



County of Yolo

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- *Financial Strategy Leadership*
- *Budget & Financial Planning*
- *Treasury & Finance*
- *Tax & Fee Collection*

- *Financial Systems Oversight*
- *Accounting & Financial Reporting*
- *Internal Audit*
- *Procurement*

July 31, 2018

Brent Cardall, Chief Probation Officer
2780 E. Gibson Rd.
Woodland, CA 95776

Re: Agreed-Upon Procedures for the Probation Department, Juvenile Detention Facility

Dear Chief Cardall:

We have performed the procedures as agreed upon in our engagement to assist the Probation Department, Juvenile Detention Facility (JDF) in identifying potential areas of concern regarding the internal controls and processes surrounding cash, gift cards, bus passes, donations, commissary goods, inventory, and the Probation Officer's Trust Fund for the period of July 1, 2014 to December 31, 2017. The Department's management is responsible for maintaining policies and procedures, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal control that will, among other things, help assure the preparation of proper financial reporting. The agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. In regards to auditor's independence, the Internal Audit Manager reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

1. Inquire with county staff and review relevant regulations to gain an understanding of the laws, rules and regulations at the Juvenile Detention Facility.

Results: The auditor reviewed the Welfare and Institutions Code to gain an understanding of the laws, rules and regulations as it pertained to each procedure. It was noted that the Probation Department is not in compliance with Division 2, Chapter 2, Section 275(b) of the Welfare and Institutions Code, which requires that an audit of the books and accounts relating to juvenile cases be performed on an annual basis.

Considerations: The Probation Department should consider making arrangements for regular audits to evaluate the adequacy of internal controls and processes relating to cash receipts, disbursements and case file management of juvenile probation cases.

2. Perform procedures and inquire with county staff to ensure that good system controls are in place, including written policies and procedures.

Results: The Department has written procedures for handling the petty cash and change fund. However, the Department was unable to provide written procedures for recording, distributing and performing inventory counts of gift cards and bus passes.

Considerations: The Department should consider developing written procedures for handling the gift card/bus pass inventory.

3. Perform procedures and inquire with county staff to ensure that assets are properly safeguarded.

Results: The Probation Department has an authorized petty cash fund in the amount of \$500 for use by the Department for haircuts of minors under the Federal Office of Refugee Resettlement program (ORR) and to reimburse small dollar items. The Department also has a change fund in the amount of \$200 to be used for the collection of fees from clients that have an account set up with the Yolo County Collection Services (YCCS). The funds are kept in a safe and the access is limited to two staff in the Fiscal Administrative Unit.

Considerations: None

4. Conduct a count of the cash on-hand at the facility and trace to the department financial records.

Results: The auditor performed a cash count of the revolving funds and the cash on-hand at the JDF to determine that the funds were supported by adequate documentation and agreed to the authorized accountable balance. The Department had a cash overage of \$24 for the petty cash fund. The fund is not reconciled on a regular basis. The last reconciliation was performed in October 2017 when the replenishment claim was prepared.

In addition, the Department had \$272 cash and \$45 in checks from property found on the minors detained at the JDF. The funds were kept in individual sealed envelopes along with other personal property in a safe at the Fiscal Administrative Unit. The auditor noted that the funds are not deposited into the County's Treasury, as required under Section 276 of the Welfare and Institutions Code, and are returned to the minor at the time of release from custody. Additionally, a control log to account for all the funds placed in and taken out of the safe is not maintained by the Department.

Considerations: The Department should consider performing surprise counts of the revolving funds by a person independent of the cash handling function and that the counts be reconciled to the department records to ensure the records reflect the cash on-hand. The Department should also consider developing a control log to be used to record the funds taken in and returned to minors to monitor the outstanding balances and make a deposit to the County Treasury as required under Section 276 of the Welfare and Institutions Code.

5. Verify that cash receipts are properly accounted for in the department's accounting records and deposited properly within the County Treasury.

Results: The Department collects fees for court-ordered programs. Collections are recorded onto a cash receipt form and hand-delivered to YCCS for the processing of the deposit and to credit the client's account. The auditor selected a sample of cash receipts and traced them to the financial records. All transactions agreed to the financial records; except for, one account where there was an overpayment by the client. Based on inquiries with Department staff, the change fund and cash receipt books are not always available when needed by the cashiers. The cashiers have to either, turn away clients or call the Fiscal Administrative Unit to obtain the change fund and the key to access the receipt books to record the payment. Additionally, the Department does not use a control log to record payments that are received in the mail.

