

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Mandated Audit:
Sonoma County Probation Department
Audit of Internal Controls Over
Juvenile Records and Accounts**

For the Fiscal Year Ended
June 30, 2015

Engagement No: 3345
Report Date: May 13, 2016



Donna M. Dunk, CPA
Auditor-Controller-Treasurer-Tax Collector

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Juvenile Records and Accounts
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Executive Summary

As required by Chapter 2, Section 275(b) of the Welfare and Institutions Code, the Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) conducted an audit of the Sonoma County Probation Department's (Department) Juvenile Accounts and Records for the fiscal year ended June 30, 2015. This audit is a part of the 2015/2016 Annual Audit Plan. As required by law, the audit report will be distributed to the "Judge of the Court" and the County Board of Supervisors.

The objective of this audit was to determine whether, during the period covered by our audit, the Department had adequate internal controls in place to properly account for payments received and disbursed related to court ordered restitution, restitution fines and the cost of caring for juvenile offenders while in the Department's custody.

Based on the procedures we performed, we conclude that the Department's internal controls discussed above were generally adequate. However, we recommend that certain improvements be made in procedures over disbursements and all procedures relating to Juvenile Records and Accounts be documented to reduce the risk of overpayments, improve efficiency, ensure business process continuity and assist in the training of staff. Our tests support that the Department properly accounted for all receipts and disbursements related to juveniles in their custody during the period covered by our audit.

Detailed recommendations and management's responses can be found beginning on page 6.

Introduction and Background

Introduction

The ACTTC completed an audit of the Department's Juvenile Account and Records for the period July 1, 2014 to June 30, 2015, as required by Chapter 2, Section 275(b) of the Welfare and Institutions Code. We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results, and recommendations contained in our report.

Background

The Juvenile Division of the Department (Division) is responsible for all functions related to the juveniles in custody. The mission of the Division is to facilitate and enforce rehabilitative intervention efforts for the youth, provide innovative options for recovery and provide counseling with the specific purpose of rectifying issues of abuse, addiction, and delinquency.

The Division operates two facilities for the young people in the juvenile justice system; 1) the Juvenile Hall, and 2) the Probation Camp for Boys. While each serves young people at different stages in the juvenile justice system, the goal common to both is the maintenance of an environment that best enables the young people to confront and take responsibility for their criminal behavior and develop strengths and skills that prepares them for a successful return to the community.

The Juvenile Court adjudicates cases involving non-adult offenders which may result in the juvenile being taken into the custody of the Department and be directed to pay restitution fines to the State of California and restitution to the victim of the offense. Based upon the findings of the Court and guidance from several California statutes, the Division collects restitution orders or fines from the offender and disburses to the victim and the State of California, respectively. As allowed by law, the Division also collects a nominal fee from parties that are responsible for the financial support of the juveniles to cover the costs of providing care to the juvenile while in custody.

Establishing Juvenile Offender Accounts

At the conclusion of each Juvenile Court hearing, the Clerk of the Court completes the Delinquency Dispositional Findings and Order, (Form JC35) to memorialize the findings of the Court and the judgements rendered. The Court staff enter all information from this form into the Court's criminal case management system, the Integrated Justice System (IJS) and provide copies of the form to Probation Accounting.

The Probation Accounting staff set up restitution accounts daily in the County's collection system, Columbia Ultimate Business Solutions (CUBS) via upload of electronic files from the IJS. As the Probation Accounting staff receive copies of the Form JC35, victim contact information and the amount to be disbursed is manually added to the appropriate account. Cost of care accounts, on the other hand, are set up in CUBS at the beginning of each month, via upload of electronic files produced from the IJS. The electronic files contain all information necessary for the Division to enforce the court orders. Separate accounts are created to account for the assessment, collection and distribution of cost of care, restitution fines payable to the State and restitution payable to the victim. The automated process of uploading the information from IJS to CUBS and the reviews performed by the Probation Accounting staff where information in CUBS is matched with that contained in the court documents, minimize the potential for data entry errors.

Introduction and Background

Receipts from Juvenile Offenders Related to Cost of Care and Restitution

On a monthly basis, the Division produces account statements from CUBS and mails them to the minors responsible for paying restitution and parties responsible for paying for their cost of care. These statements provide the accounts' transaction history and outstanding balances.

Payments may be made in-person at the Juvenile Probation facility, via credit cards (over the phone or online) at the Adult Probation facility, or checks mailed to the Hall of Justice. All payers include with their payments remittance advices that they received with their account statements, their account numbers or the juveniles name to facilitate recording of payments to the appropriate accounts. Collections related to restitution fines are recorded in a trust fund in the County's Enterprise Financial System (EFS) that is set up to account for all amounts the Department is required to remit to the State per various statutes. Collections related to restitution to the victims are recorded in the Probation Restitution Trust Fund and are later distributed to the victims. Collections related to the cost of care of the juveniles in custody are recorded in the County General Fund Department accounts as described below. The remittance advices are used as a posting source to credit the juvenile accounts in CUBS for all collections. The Probation Restitution Trust Fund and the County General Fund Department accounts are reconciled to CUBS monthly.

