

COUNTY OF SAN BERNARDINO
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
INTERNAL AUDITS SECTION



PROBATION DEPARTMENT:
BIENNIAL JUVENILE TRUST FUNDS AUDIT

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Probation Department: Biennial Juvenile Trust Funds Audit

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August 20, 2021

Tracy Reese, Chief Probation Officer
Probation Department
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RE: Biennial Juvenile Trust Funds Audit

We have completed an audit of the Probation Department for the period of July 1, 2018, through June 30, 2020. The primary objectives of the audit were to determine if internal controls over the juvenile trust funds were properly designed and effective, and to determine whether the Department complied with Welfare and Institutions Codes 275 and 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 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 May 12, 2021, and discussed our observations with management on May 19, 2021. The Department's responses to our recommendations are included in this report.

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

Respectfully submitted,

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By:

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Summary of Audit Results

We concluded that the Probation Department (Department) had areas where internal controls over juvenile trust funds could be improved and that the Department was in compliance with Welfare and Institutions Codes Section 275 and 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	The Department did not follow the Receipt of Funds Acknowledgement Form guidelines.	8
	We recommend staff submits their supporting documentation within 14 days, and that the Fiscal section document the date the support was received. We also recommend that staff only purchase what was approved on the Staff Request Form and not approve after the purchase has been made. We further recommend staff hand deliver all unused funds to the Fiscal Section, per Department procedures. Lastly, we recommend the Department document a service month on the Staff Request Form if they cannot specify a specific date.	
2	The Department did not document the transaction date on receipts issued for the monies received.	9
	We recommend the Department document the transaction date on all receipts issued for the monies received to comply with the Internal Controls and Cash Manual (ICCM). We further recommend staff review the "Receipt-Basic Requirements" section on page 6-3 of the ICCM.	
3	The Department did not perform the monthly bank reconciliation in accordance with the ICCM.	10
	We recommend the Department log in to the banking account website to download and print the bank statement, including the print date, and perform the monthly bank reconciliation before the 15th of the following month. We further recommend that duties be segregated so that staff does not have the authorization to sign for checks and perform or review the monthly reconciliation. If a bank reconciliation preparer/reviewer is to sign a check, there should be a second signature from an employee who is not involved in the monthly reconciliation process.	

Finding No.	Findings and Recommendations	Page No.
4	The Department did not remove the signature line of the voided check.	11
	We recommend staff remove the signature line of voided checks to decrease the risk of voided checks being used for payment.	
5	Inventory controls could be improved.	12
	We recommend the Department properly record all inventory purchased for canteens to keep an up-to-date inventory listing. We further recommend the Department use this listing to periodically verify that inventory is completely accounted for and reconciled.	

BIENNIAL JUVENILE TRUST FUNDS 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 that 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 Funds

The Department has 5 individual operational checking accounts with Bank of America from which funds are requested and disbursed for activities, supplies, and equipment that directly benefit the youth population in department programs.

- Juvenile Hall Trust Fund
- Treatment Division Trust Fund
- Project Focus Trust Fund
- Sustaining Trust Fund
- Youth Justice Center Trust Fund

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 fundraising projects, and sales or awards for youth vocational training programs.

Scope and Objectives

Our audit examined the Department's juvenile trust funds for the period of July 1, 2018, through June 30, 2020.

The objectives of our audit were to:

- Determine if the internal controls over the 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 interest accrued on investments of excess money within the juvenile trust fund 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 Department staff
- Review of Department's policies and procedures
- Examination of source documents
- A sampling of the receipt and disbursement transactions

Finding 1: The Department did not follow the Receipt of Funds Acknowledgment Form guidelines.

The Department's Receipt of Funds Acknowledgment Form guidelines state that appropriate receipts and/or invoices for approved expenditures must be submitted to the Fiscal Section within 14 business days of purchase. In addition, funds cannot be used for any other purpose other than those stated on the original Staff Request Form. All receipts/unused funds must be hand-delivered to Fiscal staff. Staff may not utilize the Department inter-office mail system to submit receipts/changes to the Fiscal section. Lastly, purchases must be made by the event date or service month.

Of the 40 check disbursements tested, we identified the following instances:

- There were 8 instances where appropriate receipts and/or invoices for approved expenditures were not submitted to the Fiscal Section within 14 business days of purchase.
- There was 1 instance where the received date was not documented therefore we could not determine if the receipts and/or invoices were submitted within 14 business days.
- There were 3 instances where funds were used for purposes other than those listed on the original Staff Request Form. Unused funds were used for additional purchases and not hand-delivered to the Fiscal Section, per Department procedures.
- There were 11 instances where the event date or service month was not included on the Staff Request Form.

Although the staff was purchasing items that had been approved on the original Staff Request form, there were additional items purchased that were not on the original Staff Request form. These items were approved by the supervisor after the purchase. The Department may not know the exact date to specify on the Staff Request Form, since incentives are earned on a case-by-case scenario and items are replenished as needed. When receipts and/or invoices are submitted late, the risk of not detecting an unauthorized purchase promptly is increased. Also, allowing purchases to be approved after the purchase date circumvents the initial approval process and increases the risk of unauthorized purchases. Lastly, when the event date or the service month is not documented on the Staff Request Form, the form may be used for multiple purchases on different dates or service months, thereby increasing the risk of improper purchases being made by staff.