Considerations: The Department should consider reviewing their process for the collection of fees for client accounts to ensure the change fund and cash receipt books are easily available when needed by the cashiers. In addition, the Department should consider recording all payments received in the mail onto a control log and endorse the checks upon receipt. The control log should be maintained and reconciled by an employee independent of the collection process.

6. Select a sample of expenditure transactions during the audit period and determine that expenditures are for the established purpose and sufficiently supported.

Results: The auditor selected a sample of expenditure transactions from the general ledger and verified that the transactions were reasonable based on the Department's purpose and use, properly approved by an authorized official, and supported with adequate documentation for audit purposes. However, the following exceptions were noted:

- An original receipt was missing.
- Business purpose was not stated for 3 transactions.
- Documentation for a lodging expense and a workshop for minors was not complete.
- An invoice for clothing was held for 2 months and not approved by an authorized official.
- Invoices for snacks and clothing were split 50% between the Juvenile Hall and the ORR program and not adjusted based on the average population.

- Expenditures for the annual volunteer appreciation dinners were not supported by an approved program or departmental goal.

Additionally, the auditor noted that the Department paid a Barber \$5,098 out of the petty cash fund for haircuts of minors under the ORR program and an average of \$80 per month for other haircuts funded through cash donations. All payments were made with cash and not reported to the Department of Financial Services (DFS) for 1099 reporting purposes.

Furthermore, the auditor performed an analysis of the expenditure accounts related to food, recreational equipment, clothing, and medical and program supplies for minors to identify any significant and/or unusual amounts. The auditor found that the amounts paid for meals to the Sheriff's Department increased by an average of \$15,000 each fiscal year under review. The rate per meal increased at the beginning of the fiscal year 2016-17, but population remained the same during the audit period according to the Department's recommended budgets.

Considerations: The Department should consider reviewing the claims for payment before submitting documents to DFS to ensure payments are supported by a detailed statement of the sum for amount of goods or services provided i.e. third-party invoice; paid sales slip, with the business purpose stated on the documents supported. The Department should also consider consulting with the Chief Financial Officer on the appropriateness for using Department funds to pay for the annual volunteer appreciation dinners.

In addition, the Department should determine the amounts paid to the Barber for prior years and consult with DFS for assistance to issue a corrected 1099 form.

Furthermore, the Department should consider performing a monthly trend analysis of the amounts paid for meals and compare to the average population to monitor the activity and note any unusual activities.

7. Perform procedures and inquire with county staff to ensure that monthly reconciliations of Probation Officer's Trust Fund are performed.

Results: The Probation Officer's Trust Fund (Trust) was established by the Board of Supervisors in September 1980 to assist the Probation Officer in reducing crime and delinquency in Yolo County. The Department has an established restricted cash account for the accounting of the Trust activity. As of December 31, 2017, the outstanding balance for the Trust was \$33,225. During the audit period, the total receipts recorded under the Trust were \$26,986 consisting of interest, donations, proceeds from recycled items, and commissions from the juvenile phone system. Total amount transferred out of the Trust was \$8,524 to reimburse expenditures incurred for the annual volunteer appreciation dinners, holiday celebrations for the youth, cultural events, and food for movie nights. The following exceptions were noted:

- The Department has a written policy for the use of the Trust, but the policy is outdated and has not been followed by staff.

- The Trust is not reconciled on a regular basis.
- Transactions to transfer funds out did not include criteria for charges against the Trust. In addition, the transactions were not approved by an authorized official.
- Donations received for the Employee's luncheon are commingled with the Trust.

In addition, commissions received from the juvenile phone system are deposited into the Trust and not tracked in a separate account to ensure the funds are used for the benefit, education, and welfare of the youth detained in the JDF as in accordance with Chapter 2, Section 873 (e) of the Welfare and Institutions Code.

Considerations: The Department should consider reviewing their policy for the use of the Probation Officer's Trust Fund and update their process for handling the Trust. The Department should also consider reconciling the Trust on a regular basis to control the activity and proper use of the account. Furthermore, the Department should consider establishing procedures to monitor funds expended for commissions received from the phone system to comply with the code.

