



INTERNAL AUDIT DEPARTMENT
COUNTY OF ORANGE

**2005 Recipient of the Institute of Internal Auditors
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Integrity ♦ Objectivity ♦ Independence

**AUDIT OF PROBATION DEPARTMENT
INTERNAL CONTROLS OVER
JUVENILE RECORDS AND ACCOUNTS**

**FOR THE FISCAL YEARS ENDING
JUNE 30, 2004 AND JUNE 30, 2005**

AUDIT NUMBER: 2512

REPORT DATE: FEBRUARY 7, 2006

Audit Director:	Peter Hughes, Ph.D., CPA
Deputy Director:	Eli Littner, CPA, CIA
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**Audit of Probation Department
Internal Controls Over
Juvenile Records and Accounts**

For the Fiscal Years Ending
June 30, 2004 and June 30, 2005

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Transmittal Letter

Audit No. 2512

February 7, 2006

TO: The Honorable Nancy Wieben Stock
Presiding Judge of the Superior Court County of Orange

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department

SUBJECT: Audit of Probation Department Internal Controls Over
Juvenile Records and Accounts

Attached is a copy of the report on our Audit of the Probation Department Internal Controls over Juvenile Records and Accounts for the Fiscal Years Ending June 30, 2004 and June 30, 2005 as required by Chapter 2, Section 275(b) of the Welfare and Institutions Code.

Please note, beginning in January 2005, we implemented a more structured and rigorous Follow-Up audit process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). As a matter of policy, our first Follow-Up Audit will now begin no later than six months upon the official release of the report. The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our second Follow-Up Audit will now begin at 12 months from the release of the original report, by which time all audit recommendations are expected to be addressed and implemented.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a Follow-Up Audit Report Form. The Probation Department should complete this template as our audit recommendations are implemented. When we perform our Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

As the Director of Internal Audit, I now submit a monthly audit status 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 BOS.

As always, the Internal Audit Department is available to partner with the Probation Department so they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations.

Additionally, we will be forwarding to the Probation Department a Customer Survey of Audit Services for completion. The Probation Department will receive the survey shortly after the distribution of this report.

Attachment

Other recipients of this report:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
David E. Sundstrom, Auditor-Controller
Colleene Preciado, Chief Probation Officer
Greg Ronald, Chief Deputy Probation Officer
Frank Kim, Director, Administrative and Fiscal Division, Probation
Lorna Winterrowd, Administrative Manager, Administrative and Fiscal Division, Probation
Jan Grimes, Assistant Auditor-Controller, Central Operations
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



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INTERNAL AUDITOR'S REPORT

Audit No. 2512

February 7, 2006

TO: The Honorable Nancy Wieben Stock
Presiding Judge of the Superior Court County of Orange

SUBJECT: Audit of Probation Department Internal Controls Over
Juvenile Records and Accounts

We have completed an audit of the Juvenile Division's books and accounts for the Orange County Probation Department (Probation) for the fiscal years ending June 30, 2004 and June 30, 2005 as required by Chapter 2, Section 275(b) of the Welfare and Institutions Code. Our audit included an evaluation of Probation's internal controls and processes relating to cash receipts, disbursements and case file management of juvenile probation cases. Our audit was performed in accordance with professional standards established by the Institute of Internal Auditors for the purpose of evaluating the adequacy and effectiveness of internal controls. We believe that our audit provides a reasonable basis for our opinion.

Probation's management is responsible for establishing and maintaining a system of prudent internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly. County Accounting Procedure S-2 – *Internal Control Systems* - prescribes the policies and standards to be followed by departments/agencies in establishing and maintaining internal control systems in their operations and administrative activities. This audit enhances but does not substitute for Probation's continuing emphasis on control activities and self-assessment of control risks.

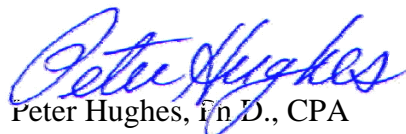
Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Our audit, made for the limited purpose described above, would not necessarily disclose all material weaknesses in Probation's operating procedures, accounting practices, and compliance with County policy as they relate to the internal controls over Probation's books and accounts.

We have completed a follow-up examination of the actions taken by Probation to implement our recommendations made in our audit report dated March 2, 2004. The prior audit report contained a total of five open recommendations. We are pleased to report that three

recommendations (Findings 2, 3, and 5) have been fully implemented. Also, Finding 4.A. and 4.C has been fully implemented. However, prior audit Finding 1 and 4.B. has not been implemented and has been repeated in Finding 1 and 7 respectively of this report.

