



O R A N G E C O U N T Y

AUDITOR-CONTROLLER

I N T E R N A L A U D I T

FIRST AND FINAL CLOSE-OUT FOLLOW-UP AUDIT:

PROBATION DEPARTMENT INTERNAL CONTROLS OVER JUVENILE RECORDS AND ACCOUNTS



Audit Number 1125 (Reference 1515)
Report Date: October 22, 2015



O R A N G E C O U N T Y
AUDITOR-CONTROLLER
I N T E R N A L A U D I T

Eric H. Woolery, CPA
Orange County Auditor-Controller

Toni Smart, CPA	Director, Internal Audit
Nancy Ishida, CPA	Audit Manager
Richard Son, CPA	Senior Auditor

12 Civic Center Plaza, Room 200
Santa Ana, CA 92701

Auditor-Controller Web Site
www.ac.ocgov.com



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1125
(Reference 1515)

October 22, 2015

TO: Steven J. Sentman, Chief Probation Officer
Probation Department

SUBJECT: First and Final Close-Out Follow-Up Audit: Probation Department Internal Controls
Over Juvenile Records and Accounts, Original Audit No. 1074

We have completed our First and Final Close-Out Follow-Up Audit of Probation Department Internal Controls Over Juvenile Records and Accounts, Original Audit No. 1074. Our audit was limited to reviewing actions taken as of March 24, 2014, to implement the twelve recommendations made in the original audit.

The results of our Follow-Up Audit are discussed in the attached Internal Auditor's Report. All twelve recommendations from the original audit have been implemented. As a result, this report represents the **final close-out of the original audit**.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a monthly report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the AOC and BOS.

A handwritten signature in black ink, appearing to read "Toni Smart".

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

Attachment

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Michelle Aguirre, Chief Financial Officer
- Mark Denny, Chief Operating Officer
- Jessica O'Hare, Assistant to the Chief Operating Officer
- Bryan Prieto, Chief Deputy Probation Officer, Probation
- Lala Ragen, Interim Director, Administrative and Fiscal Division, Probation
- Jean Yu, Director, Information Technology, Probation
- Robin Stieler, Interim Clerk of the Board of Supervisors
- Foreperson, Grand Jury
- Macias Gini & O'Connell LLP, County External Auditor



Table of Contents

***First and Final Close-Out Follow-up Audit:
Probation Department Internal Controls over
Juvenile Records and Accounts
Audit No. 1125***

Transmittal Letter	i
Internal Auditor's Report	i
1. Statement of Cost (SOC) Exception Report Not Properly Reviewed (Finding No. 1 - Control Deficiency)	1
2. Quality Control Reviews of Collection Officers Were Not Performed (Finding No. 2 - Control Deficiency)	1
3. No Documentation of Quality Control Reviews (Finding No. 3 - Control Deficiency)	2
4. No Evidence of Review of Suspense Items (Finding No. 4 - Control Deficiency)	2
5. Account Modification Request Forms Were Not Properly Prepared (Finding No. 5 - Control Deficiency)	2
6. Safe Combination Was Not Changed (Finding No. 6 - Control Deficiency)	2
7. Untimely Disbursement (Finding No. 7 - Control Deficiency)	2
8. Inaccurate Cash Receipt Documentation (Finding No. 8 - Control Deficiency)	2
9. No Inventories of Unused Manual Cash Receipt Books or Outstanding (i.e., Issued) Manual Cash Receipt Books (Finding No. 9 - Control Deficiency)	3
10. Untimely Separation Notification to Probation IT (Finding No. 10 - Control Deficiency)	3
11. Statement of Cost Final Approver Also has Editing Capability (Finding No. 11 – Significant Deficiency)	3
12. Active User Account for a Separate Employee (Finding No. 12 – Control Deficiency)	3
APPENDIX A – REPORT ITEM CLASSIFICATIONS	4



Internal Auditor's Report

Audit No. 1125

October 22, 2015

TO: Steven J. Sentman, Chief Probation Officer
Probation Department

FROM: Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

SUBJECT: First and Final Close-Out Follow-Up Audit: Probation Department
Internal Controls over Juvenile Records and Accounts

We have completed a First and Final Close-Out Follow-Up Audit of the Probation Department Internal Controls over Juvenile Records and Accounts, Original Audit No. 1074. Our audit was limited to reviewing actions taken as of March 24, 2014, to implement the twelve recommendations made in the original audit.

Our follow-up audit found that the Probation Department fully implemented all twelve recommendations from the original audit. As a result, this report represents the final closeout of the original audit. The results of the follow-up audit are noted below along with a comment on the current status. The finding numbers and the report item classifications from the original audit are shown in parentheses after the headings.

1. Statement of Cost (SOC) Exception Report Not Properly Reviewed (Finding No. 1 - Control Deficiency)

Recommendation No. 1: We recommended that Probation management strengthen controls over the review and correction of the Statement of Cost Exception Report items to help ensure client information is correct and complete in the system and to enable Probation to bill these juvenile and parental accounts for monies owed to the County, the State, and the victims.

Current Status: **Implemented.** Probation is unable to perform regular reviews of the exception report due to staffing shortages. However, in order to reduce exceptions, they are as a mitigating measure pursuing services to help research information and will also receive more client information from the courts. Exceptions have been reduced from \$861,000 in the original audit to approximately \$40,000 for this follow-up.