8. Perform procedures and inquire with county staff to ensure an inventory of gift cards, bus passes, and other incentive items is performed on a regular basis and reconciled to the general ledger.

Results: The Probation Department maintains an inventory of gift cards to be used for youth and adult probation clients as: 1) incentives for good behavior and for the completion of programs and 2) ancillary items needed for clients; such as, fuel and clothing. The Department also maintains an inventory of bus passes to be used for transportation for clients to attend appointments with Probation Officers. On March 27, 2018, the Department had an inventory of 149 gift cards totaling \$2,304 and 103 bus passes totaling \$209. Based on the review, the following was noted:

- The inventory is not recorded in the general ledger.
- About 64% of the inventory on-hand was purchased between March 2008 and September 2016.
- A physical inventory count was performed at the end of fiscal year 2016-17, but the results were not documented.
- Gift cards from Southwest Airlines totaling \$650 that were purchased for the Child Welfare Services Outcome Improvement Project in July 2014 have not been used.
- Other gift cards from Walmart and Baskin Robbins and expired Regional Transit bus passes totaling \$194 were kept in the safe, but were not recorded onto the inventory control logs.

Furthermore, there are only two employees in the Fiscal Administrative Unit who handle the gift card/bus pass inventory. The same employee may purchase, receive, update the inventory records, and distribute the gift cards/bus passes to the program coordinators.

Considerations: The Department should consider consulting with DFS to record the gift card/bus pass inventory in the general ledger. The Department should also consider reviewing the need, the purchase and distribution (quarterly) for the gift cards/bus passes to reduce the risk of loss and time needed by staff to properly maintain, monitor, and reconcile the inventory.

Furthermore, the Department should consider reviewing their internal controls over the purchasing, recording and maintenance of the gift card and bus pass inventory to help ensure that no one person has control over all aspects of a transaction.

9. Select a sample of inventory transactions of gift cards, bus passes, and other incentives and determine that transactions are reasonable and properly supported.

Results: The Fiscal Administrative Unit staff releases the gift card/bus pass inventory to the program coordinators upon request for distribution to clients. The auditor selected a sample of gift cards/bus passes distributions from the Department's control logs and verified that the transactions were reasonable and properly supported. However, the following exceptions were noted:

- Record for distribution to client was not available for 43 gift cards/bus passes that were released to the program coordinators with some records pending since January 2012.
- Gift cards/bus passes are held by the program coordinators for about 4 to 8 months. It is undetermined if the inventory is properly safeguarded during that period of time.
- Control logs, used to record the distribution to client, do not include the date the gift cards/bus passes were received by the client.

Considerations: The Department should consider reviewing the Yolo County Cash Accounting Manual for the proper use and safeguard of gift cards/bus passes. The Department should also consider developing a process to obtain record of the gift cards/bus passes issued to clients from the program coordinators on a monthly basis. Furthermore, the Department should consider updating the control logs to include the date the gift cards/bus passes are received by the client to maintain record of the amounts received in a calendar year for reporting purposes.

10. Perform procedures and inquire with county staff to ensure that donations are properly recorded.

Results: During the audit period, the JDF received cash donations for haircuts of minors that are not under the Office of Refugee Resettlement (ORR) program and for the youth phone accounts during the holiday season. The following was noted:

- Written policy and procedures for the use of donations were not available.

- Donations for haircuts were made in cash and paid directly to the Barber and not deposited into the County Treasury.
- A form to record the donations, restrictions or limitations and donor names/signatures was not used.
- Cash receipt forms were not used to record the donations received.

In addition, the employee that received the donations for haircuts was also in charge of making arrangements for payment to the Barber.

Considerations: The Department should consider reviewing the County's policy on Donation Acceptance and develop written policy and procedures on the use and recording of donations.

11. Perform procedures and inquire with county staff to ensure that an inventory of commissary goods is maintained and properly recorded in the financial records.

Results: The Juvenile Detention Facility does not have a commissary operation. The JDF maintains a limited inventory of snack type items to be used as incentives for good behavior. The minors in-custody earn points based on their behavior and exchange them for an additional snack. Snacks are provided as part of the meal program and the inventory not recorded in the financial records. Procedure performed with no exceptions.