Based on our audit, Probation's internal controls over its books and accounts relating to cash receipts, disbursements and cash file management of juvenile cases are adequate and effective to ensure management's goals and objectives are accomplished in accordance with Chapter 2, Section 275(b) of the Welfare and Institutions Code. We did note opportunities where management can further enhance internal controls, which are discussed in the Findings, Recommendations and Management Responses section of this report. Responses from Probation have been included for each recommendation, and the complete text of their responses has been appended to the report.

We appreciate the courtesy and cooperation extended to us by the personnel of the Probation Department during our review. If we can be of further assistance, please contact me or Eli Littner, Deputy Director at (714) 834-5899.



Peter Hughes, Ph.D., CPA
Director, Internal Audit

Attachment A – Report Item Classifications

Attachment B – Probation Management Responses

Distribution Pursuant to Audit Oversight Committee Procedure No. 1

Members, Board of Supervisors

Members, Audit Oversight Committee

Thomas G. Mauk, County Executive Officer

David E. Sundstrom, Auditor-Controller

Colleene Preciado, Chief Probation Officer

Greg Ronald, Chief Deputy Probation Officer

Frank Kim, Director, Administrative and Fiscal Division, Probation

Lorna Winterrowd, Administrative Manager, Administrative and Fiscal Division, Probation

Jan Grimes, Assistant Auditor-Controller, Central Operations

Foreperson, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors

EXECUTIVE SUMMARY

OBJECTIVES

The Internal Audit Department conducted an audit of the Probation Department's (Probation's) books and accounts relating to cash receipts, disbursements, and case file management of juvenile cases for the purpose of evaluating the adequacy and effectiveness of internal controls and processes to ensure management is accomplishing its business goals and objectives in accordance with Chapter 2, Section 275(b) of the Welfare and Institutions Code.

BACKGROUND

Probation protects the community by conducting investigations for the court, enforcing court orders, assisting victims and facilitating the resocialization of offenders. Probation is headed by the Chief Probation Officer and employs 1,470 regular employees and 102 extra help employees. The department also utilizes the services of about 600 Volunteers in Probation, 46 Volunteer Probation Officers, 23 college interns, and the 100-member Probation Community Action Association. Probation Officers supervise approximately 14,000 adult and 6,500 juvenile offenders.

Probation has the fiduciary responsibility for a variety of monies, including monies for fines, fees, penalty assessments, restitution to victims, and charges for services provided. Probation maintains a trust fund that is used for the collection and disbursement of monies. Probation also administers a number of federal and state grant programs.

The major field offices are located in Anaheim, Westminster, Laguna Hills and Santa Ana. The department also operates five juvenile institutions, which collectively house about 800 youths daily. The Probation juvenile institutions are: Juvenile Hall, the Youth Guidance Center, the Joplin Youth Center, the Los Pinos Conservation Camp and the Lacy Juvenile Annex.

SCOPE

Our audit focused on Probation's internal controls and processes over cash receipts and disbursements and was limited to the fiscal years ending June 30, 2004 and June 30, 2005. Chapter 2, Section 275(b) of the Welfare and Institutions Code requires an audit of the books and accounts relating to juvenile cases only; therefore, we limited our audit to include juvenile cases and related issues. Also, we reviewed actions taken by Probation to implement the five open recommendations made in our audit report dated March 2, 2004. Our review methodology included inquiry, auditor observation, and testing of pertinent documentation for the purpose of assessing the adequacy and effectiveness of Probation's internal controls and processes. Our audit did not include a review of information systems or system controls used in the process.

CONCLUSION

Based on our audit and Follow-up, Probation's internal controls over its books and accounts relating to cash receipts, disbursements and cash file management of juvenile cases are adequate and effective to ensure management's goals and objectives are accomplished in accordance with Chapter 2, Section 275 (b) of the Welfare and Institutions Code. However, we identified two **Significant Issues** related to review and resolution of the PFS Error File and payments recorded to suspense. Five Control Findings related to filing and monitoring Abstracts of Judgments, control and accountability over handwritten cash receipt books, monitoring of commission revenue and secondary review of manually input information that are noted in the Detailed Observations, Recommendations and Management Responses section of this report. See Attachment A for a description of report item classifications.



DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Review of PFS Error File

Finding No. 1- SIGNIFICANT ISSUE

We found that the PFS Error File is not properly reviewed, which resulted in fees for Institutional Care and Support (ICS) not being completely billed. **(Repeat of Prior Audit #2309, Finding #1)**

The PFS Error File is created to record any records that do not conform to the business rules, which are defined in the system, when uploading data from other systems for billing. The system performs data validation and edit checks during the upload. When errors are encountered, the records are rejected and are added to the Error File.

We were informed by Probation that the PFS Error File is over 1,000 pages and has not been reviewed for over 1 year due to new personnel and limited staffing.

Recommendation No. 1

We recommend that Probation Management ensure timely review, and resolution of the PFS Error File.

Probation Response

Partially concur. Probation believes this issue is better characterized as a control finding. Most of the errors are caused by inaccurate billing information provided by minors in custody and/or the firms generating bar panel fees. The error file was over 1,000 pages at the time of the audit review, but it is revised and viewable every Statement of Cost (SOC) billing cycle, usually weekly. Corrective action is now in place, with line staff routinely reviewing and resolving error file issues every SOC billing cycle. The error report run on January 5, 2005, yielded the following: 226 pages for 602 cases, 693 pages for 300 cases, totaling 719 pages. One of biggest problems is that staff cannot currently edit this report to note which errors have been investigated. The ability to do so would augment Management controls over the process and facilitate further appropriate actions; Probation will endeavor to make this happen.

Suspense Transaction Journal is not Reviewed Timely

Finding No. 2- SIGNIFICANT ISSUE

We reviewed 25 payments recorded to suspense during our audit period 7/1/03 through 6/30/05 and found that 15 of the 25 payments received or 60% were not reviewed timely for resolution, 4 of the 15 payments were not reviewed for over 1 year from receipt. As of June 30, 2005, the suspense account balance is \$370,838.85 and \$137,745.08 is over 90 days old.

Collections in suspense include victim restitution, fines and penalty assessments due the state and County charges for services provided. Untimely review may result in difficulty applying payment received and untimely distribution to victims, State and County.

Recommendation No. 2

We recommend that Probation Management ensure timely review, monitoring and resolution of the suspense account.

Probation Response

Concur. Working with the suspense account is virtually an all-manual and extremely resource-intensive process in Probation. The structure of the Probation Financial System currently has no management review nor workflow controls in place, particularly as pertains to the aging of payments. Any such controls are manual at this time and are constantly challenged to address the volume of



suspense transactions and dollars. Probation Management will assign appropriate resources to adequately review, monitor and resolve items in suspense.

Abstract of Judgments are not Filed Timely

Finding No. 3

The Collection Officers must obtain a judgment in order to pursue further collection options on delinquent parental fees due the County on behalf of juveniles on Probation. Parental fees include charges incurred by the County for institutional care and support of juveniles (ICS), Public Defender and Bar Panel Fees for service provided to parents by private attorneys. The Collection Officer receives a Default Judgment or Stipulation Judgment (parent agrees to payment plan) for delinquent parental fees. The Judgment allows for further collection of delinquent fees which may include an Abstract of Judgment, Writ of Execution and/or seizure of CA State Income Tax. **(Control Finding)**

An Abstract of Judgment is a collection tool that is a public written record of a judgment, filed with the County Recorder and creates a lien on any real estate owned or later acquired in the County in which the abstract of judgment is recorded. Failure to timely process an Abstract of Judgment may result in a loss of revenue to the County.

For a Default Judgment, Probation Accounting's policy is to automatically file an Abstract of Judgment within 60 days. For Stipulation Judgments, Probation Accounting provides the Collection Officer a copy of the Stipulation Judgment for monitoring the payment plan. The Collection Officer must notify Probation Accounting of delinquent Stipulation Judgments in order to process an Abstract of Judgment. Our review of 9 Default Judgments and 10 Stipulation Judgments obtained during the audit period 7/1/03 through 6/30/05 noted the following:

1. For 6 Default Judgments reviewed where an Abstract of Judgment was required, we found an Abstract of Judgment was not filed within 60 days (120 days to 1 year).
2. For 2 Stipulation Judgments reviewed where an Abstract of Judgment was required, we found 1 Abstract of Judgment was filed 135 days from payment default, and for 1, a year had passed from the date of the last payment and an Abstract of Judgment had still not been filed. However, we were informed by Probation Accounting that approximately 2-3 thousand parental Stipulation Judgments were obtained in the last 1 ½ years. Probation Accounting had not received 1 request to process an Abstract of Judgment on delinquent parental accounts with a Stipulation Judgment.