Daily deposit reports are generated out of Ecliptics/CUBS that accompany the collections the Division sends to ACTTC for deposit. Ecliptics is a web based interface used by the Probation Department staff to record payments in CUBS. Before processing the deposits, ACTTC staff ensure that the total funds received agree with the total of amounts credited to the CUBS accounts per the accompanying deposit reports.

Disbursements from Juvenile Accounts for Cost of Care and Restitution

Each month, ACTTC staff generates a report from CUBS showing restitution account balances available for disbursement. The information from this report is exported to an excel spreadsheet and sent to the Probation staff assigned to review and approve payments from juvenile accounts. Once the victim's preferences for receiving payments have been reviewed, payments are approved, and the excel spreadsheet is sent to the Claims section of the General Accounting Division of the ACTTC Office for payment processing.

Article 25, Chapter 2, Section 903(4) of the Welfare and Institutions Code authorizes the County to seek reimbursement for the cost of providing food, clothing, personal supplies and medical care to juveniles in custody. Amounts collected under this authority are recorded in EFS and used to offset the department's cost of providing care. Within EFS, cost of care expenditures for juvenile offenders are separately identified from other Department expenditures. Individual accounts in CUBS are credited and the total collected is recorded in the General Fund Department accounts in EFS to show receipt of cost of care billed. The Department expenditures (excluding labor) for the cost of such care totaled approximately \$1.9 million in fiscal year 2014-2015. The cost of care payments received totaled approximately \$160,000 for the same period.

Introduction and Background

The restitution fines collected, as discussed above are deposited and recorded in a trust fund used exclusively to account for all monies the Department is statutorily required to remit to the State. Respective juvenile accounts are credited in CUBS. The restitution fines are segregated in the Judicial Clearing Trust Fund and identified separately in remittance advices to the State.

Objective, Scope and Methodology

Objective

The objective of this audit was to determine whether, for the period covered by our audit, the Department had adequate policies and procedures in place to properly account for payments received and disbursed related to court ordered restitution, restitution fines and the cost of caring for juvenile offenders in the custody of the Department.

Scope and Methodology

The audit covered the accounting of funds collected and disbursed by the County's Probation Officer under the authority of Chapter 2 of Part 1 of Division 2 of the Welfare and Institutions Code.

We performed the following audit procedures:

- Reviewed relevant laws, regulations and other background materials applicable to the collection and disbursements of monies related to the juveniles in the custody of the Department.
- Interviewed staff to develop an understanding of the internal controls governing the receipt and disbursement of the court ordered restitution and cost of caring for the juveniles in custody.
- Obtained and reviewed available documentation of the internal controls.
- Observed staff performance of the internal controls.
- Tested a sample of Juvenile Court adjudication records and Department accounting records to determine if internal control procedures were in place and functioning effectively.

Results, Recommendations and Management Responses

Results

During the period covered by our audit, the Department maintained accurate records of the funds received from juvenile offenders and parties financially responsible for the care of the juveniles and disbursed to the State, the victims and the County, as applicable. The Department's Accounting Division (Accounting) had adequate internal controls to ensure that receipts were timely and accurately posted to the juvenile accounts and deposited in the County Treasury. Although supervisory reviews of disbursements were not in place, we did not note any exceptions in the sample of disbursement transactions we tested. The Department should strengthen its controls over disbursements, as discussed below, to reduce the risk of improper payments. In addition, Accounting should document all of its policies and procedures covering receipts and disbursements to improve efficiency, ensure business process continuity and assist in training of staff.

Adequate procedures are in place for establishing Juvenile Offender Accounts, however written policies have not been developed (Risk Classification C)

Juvenile offender accounts in CUBS, accurately reflect the information contained in the Forms JC35 and IJS. Accounting reviews each copy of the Form JC35 to ensure the information on the form agrees with that uploaded from IJS into CUBS.

For a sample of cases, we compared the names of offenders and the court imposed fines listed in the JC35 forms with that contained in CUBS and noted no exceptions.

Adequate procedures are in place over recording of receipts from Juvenile Offenders Related to Cost of Care and Restitution, however written policies have not been developed (Risk Classification C)

Cost of care and restitution payments received by the Department were properly accounted for in CUBS and the EFS. The remittance advice that accompanies each payment received is used as the posting source to Ecliptics/CUBS, reducing the risk of errors. A daily deposit report is generated out of Ecliptics/CUBS that is reviewed for data entry errors by a clerk. This report accompanies the daily collections sent to ACTTC for deposit.