Considerations: None

12. Perform procedures and inquire with county staff to ensure that good system of controls are in place for the handling of other inventory items; such as, clothing, incidentals, recreational supplies, and medications.

Results: The JDF maintains an inventory of equipment to be used for recreation and exercise programs. The JDF also maintains an inventory of clothing and personal hygiene items to be used by the minors as needed. The inventory of prescription medications is handled by a medical group that is contracted to prescribe, maintain and administer the medications. The auditor reviewed the internal controls over the handling of recreational equipment, program supplies, clothing and incidentals and verified that equipment existed. However, it was noted that improvement is needed over the tracking of equipment inventory. The Department does not have a process in place to monitor inventory items that are not tracked in the County's fixed asset ledger (items less than \$5,000) as prescribed by County policy.

Considerations: The Department should consider reviewing the County's policy on Accountability for Non-Capitalizable Assets and develop a control log to record and monitor inventory items that are less than \$5,000 to comply with the policy and safeguard of assets. These assets include video players, televisions, recreational equipment, and etc. (list not inclusive).

Observations

During our review we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and considerations, all of which have been discussed with department management, are intended to improve internal control or result in other operating efficiencies and are described in a separate letter to the Chief Probation Officer dated July 31, 2018.

We were not engaged to, and did not; conduct an audit, the object of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such as opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report was forwarded to the Department with a request for response within 30 days. The Department's response will be submitted in a separate report.

This report is prepared for use by the Probation Department and management, Department of Financial Services and Yolo County Board of Supervisors. However, it may be distributed to other interested parties.

We appreciate the timely and professional responses provided by the Department management and staff to our requests for information.

Sincerely,



Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager
County of Yolo

cc: Patrick Blacklock, Yolo County Administrator
Howard Newens, CIA, CPA, Yolo County, Chief Financial Officer

MEMORANDUM

TO: Mary E. Khoshmashrab, MSBA, CPA
Internal Audit Manager
County of Yolo Department of Financial Services

FROM: Brent Cardall, Chief Probation Officer

DATE: September 17, 2018

AUDIT Work: Agreed-Upon Procedures for the Probation Department, Juvenile Detention Facility for the period of July 1, 2014 to December 31, 2017

SUBJECT: Responses to Audit Report

In response to the review of the agreed upon procedures for the period of July 1, 2014 to December 31, 2017 of the Probation Department, Juvenile Detention Facility, our comments are provided below:

Procedure 1: Inquire with county staff and review relevant regulations to gain an understanding of the laws, rules and regulations at the Juvenile Detention Facility.

Results: The auditor reviewed the Welfare and Institutions Code to gain an understanding of the laws, rules and regulations as it pertained to each procedure. It was noted that the Probation Department is not in compliance with Division 2, Chapter 2, Section 275(b) of the Welfare and Institutions Code, which requires that an audit of the books and accounts relating to juvenile cases be performed on an annual basis.

a. Management position concerning the results:

Concur Do not concur

b. Management comments:

We have reached out to the Department of Financial Services and requested to be put on their regular schedule of annual audits to be in compliance.

Considerations: The Probation Department should consider making arrangements for regular audits to evaluate the adequacy of internal controls and processes relating to cash receipts, disbursements and case file management of juvenile probation cases.

a. Management position concerning the consideration:

Concur Do not concur

b. Management comments:

We have reached out to the Department of Financial Services and requested to be put on their regular schedule of annual audits to be in compliance. They have

informed us that audits of this nature may or may not be feasible given existing staffing resources. We are in discussions with them about this at this time.

- c. Actual / estimated Date of Corrective Action: Depends on DFS availability.

Procedure 2: Perform procedures and inquire with county staff to ensure that good system controls are in place, including written policies and procedures.

Results: The Department has written procedures for handling the petty cash and change fund. However, the Department was unable to provide written procedures for recording, distributing and performing inventory counts of gift cards and bus passes.

- a. Management position concerning the results:

Concur Do not concur

- b. Management comments:

We are in the process of developing procedures for recording, distributing and performing inventory counts of gift cards and bus passes.

Considerations: The Department should consider developing written procedures for handling the gift card/bus pass inventory.

- a. Management position concerning the consideration:

Concur Do not concur

- b. Management comments:

We are in the process of developing procedures for recording, distributing and performing inventory counts of gift cards and bus passes.