Probation agreed that Abstracts of Judgment should be filed timely, however, due to limited staffing, staff turnover, and inadequate Probation Financial System (PFS) reports to effectively monitor Stipulation Judgments this did not occur.

Recommendation No. 3

We recommend that Probation Management strengthen internal controls to ensure timely processing of Abstracts of Judgment.

Probation Response

Concur. Probation Management will review and strengthen controls to ensure appropriate treatment and handling of the entirety of the Abstracts of Judgment process. Staffing is an internal issue; current resource levels support filings within 120 days. With an anticipated increase in staff, the interval will return to 60 days from receipt in Accounting to file an abstract with the Recorder's office.



Abstracts of Judgments are not Monitored

Finding No. 4

We found controls over ensuring Abstracts of Judgments are processed timely are not adequate. **(Control Finding)**

Probation Accounting prepares an Abstract of Judgment, submits it to the Juvenile Justice Center (JJC) for processing and enters the date the Abstract was started into PFS. After processing, JJC returns the Abstract of Judgment to Probation Accounting for recording at the County Clerk-Recorder. The Abstract number and processing date are entered into PFS. However, we found that Probation Accounting does not monitor Abstracts of Judgment submitted to JJC to ensure all Abstracts of Judgment were returned and filed with the County Clerk-Recorder. We were informed that JJC recently had extensive turnover which has resulted in delays in processing. In some cases, an Abstract may take up to one year before JJC processes and returns it to Probation Accounting.

In August 2003, Probation Accounting prepared a PFS Remedy Ticket requesting a PFS report monthly to include Abstracts of Judgment started but not yet returned from JJC. This report would assist in monitoring Abstracts. As of October 2005, the report was not created. We were informed by Probation that due to the number of abstracts processed and without a PFS system report, monitoring would be difficult.

Recommendation No. 4

We recommend that Probation create a PFS report and utilize the PFS report to properly monitor the processing of Abstracts of Judgment.

Probation Response

Concur. Please see Probation's response to finding number 3, above. A Remedy ticket is on file with Data Systems to create the recommended report.

Inadequate Controls over Handwritten Cash Receipt Books

Finding No. 5

We found controls over handwritten cash receipt books are not adequate. **(Control Finding)**

Handwritten cash receipt books are issued to Probation cashiers and Probation Officers for amounts received when PFS is off-line or for amounts received in the field in order to issue customers a receipt as evidence of payment. Probation's handwritten cash receipt policy requires the Probation Officer to provide the pink copy of the receipt to the field office cashier the next day with payment received for deposit and entry into PFS. After the handwritten cash receipt book is completed, the book is returned to Probation Accounting. Accounting verifies that copies of all receipts issued are included. Each year, Probation Accounting performs an inventory of outstanding cash receipt books by memo. Our review of handwritten cash receipt controls identified the following weaknesses:

1. Probation Accounting does not perform a **physical** inventory of long outstanding books to verify the book is in the employee's custody. Inventory is performed by memo. We found 5 books that were issued between 5 and 10 years ago and had not yet been returned. Two books were issued over 12 years ago, prior to implementation of the PFS system. As a result, Probation Accounting is unaware if the book is in the employee's custody and amounts collected from these books were properly deposited and recorded to PFS or Probation's previous financial system.



2. Probation Accounting does not verify, upon return of handwritten cash receipt books, that all receipts were properly noted as entered into PFS. We were informed that Probation Accounting only checks that a yellow copy and pink copy are attached and the book is complete.
3. Probation Accounting is unable to validate approximately 350 receipts, from 7 books reported missing during the 2005 inventory, were deposited and entered into PFS.
4. Probation employees may request a handwritten cash receipt book without their supervisor's knowledge.
5. There is no release of accountability when an employee transfers to another office. The handwritten cash receipt book may be transferred to a different employee for use at the location.
6. Probation employees may receive a second handwritten cash receipt book before returning the previously issued book to Probation Accounting. We found 1 employee was issued 3 handwritten cash receipt books. The first book issued in 1998 was subsequently reported as lost in 2005.
7. Probation Accounting does not follow-up on handwritten cash receipt books reported missing to determine the circumstances surrounding the lost book. We found one employee reported 2 books as lost within a 10 month period.

We were informed that due to limited staffing, Probation was unable to implement all control procedures necessary for handwritten cash receipt books.