We compared a complete listing of payments recorded in CUBS for the fiscal year with transactions recorded in EFS. We agreed the payments received for cost of care, restitution fines to be paid to the State and restitution to be paid to the victim, and total collected for the year recorded in CUBS with that recorded in EFS and noted no exceptions.

Although we did not find any errors in our tests of transactions, adequate controls are not in place over disbursements from Juvenile Accounts for Cost of Care and Restitution (Risk Classification C)

The Department lacks some key controls to prevent or detect unauthorized disbursements. However, all disbursements we tested, were correctly made to the State for fines assessed by the Court, to victims as ordered by the court, or to the County for cost of care as allowed by law.

Results, Recommendations and Management Responses

The key risks associated with disbursement transactions consist of risks that 1) payments will be made to unauthorized individuals and 2) payments will exceed the amounts authorized. A number of internal control procedures are employed to address such risks including segregation of incompatible functions, use of original supporting documents and reconciliation of appropriate records. The effectiveness of such procedures are diminished when transaction posting sources, supporting documents and permanent information such as names and addresses can be improperly altered with little risk of being discovered.

The process of payments from juvenile accounts starts with an ACTTC staff producing a report of accounts with positive balances from CUBS, uploading it to an excel spread sheet and sending it to the Division for approval. An authorized Division staff indicates his/her approval of payments on this spread sheet and sends it to the Claims Section of the General Accounting Division of the ACTTC Office for processing. The payee and amounts on the excel spreadsheet can be changed by anyone having access to it at any point between the time it is created and the time the payments are processed by the Claims Section staff of the General Accounting Division of the ACTTC Office . As such, the risks that payments will be made to an unauthorized individual or for an unauthorized amount is elevated.

The ability to change permanent information such as names and address etc. and performing a role in the payment process are considered incompatible functions. Providing one individual the ability to perform these functions increases the risk that unauthorized payments will be made and not be discovered in a timely manner.

ACTTC staff assigned to print and circulate the account balance report used to approve payments has the ability to change names and addresses in CUBS accounts.

Recommendations

Recommendation #1: Further Develop and document policies and procedures over juvenile records and accounts (Risk Classification C)

The Department should develop and document formal policies and procedures over critical processes of juvenile records and accounts. These policies and procedures should cover posting of payments in EFS and Ecliptics/CUBS, processing of deposits, disbursement of restitution to victims and reconciliations. These policies and procedures should be reviewed and updated on a periodic basis to address any changes in the environment.

Probation Management Response:

The Probation Department agrees with this recommendation. Prior to this audit, the Department leadership recognized that although there are thorough, albeit unwritten, Accounting procedures in practice within the Department a better approach is to develop written policy and procedure documents to guide all facets of Probation Accounting operations, including juvenile accounts and records as noted in this audit. The Department's Supervising Accounting has made significant progress toward documenting accounting procedures in the past year, and the Department anticipates finalizing these documents in the next 6-12 months.

Results, Recommendations, Management Responses and Staff Acknowledgement

Recommendation #2: Verify accuracy of disbursements to victims (Risk Classification C)

A knowledgeable person, other than a member of the Probation Accounting staff who is involved in the processing of payments, should compare names and amounts from EFS disbursements to those in the original source documents, originating from CUBS and/or IJS, to ensure checks were issued to the victim identified by the court and for the amount collected from the offender.

Probation Management Response:

The Probation Department agrees with the recommendation. The Department has identified an appropriate individual, the Division Director II over Juvenile Services, to periodically (four times a year) choose a random sampling of juvenile accounts and perform the comparison between source records and offender payments collected and disbursement checks issued, as recommended in the audit.

Recommendation #3: Restrict the ability to modify permanent data in CUBS to staff who have a business need (Risk Classification C)

The Central Collections Staff of the ACTTC Office should review access rights of all staff that have the ability to modify account information in CUBS. Ability to modify permanent data on probation accounts should be granted to those who have a business need to do so and do not perform other incompatible functions such as processing of payments.

ACTTC Management Response:

Upon the findings of the Probation Department audit report the ACTTC Tax Collection Division management will meet with the Probation Department regarding accessibility by ACTTC staff to alter data in the CUBS financial system with respect to refund data. Controls will be defined as to who will have access to alter data by an absolute business need. The ACTTC Tax Collection Division management will determine and put in place accountability for any staff having such access and reporting processes to track changes in variable data. The ACTTC Tax Collection Division has changed the policy and procedure for the posting of overpayments into the CUBS system. Only lower level clerical staff will post such payments as the permissions for this level of staff does not allow access to change overpayment data.

The ACTTC Tax Collection Division management will review permissions, policy and reporting to help insure security in the payment/over payment process.

Staff Acknowledgement

We would like to thank management and staff of the Probation Department for their time, information, and cooperation throughout the engagement.