- c. Actual / estimated Date of Corrective Action: We have been short staffed and are in the process of hiring at this time, we expect to have these procedures written and new staff in place to carry them out this November.

Procedure 4: Conduct a count of the cash on-hand at the facility and trace to the department financial records.

Results: The auditor performed a cash count of the revolving funds and the cash on-hand at the facility to determine that the funds were supported by adequate documentation and agreed to the authorized accountable balance. The Department had a cash overage of \$24 for the petty cash fund. The fund is not reconciled on a regular basis. The last reconciliation was performed in October 2017 when the replenishment claim was prepared.

In addition, the Department had \$272 cash and \$45 checks from property found on the minors detained at the JDF. The funds were kept in individual sealed envelopes along with other personal property in a safe at the Fiscal Administrative Unit. The auditor noted that the funds are not deposited into the County's Treasury, as required under Section 276 of the Welfare and Institutions Code, and are returned to the minor at the time of release from custody. Additionally, a control log to account for all the funds placed in and taken out of the safe is not maintained by the Department.

- a. Management position concerning the results:

Concur Do not concur

- b. Management comments:

Because our petty cash claims have been infrequent, our reconciliation of this item was occurring only when issuing a new petty cash claim. We concur this should be done regularly, and will replace our current process with monthly reconciliations effective with the September 2018 month.

While we do not disagree with the recommendation regarding depositing detained youth's cash with the treasury, due to the logistical concerns listed below, the process of depositing these funds is not yet complete. As a compensating measure, since October 2017, we have had a system in place that secures the youth's personal property in a safe. In addition, we perform a weekly inspection of this property, and prepare a weekly report for management's review. The requirement to deposit funds into the treasury presents an issue when issuing cash back to the youth and their families upon release; if we issue the youth a check, they seldom own a bank account to cash it. In addition, they don't always have transportation to get to the Treasury to cash the check. Also, there is an issue in returning their funds during evenings and weekends when the Treasury is closed. We are currently working with them to find a viable solution for all of these issues.

Considerations: The Department should consider performing surprise counts of the revolving funds by a person independent of the cash handling functions and that the counts be reconciled to the department records to ensure the records reflect the cash on-hand. The Department should also consider developing a control log to be used to record the funds taken in and returned to minors to monitor the outstanding balances and make a deposit to the County Treasury as required under Section 276 of the Welfare and Institutions Code.

- a. Management position concerning the consideration:

Concur Do not concur

- b. Management comments:

While we do have a control log of items removed from youth in our custody including cash, we will additionally create a log of cash funds only. However, cash

removed from youth is placed in a sealed bag until the youth is released, and performing regular counts of this cash would break the seal of the bag in which it is placed. We believe that once property is recorded and accounted for, it should not be tampered with, and should only be opened until the youth is released. We expect that by resolving the issue of depositing cash into the treasury, this issue will be addressed.

- c. Actual / estimated Date of Corrective Action: October 31, 2018

Procedure 5: Verify that cash receipts are properly accounted for in the department's accounting records and deposited properly within the County Treasury.

Results: The Department collects fees for court-ordered programs. Collections are recorded onto a cash receipt form and hand-delivered to YCCS for the processing of the deposit and to credit the client's account. The auditor selected a sample of cash receipts and traced them to the financial records. All transactions agreed to the financial records; except for, one account where there was an overpayment by client. Based on inquiries with Department staff, the change fund and cash receipt books are not always available when needed by the cashiers. The cashiers have to either, turn away clients or call the Fiscal Administrative Unit to obtain the change fund and the key to access the receipt books to record the payment. Additionally, the Department does not use a control log to record payments that are received in the mail.

- a. Management position concerning the results:

Concur Do not concur

- b. Management comments:

We have reviewed our procedures and will make adjustments to ensure the change funds and cash receipt books are easily available when needed by the cashiers. Also, although we receive checks in the mail infrequently, we will also record all payments received in the mail on a control log that will be maintained and reconciled as part of our monthly reconciliations.

Considerations: The Department should consider reviewing their process for the collection of fees for client accounts to ensure the change fund and cash receipt books are easily available when needed by the cashiers. In addition, the Department should consider recording all payments received in the mail onto a control log and endorse the checks upon receipt. The control log should be maintained and reconciled by an employee independent of the collection process.