Recommendation No. 5

We recommend that Probation Management strengthen controls to ensure all handwritten cash receipt books issued are authorized, accounted for and receipts are properly deposited and entered into PFS.

Probation Response

Concur. Probation Management will strengthen cash receipt controls. A new request form is in use and further corrective action is underway to assist the field cashiers.

Inadequate Monitoring of Commission Revenue

Finding No. 6

Probation is not receiving all commission revenue due from vending machine vendor. (**Control Finding**)

Probation received commission payments from one vendor since September 2003 although there is no written price agreement. The original terms of a price agreement with a prior vending machine vendor was based on 3 different line items: 20% (can beverage), 15% (Candy/Snacks) and 10% (Sundries). However, the vending machine vendor is paying a flat 15%. This has resulted in a slight decrease in revenue of approximately \$60.28 and \$69.08 for two months reviewed (September 2003 and May 2005).

Recommendation No. 6.A.

We recommend that Probation Management ensure a written price agreement is in place with vending machine vendors.

Probation Response

Partially concur. Vending machine operations, including the debit machines that were installed at Juvenile Hall and Youth Guidance Center in April 2003, have been covered under the County's Master Agreement, originally issued by CEO/Purchasing to RJ Bradberry. The Master Agreement did not require agencies to issue subordinate agreements. Subsequently, Vendor A assumed the debit vending machine operations from RJ Bradberry at the two Probation facilities, but did not issue commissions to Probation in the amounts previously negotiated with RJ Bradberry.



In the course of reviewing the status of commission payments from Vendor A, in April 2004 Probation learned that CEO Purchasing renewed the County Master Agreement with Vendor B. However, CEO Purchasing instructed Probation to prepare a contract with Vendor A for the debit vending machines, since Vendor B did not have that capability.

Before the contract with Vendor A was completed, CEO Purchasing directed Probation to suspend any efforts to implement any remedial or corrective contractual actions related to the debit vending operations at the two institutions. CEO Purchasing cited an ongoing litigation between Vendor A and Vendor B as the reason for such suspension of action.

Internal Audit's recommendations are for Probation management to ensure that a written price agreement is in place, and that commission payments are in accordance with such a price agreement. Probation fully agrees that it is obligated to have a written agreement in place to cover the debit vending machine operations at the two institutions. However, in light of direction from CEO Purchasing not to take action due to ongoing litigation between the two vendors, Probation is presently unable to comply with Internal Audit's recommendations. Upon receipt of instructions from CEO Purchasing, Probation will expeditiously resume action to implement the terms and conditions of a County Master Agreement, so that commission revenues are received and properly monitored.

Recommendation No. 6.B.

We recommend that Probation Management ensure that commission payments are in accordance with the price agreement.

Probation Response

(See Probation Management's Response to Recommendation No. 6.A.)

Controls Over Data Input

Finding No. 7

We found that controls (reviews) are not in place to ensure the accuracy of manually input information entered into the URI database for testing of drug and substance abuse. (**Control Finding**)

Reviews are an important detective control activity. Lack of a review by a secondary set of eyes increases the risk that errors occur and are not detected.

In our Prior Audit #2309, we recommended that Probation establish periodic review of data input to ensure accuracy. Probation informed us that due to limited staff resources they were unable to implement our recommendation.

Recommendation No. 7

We recommend that Probation Management provide, in writing, that they accept the control risk of manually input information for the testing of drug and substance abuse into the URI database or establish periodic review of data input to ensure accuracy.

Probation Response

Concur. Probation accepts the control risk of manually input information for the testing of drug and substance abuse into the URI database. Part of Probation's corrective action underway is to write a procedure for and initiate a sampling audit to verify 1) the URI billing from the laboratory and 2) court orders-to-pay are both entered into the dBase program, which matches the lab bills to the orders-to-pay. This will be completed soon.



ATTACHMENT A: Report Item Classifications

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

Material Weaknesses:

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to address “Material Weaknesses” brought to their attention immediately.

Significant Issues:

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation or processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

Control Findings:

Audit findings 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 of six months, but no later than twelve months.





COUNTY OF ORANGE
MEMORANDUM

TO: Dr. Peter Hughes, CPA
Director
Internal Audit Department

FROM: Colleene Preciado
Chief Probation Officer

DATE: February 6, 2006

SUBJECT: Responses to Internal Audit Findings

RECEIVED
INTERNAL AUDIT DEPARTMENT
2006 FEB -6 PM 3:36

The Office of the CEO has reviewed Probation's draft responses to the Internal Audit findings discussed in your draft report dated December 14, 2005, and has requested that we move forward with you to finish the report as soon as possible. Accordingly, attached are the Probation Department's final responses to your report.

