to the term Ward Welfare Fund as the name of the fund, the Department's ward welfare trust fund account is called the Juvenile Hall Trust Fund. Therefore, the term Juvenile Hall Trust Fund will be referred to throughout the report.

## Scope and Objectives

Our audit examined the Department's trust fund for the period of July 1, 2022, through June 30, 2024.

The objectives of our audit were to:

- Determine if the internal controls over the Department's juvenile trust fund were 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 Ward Welfare Fund.
  - 10% of the gross sales of confined minor hobbycraft is deposited into the Ward Welfare Fund.
  - Any money received from a telephone provider for the wards is deposited into the Ward Welfare Fund.
  - Any excess money within the Ward Welfare Fund is invested and the interest accrued be deposited into the Ward Welfare Fund.
  - Ward Welfare Fund monies are 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 the Department's trust fund policies and procedures
- Examination of original source documents
- Sampling of receipting and disbursement trust fund transactions

### **Finding 1: Controls over the bank reconciliations could be improved.**

The Internal Controls and Cash Manual (ICCM) Chapter 9-5 Bank Reconciliation states that “the employee doing the reconciliation should not have the authority to sign checks or deposit cash. The employee with authority to sign checks or deposit cash may complete the reconciliation if it is reviewed and signed by an employee of a higher-ranking job code. It also states that the reconciled (bank) balance must be compared with the checkbook stub balance. If the checkbook balance is maintained on a current basis and the reconciliation has been made accurately, these balances will agree. If the balances do not agree, investigate and resolve any differences.”

The following conditions were identified when we tested 6 reconciliations:

- All 6 reconciliations were performed, but not reviewed or approved.
- One reconciliation reported book balance did not agree with the QuickBooks (QB) ending balance for October 2022. The reconciliation was incorrect since a deposit made in November was added when reconciling the bank statement for October. This overstated the bank reconciliation Adjusted Ending Balance.

Department staff was unaware that reconciliations had to be reviewed. The discrepancy was the result of an unintentional calculation error of the reconciling month's ending balance. The risk of undetected errors increases when there is no supervisory review of reconciliations.

### **Recommendation:**

We recommend that an employee of a higher-ranking job code perform documented reviews of the monthly bank reconciliations, and that staff investigate and resolve any differences after completing them.

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

- In 2024, the Department instituted a more stringent two-step review and approval process that includes the Staff Analyst and Budget Coordinator, with backup approval provided by the Administrative Manager. The Department's bank reconciliations are prepared by the Accounting Technician.
- The erroneous reconciliation was due to human error, and since reconciliations were being reviewed and approved by the same party, the error was not spotted. As noted above, the Department has since instituted the ICCM-recommended two-party review and approval process.

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

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

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

The Probation Department Trust Funds Procedure "Receipts" states that "itemized receipts and any unused funds shall be submitted to the Fiscal Section within fourteen (14) business days from date of purchase. The Trust Fund Guidelines state that items for date specific events must be purchased prior to or on the day of the event date. Transactions posted after the event date will be disallowed. These guidelines are further emphasized in the Department's Receipt of Funds Acknowledgment Form."

The following conditions were identified when we tested 16 disbursement transactions:

- 3 transactions had receipts that were not received within 14 business days from the day of purchase.
- 2 transactions did not have event dates recorded on the Staff Request Form. It could not be determined if purchases were made prior to or on the day of the event date.

The requester submitted their receipts at the end of the weekly events. Department staff did not notice that the requester did not include the event date when submitting their Staff Request Forms. Receipts not submitted timely, and forms not reviewed for accuracy could lead to potential misuse of trust fund monies.

### **Recommendation:**

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

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

- Given the nature of the Department's operations, trust fund transactions were mostly carried out by field officers. This occasionally created logistical issues in getting the appropriate accounting documentation back to the Fiscal Unit in a timely manner. The Department has significantly reduced the need for officers



to make trust funds transactions as part of the operational process by contracting with an external Program Administrator. In addition, the Fiscal Services Section will reiterate the procedure guidelines to staff prior to the disbursement of checks to emphasize the importance of following the guidelines.

- The erroneous documentation (*2 transactions did not have event dates recorded*) was due to human error. The Department has since instituted additional redundancies in the process to identify such errors prior to processing Staff Requests.

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

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

### **Finding 3: Controls over the depositing process could be improved.**

The ICCM Chapter 9-4 Bank Deposit Guidelines state that "supervisors must verify that deposits are intact and document evidence of review. Furthermore, the Probation Department Trust Funds Procedure "Fiscal Specialist Responsibilities" states that bank deposits must be completed weekly, or when the balance in hand reaches \$1,000, whichever comes first."

The following conditions were identified when we tested 26 transactions:

- 11 transactions had a deposit slip that was reviewed by an employee of a similar job title to the preparer.
- 2 transactions, totaling \$133 in cash, were not deposited weekly.

The Department is sometimes short-staffed on deposit days, due to flex days and/or vacations, so any available staff is asked to review the deposits. Staff could not recall why the deposit was delayed. The risk of undetected errors increases when there is no supervisory review of deposits. When cash is not deposited weekly, it could lead to potential misuse of trust fund monies.

### **Recommendation:**

We recommend that supervisors conduct documented reviews of deposit slips to ensure accuracy. Additionally, we recommend that deposits are completed weekly, in accordance with the Probation Department Trust Funds Procedures.

### Management's Response:

- The Department has since corrected this practice (*i.e., preparation and review performed by employees of the same classification*). Deposits are now prepared by the Accounting Technician, and reviews are conducted by the Staff Analyst or Budget Coordinator. At some point during the audit period, the preparer (a Fiscal Specialist) was promoted to Accounting Technician, which created the ICCM violation.
- Due to staff shortages, the Department did not have a consistent backup to maintain timely deposits in the event of unplanned absences. The issue has since been rectified with additional staffing and appropriate contingencies within the process.

### Auditor's Response:

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

### **Finding 4: 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, withdrawals, and balances of each fund. The report will be distributed to the Director/Manager responsible for the Administrative Services Bureau and the corresponding Deputy Chief Probation Officer (DCPO). The administrative review and approval will be completed by the Supervisor from Fiscal Services, the Director/Manager responsible for the Administrative Services Bureau, and the corresponding Deputy Chief Probation Officer (DCPO)."

The following conditions were identified when we tested all quarterly reports:

- 2 juvenile hall trust fund reports were distributed, reviewed, and approved by the Administrative Supervisor, Probation Budget Coordinator, and the Administrative Manager, but were not distributed, reviewed, and approved by the corresponding Deputy Chief Probation Officer.

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 adhere to their policies and procedures to ensure that administrative reviews are performed by the appropriate personnel.

**Management's Response:**

Since the last biannual trust fund audit, the Department has gone through a major restructuring of its Administrative/Fiscal chain of command. The result is a reporting structure that is now headed by the 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 Staff Analyst II provides oversight. These changes have been updated in the Department's policy and will be provided to the Auditor at the earliest opportunity.

**Auditor's Response:**

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