- a. Management position concerning the consideration:

Concur Do not concur

- b. Management comments:

We have reviewed our procedures and will make adjustments to ensure the change funds and cash receipt books are easily available when needed by the cashiers. Also, although we receive checks in the mail infrequently, we will also record all payments received in the mail on a control log that will be maintained and reconciled as part of our monthly reconciliations.

- c. Actual / estimated Date of Corrective Action: October 1, 2018

Procedure 6: Select a sample of expenditure transactions during the audit period and determine that expenditures are for the established purpose and sufficiently supported.

Results: The auditor selected a sample of expenditure transactions from the general ledger and verified that the transactions were reasonable based on the Department's purpose and use, properly approved by an authorized official, and supported with adequate documentation for audit purposes. However, the following exceptions were noted:

- An original receipt was missing.
- Business purpose was not stated for 3 transactions.
- Documentation for a lodging expense and a workshop for minors was not complete.
- An invoice for clothing was held for 2 months and not approved by an authorized official.
- Invoices for snacks and clothing were split 50% between the Juvenile Hall and the ORR program and not adjusted based on the average population.
- Expenditures for the annual volunteer appreciation dinners were not supported by an approved program or departmental goal.

Additionally, the auditor noted that the Department paid a barber \$5,098 out of the petty cash fund for haircuts of minors under the ORR program and an average of \$80 per month for other haircuts funded through cash donations. All payments were made with cash and not reported to the Department of Financial Services (DFS) for 1099 reporting purposes.

Furthermore, the auditor performed an analysis of the expenditure accounts related to food, recreational equipment, clothing, and medical and program supplies for minors to identify any significant and/or unusual amounts. The auditor found that the amounts paid for meals to the Sheriff's Department increased by an average of \$15,000 each fiscal year under review. The rate per meal increased at the beginning of the fiscal year 2016-17, but population remained the same during the audit period according to the Department's recommended budgets.

- a. Management position concerning the results:

X Concur _____ Do not concur

- b. Management comments:

We have worked with DFS to report the cash payments made to the barber so that a correct 1099 may be processed.

Considerations: The Department should consider reviewing the claims for payment before submitting documents to DFS to ensure payments are supported by a detailed statement of the sum for amount of goods or services provided i.e. third-party invoice; paid sales slip, with the business purpose stated on the documents supported. The Department should also consider consulting with the Chief Financial Officer on the appropriateness for using Department funds to pay for the annual volunteer appreciation dinners.

In addition, the Department should determine the amounts paid to the barber for prior years and consult with DFS for assistance to issue a corrected 1099 form.

Furthermore, the Department should consider performing a monthly trend analysis of the amounts paid for meals and compare to the average population to monitor the activity and note any unusual activities.

- a. Management position concerning the consideration:

Concur Do not concur

- b. Management comments:

We have increased our review of supporting documentation and management authorization prior to processing payments, to ensure that appropriate documentation is included when processing claims. We are also including the business purpose in our supporting documentation.

We have worked with DFS to report the cash payments made to the barber so that a correct 1099 may be processed.

While we have not had a volunteer dinner this year, we will seek approval from the county's Chief Fiscal Officer or CAO prior to using funds for this activity.

We are reviewing trends on food costs to monitor activity in this area and be able to identify unusual activities.

- c. Actual / estimated Date of Corrective Action: in place

Procedure 7: Perform procedures and inquire with county staff to ensure that monthly reconciliations of Probation Officer's Trust Fund are performed.

Results: The Probation Officer's Trust Fund (Trust) was established by the Board of Supervisors in September 1980 to assist the Probation Officer in reducing crime and delinquency in Yolo County. The Department has an established restricted cash account for the accounting of the Trust activity. As of December 31, 2017, the outstanding balance for the Trust was \$33,225. During the audit period, the total receipts recorded under the Trust were \$26,986 consisting of interest, donations, proceeds from recycled items, and commissions from the juvenile phone system. Total amount transferred out of the Trust was \$8,524 to reimburse expenditures incurred for the annual volunteer appreciation dinners, holiday celebrations for the youth, cultural events, and food for movie nights. The following exceptions were noted:

- The Department has a written policy for the use of the Trust, but the policy is outdated and has not been followed by staff.
- The Trust is not reconciled on a regular basis.
- Transactions to transfer funds out did not include criteria for charges against the Trust. In addition, the transactions were not approved by an authorized official.
- Donations received for the employee's luncheon are commingled with the Trust.