Recommendation:

We recommend staff submits their supporting documentation within 14 days and that the Fiscal Section document the date the support was received. We also recommend that staff only purchase what was approved on the Staff Request Form and not approve items after the purchase has been made. We further recommend

staff hand deliver all unused funds to the Fiscal Section, per Department procedures. Lastly, we recommend the Department document the service month on the Staff Request Form if staff cannot specify a specific date.

Management's Response:

The Department will re-emphasize the need for staff to submit appropriate supporting documentation within 14 days that the fiscal unit will document appropriately. The Department has internal policies that prohibit the unilateral use of funds other than the stated purpose. We will re-emphasize the need for adherence to policy and ensure that the above recommendations are implemented, allowing for minor flexibilities with regards to the specificity of items requested and subsequently purchased, from a practical standpoint. For example, where distinct items requested are not readily available, close substitutes may be purchased to satisfy the programmatic need.

Auditor's Response:

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

Finding 2: The Department did not document the transaction date on receipts issued for the monies received.

The ICCM Receipts section on page 6-3 indicates that all receipts, whether prepared manually or generated from an automated system, must include the transaction date.

Our sample of 27 deposits identified 3 instances where the Department did not document the transaction date on the receipt issued for the monies received.

Staff inadvertently left the transaction date off of manually-prepared receipts. When the transaction date is not listed on the receipt, the risk of inaccurate accounting records is increased.

Recommendation:

We recommend the Department document the transaction date on all receipts issued for the monies received to comply with the ICCM. We further recommend staff review the "Receipt-Basic Requirements" section on page 6-3 of the ICCM.

Management's Response:

The Department will ensure that all receipts issued are in compliance with the ICCM and that all staff involved in the processes are reeducated with all pertinent sections of the ICCM.

Auditor's Response:

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

Finding 3: The Department did not perform the monthly bank reconciliation in accordance with the ICCM.

The ICCM "Bank Accounts" section on page 9-5 indicates that Departments must reconcile their records to the bank statement by the 15th day of the following month. The ICCM further states that the employee doing the reconciliation should not have the authority to sign checks or deposit cash.

Our sample of 20 bank reconciliations identified the following instances:

- There were 11 instances where the bank reconciliation was performed after the 15th of the following month. Of those 11 bank reconciliations, 8 bank statements were not date-stamped, therefore we could not determine if they were received by the 15th day of the month.
- There were two employees who perform and review the bank reconciliations who also have the authority to sign checks.

Delays in performing the bank reconciliation may be due to the bank statement getting lost in the mail or being received close to or after the 15th of the following month. When funds are not reconciled on time, errors could remain undetected.

Recommendation:

We recommend the Department log in to the banking account website to download and print the bank statement, including the print date, and perform the monthly bank reconciliation before the 15th of the following month. We further recommend that duties be segregated so that staff does not have the authorization to sign for checks and perform or review the monthly reconciliation. If a bank reconciliation preparer/reviewer is to sign a check, there should be a second signature from an employee who is not involved in the monthly reconciliation process.

Management's Response:

The Department will ensure that the date of receipt is stamped or otherwise recorded on bank statements and reconciliations will be completed by the 15th of the month. Additionally, banking procedures will be reviewed and adjusted to ensure that a non-signatory employee will become part of the reconciliation process.

Auditor's Response:

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

Finding 4: The Department did not remove the signature line of the voided check.

The Internal Controls and Cash Manual (ICCM) Bank Accounts Section on page 9-8 states that when checks are voided, departments need to write the word "VOID" on the face of the check and remove the signature line from the check.

Our sample of 5 voided checks identified 1 instance where the signature line was not removed from the check. When signature lines are not removed from the check, the risk of a voided check being used for payment is increased.

Recommendation:

We recommend staff remove the signature line of voided checks to decrease the risk of voided checks being used for payment.

Management's Response:

The Department will ensure that staff removes the signature line of voided checks to decrease the risk of voided checks being used for payment.

Auditor's Response:

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

Finding 5: Inventory controls could be improved.

The ICCM Internal Controls Section on page 2-4 indicates that a critical step in safeguarding assets is to record them at the time of acquisition and to verify their existence and value periodically. The existence and value of assets should be periodically verified and reconciled with prior records.

During our fieldwork, we identified that the canteen inventory purchased for the JDAC was not logged into a master list to keep a record of items purchased. There was no inventory listing kept or updated by staff. Since there was not an inventory listing, inventory was not periodically verified or reconciled.

The Department only keeps track of individual forms for youth indicating canteen inventory requested and received. The risk of loss or theft is increased when there is no recordkeeping or reconciliation of inventory purchased with juvenile trust fund monies.

Recommendation:

We recommend the Department properly record all inventory purchased for canteens to keep an up-to-date inventory listing. We further recommend the Department use this listing to periodically verify that inventory is completely accounted for and reconciled.

Management's Response:

The Department will properly record all inventory purchased for canteens and maintain an up-to-date inventory listing, which would be used to periodically verify that inventory is completely accounted for and reconciled.

Auditor's Response:

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