Appendix A: Management Response

SONOMA COUNTY

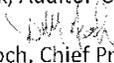
PROBATION DEPARTMENT

David M. Koch
Chief Probation Officer



Date: August 3, 2016

To: Donna Dunk, Auditor-Controller-Treasurer-Tax Collector

From:  David M. Koch, Chief Probation Officer

Subject: Responses to the FY 14-15 Juvenile Accounts and Records Audit Report

Attached are the Probation Department's management responses to the recommendations detailed in your "Mandated Audit: Sonoma County Probation Department Audit of Internal Controls over Juvenile Records and Accounts" for the Fiscal Year Ended June 30, 2015.

Thank you.

- | | | | |
|---|---|--|--|
| <input type="checkbox"/> Adult Probation Services
600 Administration Drive,
Room 104-J
Santa Rosa, CA 95403
(707) 565-2149
FAX (707) 565-2504 | <input type="checkbox"/> Jail Alternatives & Services
600 Administration Drive,
Room 104-J
Santa Rosa, CA 95403
(707) 565-8291
FAX (707) 565-8294 | <input type="checkbox"/> Juvenile Probation Services
7425 Rancho Los Guilicos Road,
Dept. B
Santa Rosa, CA 95409
(707) 565-6229
FAX (707) 565-6329 | <input type="checkbox"/> Juvenile Hall
7425 Rancho Los Guilicos Road,
Dept. A
Santa Rosa, CA 95409
(707) 565-6300
FAX (707) 565-6393 |
| <input type="checkbox"/> Probation Camp
7400 Steve Olson Lane
Forestville, CA 95436
(707) 565-8900
FAX (707) 565-8903 | <input type="checkbox"/> Administrative Services
600 Administration Drive,
Room 104-J
Santa Rosa, CA 95403
(707) 565-2731
FAX (707) 565-2503 | <input type="checkbox"/> Day Reporting Center
2400-A County Center Drive
Santa Rosa, CA 95403
(707) 565-8041
FAX (707) 565-2009 | |

Appendix A: Management Response

Recommendations & Management Responses

Recommendation #1: Develop and document policies and procedures over juvenile records and accounts (Control Finding)

The Department should develop and document formal policies and procedures over critical processes of juvenile records and accounts. They should develop procedures over posting of payments to the accounting system, deposit, and disbursement of restitution checks to victims. These policies and procedures should be reviewed and updated on a periodic basis to incorporate process changes.

Management Response: *We concur.* Prior to this audit, the Probation Department leadership recognized that although there are thorough, albeit unwritten, procedures in practice within the Department a better approach is to develop written policy and procedure documents to guide all facets of Probation Accounting operations, including juvenile accounts and records as noted in this audit. The Department's Supervising Accountant has made significant progress toward documenting all accounting procedures in the past year, and the Department anticipates finalizing these documents in the next 6-12 months. We will review and update these policies and procedures as process changes occur or at least annually.

Recommendation #2: Verify accuracy of disbursements to victims (Control Finding)

A knowledgeable person, other than the Probation accounting staff who sends the disbursement spreadsheet to the ACTTC, should compare names and amounts from EFS disbursements to original source documents to ensure checks were issued to the correct victim and for the correct amount.

Management Response: *We concur.* The Department has identified an appropriate individual, the Division Director II over Juvenile Services, to periodically (four times a year) choose a random sampling of juvenile accounts and perform the comparison between source records and offender payments collected and disbursement checks issued, as recommended in the audit.

Appendix A: Management Response

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JONATHAN KADLEC
ASSISTANT AUDITOR-CONTROLLER
TREASURER -TAX COLLECTOR

Date: June 9, 2016
To: Kanchan Charan, Audit Manager
From: Terri Pozzi, Tax Collection Manager 
Re: Probation Department Audit Report, Tax Collector response

Upon the findings of the Probation Department audit report the Tax Collector Division will meet with the Probation Department regarding accessibility by Tax Collector staff to alter data in the CUBS financial system with respect to refund data. Controls will be defined as to whom will have access to alter data by an absolute business need. The Tax Collector will determine and put in place accountability for any staff having such access and reporting processes to track changes in variable data.

The Tax Collector Division has changed the policy and procedure for the posting of overpayments into the CUBS system. Only lower level clerical staff will post such payments as the permissions for this level of staff does not allow access to change overpayment data.

The Tax Collector will review permissions, policy and reporting to help insure security in the payment/over payment process.

Appendix B: Report Item Risk Classification

For purposes of reporting our audit findings and recommendations, we classify audit report items into three distinct categories to identify the perceived risk exposure:

- **Critical Control Weakness: (Risk Classification A)**
Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

- **Significant Control Weakness: (Risk Classification B)**
Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

- **Control Findings: (Risk Classification C)**
Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.