



OFFICE OF INTERNAL AUDIT

REPORT TO JUVENILE COURT SERVICES

Juvenile Court Services

Handling Cash and Negotiable Instruments

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TABLE OF CONTENTS

| | |
|---|---|
| Executive Summary | 3 |
| Background, Scope and Methodology | 4 |
| Overall Evaluation and Results | 5 |
| Finding A: Internal Controls over Receipt Processing | 5 |
| Finding B: Receipts by Field Officers | 6 |
| Attachment: <u>Management Response and Action Plan</u> | |

Executive Summary

Juvenile Court Services is responsible for redirecting juveniles so they may become more accountable for their actions. Part of accomplishing this mission involves administering the collection of fines, fees and restitution. To accomplish this function, Juvenile Court Services utilizes the Juvenile On-Line Tracking System (JOLTS) to record amounts owed from juveniles and their parents. The actual recording of payments received is the responsibility of the Clerk of the Court; however, Juvenile Court Services accepts payments on behalf of the Clerk of the Court, as a convenience to the public and a method to enhance collections. In addition to collecting payments, Juvenile Court Services also handles petty cash funds; manages an Emergency Fund checking account; and accounts for cash in juveniles' possession when they are placed into detention.

This Audit was included in the Office of Internal Audit's FY 09-10 Annual Audit Plan, approved by the Board of Supervisors, and was requested by the Director of Juvenile Court Services.

The Office of Internal Audit has completed an audit of cash and negotiable instrument handling at Juvenile Court Services. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. The purpose of our audit was to determine if internal controls over cash and negotiable instruments were adequate to safeguard these assets.

Our overall conclusion is that internal controls over payments received could be improved. However, controls over petty cash and the emergency checking account were effective. Further controls over cash secured for juveniles held in detention were properly developed and implemented. We specifically noted:

- Checks and money orders were handled by personnel with unlimited access to the JOLTS financial module
- Manual receipts were not reconciled to funds received and procedures for Probation Officer receipt of funds were not standardized

Our specific recommendations for improvements include:

- Separating the duties of individuals handling funds and those with financial access to the JOLTS system
- Improved management and monitoring of JOLTS transactions
- Developing standard procedures for collections by Probation Officers
- Reconciling receipt books to recorded deposits

We would like to thank the management and staff of Juvenile Court Services and the Clerk of the Court for their assistance and cooperation during the course of this audit.

The following report provides additional details of our audit observations and recommendations.

Lori Stripling
Pinal County Internal Audit Officer

Background

The Office of Internal Audit has completed an audit of cash and negotiable instrument handling at Juvenile Court Services. The audit was conducted in accordance with generally accepted government auditing standards and included such tests of internal controls as deemed necessary.

Juvenile Court Services is responsible for redirecting juveniles within their system to become more accountable for their actions. Part of accomplishing this mission involves administering the collection of fines, fees and restitution. To accomplish this function, Juvenile Court Services utilizes the Juvenile On-Line Tracking System (JOLTS) to record amounts owed from juveniles and their parents. The actual recording of funds received is performed by the Clerk of the Court's Office; however, Juvenile Court Services accepts payments on behalf of the Clerk of the Court, as a convenience to the public and a method to enhance collection efforts. In addition to handling these payments, Juvenile Court Services also manages a \$150 petty cash fund and a \$1,000 Emergency Fund checking account used to purchase urgent items needed by detained youths. They are also responsible to account for any cash in a juvenile's possession at the time he/she enters detention.

Scope and Methodology

The purpose of our audit was to determine if internal controls over cash and negotiable instruments were adequate to safeguard these assets. Our specific objectives were to determine if:

- Controls over collections from juveniles and their parents were effective.
- Petty cash, checking accounts, and cash in juvenile detainees' possession were adequately controlled.

To accomplish our objectives, we:

- Interviewed appropriate Juvenile Court Services and Clerk of the Court management and staff.
- Reviewed Juvenile Court Services' policies, procedures and other documents related to cash and negotiable instruments.
- Reviewed the Arizona Code of Judicial Administration.
- Analyzed financial data from the JOLTS system.
- Reviewed applicable bank statements and reconciled the petty cash fund.

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

Overall Evaluation

Our overall conclusion is that internal controls over receipt of payments could be improved. We did note, however, controls over petty cash and the emergency checking account were effective. Further controls over cash secured for juveniles held in detention were properly developed and implemented. We specifically noted:

- Checks and money orders are handled by personnel also having unlimited access to the JOLTS financial module; and controls over that module are weak.
- Manual receipts are not reconciled to funds received, and procedures for receipt of funds by Probation Officers are not standardized.

Details of our findings are discussed in the audit results section below.

Audit Results

A. Internal Controls over Receipt Processing

Internal controls over receipt processing are weak. Although the Clerk of the Court's office officially records receipts of juvenile fines and fees, Juvenile Court Services' billing personnel collect checks and money orders as a convenience to the public and a method to enhance collection efforts. Personnel who process these collections for Juvenile Court Services also have unrestricted access to the JOLTS Financial Module, along with the ability to adjust amounts owed and suspend billing. We noted the official record of amounts owed is maintained by the Clerk of the Court and not Juvenile Court Services; however, Juvenile Court Services does manage financial information.