If you have any questions, please contact Frank Kim at 714.937.4728. Thank you.

CP: lw
Attachment

cc: Thomas G. Mauk, CEO
William Mahoney, Deputy CEO

Colleene Preciado, Chief Probation Officer
Orange County Probation Department
Santa Ana, California



Internal Audit 2005 - Responses

Probation expects to fully implement corrective actions for findings numbered 1-5 and number 7 by January 2007. The timeline for corrective action on finding number 6 is beyond the scope of the Probation Department. Further detail for that finding is contained within our response, below. Probation's Responses correspond with the Internal Auditor's report.

1. Partially concur. Probation believes this issue is better characterized as a control finding. Most of the errors are caused by inaccurate billing information provided by minors in custody and/or the firms generating bar panel fees. The error file was over 1,000 pages at the time of the audit review, but it is revised and viewable every Statement of Cost (SOC) billing cycle, usually weekly. Corrective action is now in place, with line staff routinely reviewing and resolving error file issues every SOC billing cycle. The error report run on January 5, 2005, yielded the following: 226 pages for 602 cases, 693 pages for 300 cases, totaling 719 pages. One of biggest problems is that staff cannot currently edit this report to note which errors have been investigated. The ability to do so would augment Management controls over the process and facilitate further appropriate actions; Probation will endeavor to make this happen.
2. Concur. Working with the suspense account is virtually an all-manual and extremely resource-intensive process in Probation. The structure of the Probation Financial System currently has no management review nor workflow controls in place, particularly as pertains to the aging of payments. Any such controls are manual at this time and are constantly challenged to address the volume of suspense transactions and dollars. Probation Management will assign appropriate resources to adequately review, monitor and resolve items in suspense
3. Concur. Probation Management will review and strengthen controls to ensure appropriate treatment and handling of the entirety of the Abstracts of Judgment process. Staffing is an internal issue; current resource levels support filings within 120 days. With an anticipated increase in staff, the interval will return to 60 days from receipt in Accounting to file an abstract with the Recorder's office.
4. Concur. Please see Probation's response to finding number 3, above. A Remedy ticket is on file with Data Systems to create the recommended report.

02/06/06 2:33 PM

page 1 of 2



Internal Audit 2005 - Responses

5. Concur. Probation Management will strengthen cash receipt controls. A new request form is in use and further corrective action is underway to assist the field cashiers.
6. Partially concur. Vending machine operations, including the debit machines that were installed at Juvenile Hall and Youth Guidance Center in April 2003, have been covered under the County's Master Agreement, originally issued by CEO/Purchasing to RJ Bradberry. The Master Agreement did not require agencies to issue subordinate agreements. Subsequently, Vendor A assumed the debit vending machine operations from RJ Bradberry at the two Probation facilities, but did not issue commissions to Probation in the amounts previously negotiated with RJ Bradberry.

In the course of reviewing the status of commission payments from Vendor A, in April 2004 Probation learned that CEO Purchasing renewed the County Master Agreement with Vendor B. However, CEO Purchasing instructed Probation to prepare a contract with Vendor A for the debit vending machines, since Vendor B did not have that capability.

Before the contract with Vendor A was completed, CEO Purchasing directed Probation to suspend any efforts to implement any remedial or corrective contractual actions related to the debit vending operations at the two institutions. CEO Purchasing cited an ongoing litigation between Vendor A and Vendor B as the reason for such suspension of action.

Internal Audit's recommendations are for Probation management to ensure that a written price agreement is in place, and that commission payments are in accordance with such a price agreement. Probation fully agrees that it is obligated to have a written agreement in place to cover the debit vending machine operations at the two institutions. However, in light of direction from CEO Purchasing not to take action due to ongoing litigation between the two vendors, Probation is presently unable to comply with Internal Audit's recommendations. Upon receipt of instructions from CEO Purchasing, Probation will expeditiously resume action to implement the terms and conditions of a County Master Agreement, so that commission revenues are received and properly monitored.

7. Concur. Probation accepts the control risk of manually input information for the testing of drug and substance abuse into the URI database. Part of Probation's corrective action underway is to write a procedure for and initiate a sampling audit to verify 1) the URI billing from the laboratory and 2) court orders-to-pay are both entered into the dBase program, which matches the lab bills to the orders-to-pay. This will be completed soon.

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