In addition, commissions received from the juvenile phone system are deposited into the Trust and not tracked in a separate account to ensure the funds are used for the benefit, education, and welfare of the youth detained in the facility as in accordance with Chapter 2, Section 873 (e) of the Welfare and Institutions Code.

- a. Management position concerning the results:

Concur Do not concur

- b. Management comments:

The management of the Juvenile Detention Facility is now aware of the policy and procedures for using funds from the trust, we have furthermore created a form that is to be used when said funds are requested.

The trust fund is now being reconciled monthly.

Donation funds are identified with a specific account within the fund and we are able to distinguish them from other funds.

Considerations: The Department should consider reviewing their policy for the use of the Probation Officer's Trust Fund and update their process for handling the Trust accordingly. The Department should also consider reconciling the Trust on a regular basis to control the activity and proper use of the account. Furthermore, the Department should consider establishing procedures to monitor funds expended for commissions received from the phone system to comply with the code.

a. Management position concerning the consideration:

Concur Do not concur

b. Management comments:

The trust fund is now being reconciled monthly and a process is in place to be able to use said funds.

c. Actual / estimated Date of Corrective Action: in place

Procedure 8: Perform procedures and inquire with county staff to ensure an inventory of gift cards, bus passes, and other incentive items is performed on a regular basis and reconciled to the general ledger.

Results: The Probation Department maintains an inventory of gift cards to be used for youth and adult probation clients as 1) incentives for good behavior and for the completion of programs and 2) ancillary items needed for clients; such as, fuel and clothing. The Department also maintains an inventory of bus passes to be used for transportation for clients to attend appointments with Probation Officers. On March 27, 2018, the Department had an inventory of 149 gift cards totaling \$2,304 and 103 bus passes totaling \$209. Based on the review, the following was noted:

- The inventory is not recorded in the general ledger.
- About 64% of the inventory on-hand was purchased between March 2008 and September 2016.
- A physical inventory count was performed at the end of fiscal year 2016-17, but the results were not documented.
- Gift cards from Southwest Airlines totaling \$650 that were purchased for the Child Welfare Services Outcome Improvement Project in July 2014 have not been used.
- Other gift cards from Walmart and Baskin Robbins and expired bus passes totaling \$194 were kept in the safe, but were not recorded onto the inventory control logs.

Furthermore, there are only two employees in the Fiscal Administrative Unit who handle the gift card/bus pass inventory. The same employee may purchase, receive, update the inventory records, and distribute the gift cards/bus passes to the program coordinators.

a. Management position concerning the results:

Concur Do not concur

b. Management comments:

When appropriate, we are working on issuing our old inventory prior to purchasing new cards.

Considerations: The Department should consider consulting with DFS to record the gift card/bus pass inventory in the general ledger. The Department should also consider reviewing the needs for the gift cards and bus passes, purchase them quarterly and distribute during that time frame to reduce the risk of loss and staffing resources to properly maintain, monitor, and reconcile the inventory. Furthermore, the Department should consider reviewing their internal controls over the purchasing, recording and maintenance of the gift card and bus pass inventory to help ensure that no one person has control over all aspects of a transaction.

a. Management position concerning the consideration:

Concur Do not concur

b. Management comments:

We are now using the inventory control account to record bus passes and gift cards into the general ledger, and have reviewed our current inventories to determine our replenishing needs for these items. Lastly, we are instituting internal controls so that the same person does not have controls over the purchasing, recording and maintenance of these items. It must be noted, however, that we are currently short staffed and that we will be interviewing soon to hire for our positions that will allow us to carry out this process and maintain proper controls into the future.

c. Actual / estimated Date of Corrective Action: partially implemented

Procedure 9: Select a sample of inventory transactions of gift cards, bus passes, and other incentives and determine that transactions are reasonable and properly supported.