Additionally, system transactions are not reviewed by supervisory personnel; aged accounts receivables are not analyzed; and records are not reconciled with the Clerk of the Court's system. For example, while total accounts receivables in the JOLTS system is over \$4 million, juveniles and/or their families were billed only \$554k in April 2010. Much of the unbilled amount is attributable to juveniles who have aged out of the system and are no longer the responsibility of Juvenile Court Services; however, having this large amount in the JOLTS system would allow any unauthorized transactions to easily go undetected. It is important to note, for automated financial accounting systems, the Arizona Code of Judicial Administration Minimum Accounting Standards requires establishing a documented audit trail of all changes to financial records.

We recognize that large amounts of aged accounts receivables may be a normal part of the Juvenile Court collection process, due to statutes specifying how these collections can be addressed. Further, much of these amounts are no longer the responsibility of Juvenile Court Services due to the individuals aging out of the system. However, because of this issue, we believe a strong separation of duties between cash collections and financial processing is essential. Allowing personnel to both handle checks and money orders *and*

have unrestricted access to part of the financial system increases the risk that receipts will be misappropriated and not detected timely.

Audit Note: *Management is aware of problems within the financial system and noted the State of Arizona is working on an enhanced system to solve these issues. The scope of our review was limited to receipt processing by Juvenile Court Services, and performing additional work related to the financial system would require formal audit work in another department (Clerk of the Court). Therefore, our recommendations will be limited to receipt processing and transactions. We make no recommendations at this time concerning accounts receivables management.*

Recommendations:

- 1. The Director of Juvenile Court Services should require that receipt of fines and fees are handled by personnel who do not have access to the financial module of the JOLTS system.***
- 2. The Director of Juvenile Court Services should require that staff develop financial transaction reports from the JOLTS system, so monthly activity can be reviewed by supervisory personnel.***

B. Receipts by Field Officers

Procedures are not developed and standardized for collections of fees and fines by officers in the field.

- Families are not given guidance regarding their direct payment to probation officers. For example, information should be provided explaining: 1) collection of fees and fines by probation officers is permissible; 2) what methods of payment are acceptable and; 3) what receipt documents are required.
- Officers are not required to carry receipt books for accepting payments. We noted twelve officers do not accept payments or carry receipt books.
- Receipts, when issued, are not reviewed and verified as required by the Arizona Code of Judicial Administration Minimum Accounting Standards administration and local procedures. We noted some receipt books have been outstanding for several years.

As a result, there is no assurance that all fines and fees collected in the field are properly recorded in the County's financial records.

Recommendations:

- 3. The Director of Juvenile Court Services should develop procedures to standardize collection of fees and fines by officers in the field.***

4. *The Director of Juvenile Court Services should issue instructions to families regarding proper procedures for making payments to officers in the field. For example, the families should not pay in cash and should require a receipt for all payments submitted.*
5. *The Director of Juvenile Court Services should require personnel to reconcile officer-issued receipts to actual collections. As a minimum, all sequentially issued receipts should be accounted for, and receipt books should be reviewed periodically, particularly if outstanding for long periods of time.*

Attachment:

Management Response and Action Plan

| Audit Recommendation | Concur (Yes or No) | Management's Response and Action Plan | Target Date | Individual(s) Responsible |
|--|--------------------|--|-------------|---|
| 1. <i>The Director of Juvenile Court Services should require that receipt of fines and fees are handled by personnel who do not have access to the financial module of the JOLTS system.</i> | Yes | The Director will review current duty assignments and coordinate the re-allocation of duties with other personnel to assure that those personnel having access to make modifications in the financial system do not handle payments. | 8/31/10 | Director Division Director Supervisors |
| 2. <i>The Director of Juvenile Court Services should require that staff develop financial transaction reports from the JOLTS system, so monthly activity can be reviewed by supervisory personnel.</i> | Yes | Transaction Reports have been developed to pull from the JOLTS system on a monthly basis and will be reviewed by the Collections Unit Supervisor. | 8/31/10 | Division Director Collections Unit Supervisor |
| 3. <i>The Director of Juvenile Court Services should develop procedures to standardize collection of fees and fines by officers in the field.</i> | Yes | The current policy that outlines the duties of probation officers in collection of field payments will be reviewed and revised accordingly to standardize the collection process. | 9/30/10 | Director |

| Audit Recommendation | Concur (Yes or No) | Management's Response and Action Plan | Target Date | Individual(s) Responsible |
|--|--------------------|---|-------------------------------|--|
| <p>4. <i>The Director of Juvenile Court Services should issue instructions to families regarding proper procedures for making payments to officers in the field. For example, the families should not pay in cash and should require a receipt for all payments submitted.</i></p> | Yes | <p>A brochure/card containing the procedures for families to make payments will be distributed to families prior to and/or at diversion and court proceedings. Officers will have a supply of brochures/cards available to provide families during their contacts. In addition, the signage in office locations will be reviewed and updated appropriately to advise the public of the procedures</p> | 9/15/10 | <p>Division Director Collections Unit Supervisor</p> |
| <p>5. <i>The Director of Juvenile Court Services should require personnel to reconcile officer-issued receipts to actual collections. As a minimum, all sequentially issued receipts should be accounted for, and receipt books should be reviewed periodically, particularly if outstanding for long periods of time.</i></p> | Yes | <p>We are in the process of reconciling all previously issued receipt books. For all future receipts, staff will receive instructions to provide a copy of all receipts distributed for verification purposes.</p> <p>Current policy will be reviewed and revised to document procedures that will assure that payment receipts received by support and/or field officers will be documented, reconciled/verified and tracked. The receipt book issuance logs will be maintained noting each receipt distributed and verified on a quarterly basis.</p> | <p>8/15/10</p> <p>9/30/10</p> | <p>Collection Supervisor Financial Administrator</p> |