

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, 2016

Engagement No: 3345
Report Date: March 30, 2017



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Executive Summary

The Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) has completed the Audit of the Sonoma County Probation Department's (Department) Internal Controls over Juvenile Records and Accounts for the fiscal year ended June 30, 2016 as required by Chapter 2, Section 275(b) of the Welfare and Institutions Code. This audit is a part of the 2016/2017 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 the audit, the Department had adequate internal controls in place to properly maintain accurate records, 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 are working effectively. We recommend continued follow-up of the Department's progress in implementing the remaining open audit recommendations from the June 30, 2015 audit. Detailed follow-up on the recommendations from the June 30, 2015 audit report can be found beginning on page 7.

Introduction and Background

Introduction

The ACTTC completed an audit of the Department's Juvenile Account and Records for the period July 1, 2015 to June 30, 2016, 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 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 the Tax Collection Division of the Auditor-Controller-Treasurer-Tax Collector's Office (Tax Collection) for deposit. Ecliptics is a web based interface used by the Probation Department staff to record payments in CUBS. Before processing the deposits, Tax Collection 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, Tax Collection 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 Auditor-Controller-Treasurer-Tax Collector's Office (Claims) for payment processing. Claims sends a listing of EFS checks issued to the Department. The Department reconciles the list of checks, to the CUBS report and makes any necessary adjustments in CUBS to reflect the disbursement activity.

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 \$2.3 million in fiscal year 2015-2016. The cost of care payments received totaled approximately \$283,000 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 internal controls in place to properly maintain accurate juvenile records, 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 for fiscal year 2015/2016 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
- Tested a sample of CUBS victim disbursement records to the EFS record of the victim name and amount of the check issued to determine that the record has not been altered

Results

During the period covered by our audit, the Department was in the process of documenting and developing internal controls. We found no significant exceptions over records and accounts relating to the following:

- Establishment of juvenile offender accounts and recording of court-ordered changes
- Funds received from juvenile offenders and parties financially responsible for the care of the juveniles
- Funds received and posted to the juvenile accounts and deposited in the County Treasury
- Funds disbursed to the State, the victims and the County, as applicable

There are no new findings or recommendations. Details of the prior year audit report recommendations and the progress toward implementation can be found beginning on page 7.

Procedures are adequate for establishing Juvenile Offender Accounts

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. Written policies are in the process of being developed (see page 7).

Cost of care and restitution payments received by the Department were properly accounted for in CUBS and in 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 Tax Collection for deposit.

We compared juvenile cost of care and restitution funds received and 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. As discussed in our prior audit, written policies over juvenile records and accounts need to be developed, which the Department expects to complete in the next 6-12 months. For further details, see the status under recommendation #1 on page 7.

We did not find any errors in our tests of disbursement transactions, however for the period under audit, adequate controls were not in place over disbursements from Juvenile Accounts for Cost of Care and Restitution (see page 7).

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. As discussed in our prior audit report, the Department lacks some key controls to prevent or detect unauthorized disbursements. For the period under audit, the Department was in the process of developing key controls to detect unauthorized disbursements. For further details, see the status under recommendation #2 on page 7.

Results

The audit report for the period ending June 30, 2015 contained 3 findings and recommendations, one of which has been implemented and two have not. We will continue to address these open findings until they are resolved.

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.

Status: In Progress

The Department has developed operating procedures as recommended but has not completed documenting them. The department anticipates completing the documentation within the next 12 months.

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.

Status: In Progress

The Department identified an appropriate individual, the Division Director II over Juvenile Services, to periodically (four times a year) randomly select and test a sample of juvenile accounts, as recommended. At the time of our audit, the Department anticipated completing written procedures of this function by January of 2017.

Recommendation #3: Restrict the ability to modify permanent data in CUBS to staff who have a business need

The Tax Collection Staff 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.

Status: Implemented

Tax Collection made the necessary updates needed for internal controls in the Division. Access to specific trust accounts is limited and unavailable to those who update permanent data and process transactions in the CUBS system. Access to the system is limited to individuals with business needs and other necessary controls are in place.

Follow-Up of Prior Year Recommendations and Staff Acknowledgement

ACTTC also confirmed with Probation Department that Auditor-Controller-Treasurer-Tax Collector's Office staff did not have access to make any changes to the Victim Restitution refund records in CUBS.

Staff Acknowledgement

We would like to thank management and staff of the Probation Department and the Auditor-Controller-Treasurer-Tax Collector's Office for their time, information, and cooperation throughout the engagement.

Appendix A: Report Item Risk Classifications

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.