Results: The Fiscal Administrative Unit staff releases the gift card/bus pass inventory to the program coordinators upon request for distribution to clients. The auditor selected a sample of gift cards/bus passes distributions from the Department's control logs and verified that the transactions were reasonable and properly supported. However, the following exceptions were noted:

- Record for distribution to client was not available for 43 gift cards/bus passes that were released to the program coordinators. Some records have been pending since January 2012.
- Gift cards/bus passes are held by the program coordinators for about 4 to 8 months. It is undetermined if the inventory is properly safeguarded during that period of time.
- Control logs used to record the distribution to client do not include the date the cards/bus passes were received by the client.

- a. Management position concerning the results:

Concur Do not concur

- b. Management comments:

We will implement a monthly reconciliation of bus pass and gift card inventories beginning with the month of September 2018, in addition we will include the process for handling outstanding gift card and bus pass inventories in the procedures currently in development. We are working with staff so that cards don't remain outstanding for long periods of time. Lastly, we will update our form to include the date that cards were received by clients.

Considerations: The Department should consider reviewing the Yolo County Cash Accounting Manual for the proper use and safeguard of gift cards/bus passes. The Department should also consider developing a process to obtain record of the gift cards/bus passes issued to clients from the program coordinators on a monthly basis. Furthermore, the Department should consider updating the control logs to include the date the gift cards/bus passes are received by the client to maintain record of the amounts received in a calendar year for reporting purposes.

- a. Management position concerning the consideration:

Concur Do not concur

- b. Management comments:

We will implement a monthly reconciliation of bus pass and gift card inventories beginning with the reconciliation of the month of September 2018, in addition we will include the process for handling outstanding gift card and bus pass inventories in the procedures currently in development. We are working with staff so that cards don't remain outstanding for long periods of time. Lastly, we will update our form to include the date that cards were received by clients.

- c. Actual / estimated Date of Corrective Action: November 2018

Procedure 10: Perform procedures and inquire with county staff to ensure that donations are properly recorded.

Results: During the audit period, the JDF received cash donations for haircuts of minors that are not under the Office of Refugee Resettlement (ORR) program and for the youth phone accounts during the holiday season. The following was noted:

- Written policy and procedures for the use of donations were not available.
- Donations for haircuts were made in cash and paid directly to the vendor and not deposited into the County Treasury.

- A form to record the donations, restrictions or limitations and donor names/signatures was not used.
- Cash receipt forms were not used to record the donations received.

In addition, the employee that received the donations for haircuts was also in charge of making arrangements for payment to the vendor.

- a. Management position concerning the results:

Concur Do not concur

- b. Management comments:

We are developing procedures and a form for recording and using donations, and no longer pay the barber in cash.

Considerations: The Department should consider reviewing the County's policy on Donations Acceptance and develop written policy and procedures on the use and recording of donations.

- a. Management position concerning the consideration:

Concur Do not concur

- b. Management comments:

We are developing procedures for recording and using donations. We have not paid the barber in cash since November 2017, when we began paying him through the county's check run process.

- c. Actual / estimated Date of Corrective Action: Procedures for using donations to be completed November 2018.

Procedure 12: Perform procedures and inquire with county staff to ensure that good system controls are in place for the handling of other inventory items; such as, clothing, incidentals, recreational supplies, and medications.

Results: The JDF maintains an inventory of equipment to be used for recreation and exercise programs. The facility also maintains an inventory of clothing and personal hygiene items to be used by the minors as needed. The inventory of prescription medications is handled by a medical group that is contracted out to prescribe, maintain and administer the medications. The auditor reviewed the internal controls over the handling of recreational equipment, program supplies, clothing and incidentals and verified the existence of equipment on-hand and determined that improvement is needed over the equipment inventory. The Department does not have a process in place to monitor inventory items that not tracked in the County's fixed asset ledger (items less than \$5,000) as prescribed by the County policy.

- a. Management position concerning the results:

Concur Do not concur

- b. Management comments:

We are in the process of developing procedures for handing and inventorying non capitalized assets.

Considerations: The Department should consider reviewing the County's policy on Accountability for Non-Capitalizable Assets and develop a control log to record and monitor inventory items that are less than \$5,000 to comply with the policy and safeguard of assets. These assets include video players, televisions, recreational equipment (list not inclusive).

- a. Management position concerning the consideration:

Concur Do not concur

- b. Management comments:

We are in the process of developing procedures for handing and inventorying non capitalized assets. This process will require some physical facility updates and staff training, which is expected to take some time.

- c. Actual / estimated Date of Corrective Action: January 31, 2019