2. Quality Control Reviews of Collection Officers Were Not Performed (Finding No. 2 - Control Deficiency)

Recommendation No. 2: We recommended that Probation management require the Supervising Collection Officers to perform quality control reviews for each Collection Officer in accordance with Probation's policy and procedures.

Current Status: **Implemented.** Probation Supervisors review all Statements of Cost and Account Modification Requests from Collection Officers. These documents are also submitted to the accounting office for additional approval.



Internal Auditor's Report

3. No Documentation of Quality Control Reviews (Finding No. 3 - Control Deficiency)

Recommendation No. 3: We recommended that Probation management require the Supervising Collection Officers to visibly document their quality control reviews.

Current Status: **Implemented.** The Statements of Cost and Account Modification Request forms have electronic signatures showing all required approvals.

4. No Evidence of Review of Suspense Items (Finding No. 4 - Control Deficiency)

Recommendation No. 4: We recommended that Probation Collections improve controls over the timely review of suspense items.

Current Status: **Implemented.** Probation does not regularly review suspense items because of staffing shortages. However, their system automatically matches suspense items to identifiable accounts and clears them overnight.

5. Account Modification Request Forms Were Not Properly Prepared (Finding No. 5 - Control Deficiency)

Recommendation No. 5: We recommended that Probation management strengthen controls to ensure the Account Modification Request forms are accurately prepared and accountability is documented.

Current Status: **Implemented.** We verified that Probation accurately prepared their Account Modification Request forms and properly documented accountability.

6. Safe Combination Was Not Changed (Finding No. 6 - Control Deficiency)

Recommendation No. 6: We recommended that Probation Accounting strengthen controls over changing the safe combination upon termination or transfer of key employees with knowledge of the combination.

Current Status: **Implemented.** We verified that Probation maintained updated lists of authorized safe users for each location and also changed safe combinations at least annually. We obtained a list of separated employees and the most current safe authorization list and verified that no separated employees were on the list.

7. Untimely Disbursement (Finding No. 7 - Control Deficiency)

Recommendation No. 7: We recommended that Probation Accounting strengthen controls to ensure disbursements are made in a timely manner and in compliance with California Penal Code 1203.1(b).

Current Status: **Implemented.** We verified that Probation approved disbursements timely to ensure they were not delayed.

8. Inaccurate Cash Receipt Documentation (Finding No. 8 - Control Deficiency)

Recommendation No. 8: We recommended that Probation Cashiering improve controls over the accuracy of the Deposit Worksheet information.



Internal Auditor's Report

Current Status: **Implemented.** We verified that Probation completed their Deposit Worksheets accurately. Probation utilizes a spreadsheet with locked formulas to prevent calculation errors. The spreadsheets are reviewed by another staff person followed by a supervisory review to ensure they are reviewed at two different levels.

9. No Inventories of Unused Manual Cash Receipt Books or Outstanding (i.e., Issued) Manual Cash Receipt Books (Finding No. 9 - Control Deficiency)

Recommendation No. 9: We recommended that Probation perform a periodic inventory in accordance with County Accounting Procedure C-5 *Handwritten Cash Receipts*, which includes an inventory of the outstanding and unused manual cash receipt books.

Current Status: **Implemented.** We verified that Probation performed annual inventories of manual cash receipt books in 2012 and 2013.

10. Untimely Separation Notification to Probation IT (Finding No. 10 - Control Deficiency)

Recommendation No. 10: We recommended that Probation management strengthen controls to ensure notification of separated employees is sent timely to Probation IT to provide for the timely removal of network user access.

Current Status: **Implemented.** Probation has a policy that access termination requests be sent to the IT division within 3 business days of employee separation. There is also a monthly separation report that is produced to identify separated employees in case requests are not sent. Probation also removes physical access to facilities for separated employees and collects any items that were assigned for remote access.

11. Statement of Cost Final Approver Also Has Editing Capability (Finding No. 11 - Significant Deficiency)

Recommendation No. 11: We recommended that Probation management ensure there are adequate system controls in the Integrated Probation Financial System (IPFS) to provide for proper segregation of duties for the Grand Avenue Office (GAO) Accounting staff to ensure that employees who authorize and finalize transactions in the IPFS do not have the ability to make unauthorized changes to Statement of Cost information.

Current Status: **Implemented.** We verified that final approvers of Statements of Cost cannot edit these documents. There is an edit button that is not functional at the approver level.

12. Active User Account for a Separated Employee (Finding No. 12 - Control Deficiency)

Recommendation No. 12: We recommended that Probation IT terminate network user access for separated employees in a timely manner.

Current Status: **Implemented.** We verified that Probation removed network access on their IPFS system based on access termination requests in a timely manner. We also verified that there were no separated employees that still had network access.

Note: See **Appendix A** for the classification of report item noted in parentheses.



Internal Auditor's Report

APPENDIX A – REPORT ITEM CLASSIFICATIONS

For purposes of reporting our audit findings and recommendations, we have classified report items into three distinct categories:

- ▶ **Material Deficiency:**
Audit findings or a combination of Significant Deficiencies that represent serious exceptions to the audit objective(s), policy and/or business goals. Management is expected to address Material Deficiencies brought to their attention immediately.
- ▶ **Significant Deficiency:**
Audit findings or a combination of Control Deficiencies that represent a significant deficiency in the design or operation of internal controls. Significant Deficiencies require prompt corrective actions.
- ▶ **Control Deficiency:**
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 Deficiencies are expected to be addressed within our follow-up process of six months, but no later than twelve months.