

County of Solano
Office of the Auditor-Controller



**FOLLOW-UP REVIEW ON
PROBATION DEPARTMENT'S JUVENILE TRUST FUND & JUVENILE
WARD WELFARE FUND AUDIT REPORT ISSUED
MAY 24, 2016**

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SCOPE OF REVIEW

The Solano County Auditor-Controller's Office Internal Audit Division (Division) conducted a follow-up review on the Probation Department's Juvenile Trust Fund and Juvenile Ward Welfare Fund Audit Report issued on May 24, 2016. That Report focused on Probation's internal controls over cash receipts, disbursements, its policies and procedures, and client intake processes in place for juvenile's during the fiscal years ended June 30, 2015 and 2014. It was determined the internal controls were not adequate to ensure management's goals and objectives are accomplished in accordance with Chapter 2, §275(a) of the Welfare and Institutions Code. As a result, the Report included several recommendations to improve collection processes and strengthen controls over client cash payments. Our follow-up was limited to reviewing actions taken, as of April 27, 2017, to implement the recommendations from the Report.

BACKGROUND

The Solano County Probation Department's Juvenile Division provides investigation and supervision services and recommends appropriate disposition for juvenile offenders, while also seeking to preserve and enhance the family unit. Probation has the fiduciary responsibilities for a variety of monies collected from fines, fees, penalty assessments, restitution payments to victims, and charges for services provided.

The Juvenile Division serves as an arm of the Juvenile and Superior Courts. Probation also operates one juvenile detention facility which provides in-house services such as counseling, tutoring, aggression replacement training, and crossroad life skills/cognitive training. Welfare and Institutions Code §276 authorizes probation to receive monies and direct disbursements on behalf of juveniles on probation and/or housed in juvenile facilities.

Probation uses Columbia Ultimate Business System (CUBS) software to manage its billing and collection transactions. Probation creates an account after receipt of a court order requiring a restitution payment or after receiving an invoice for juvenile fees¹. A notice is then mailed to the client². Probation can only pursue account collection after the parent(s) or guardian is determined to have the ability to pay³. An ability to pay is determined from a financial evaluation performed by Probation's collection staff. Accounts that have not been subjected to a financial evaluation are recorded as "pending."

SUMMARY

Based upon the four areas identified as needing improvement (nine recommendations), our follow-up indicated the Probation Department fully implemented six recommendations and is in the process of implementing three recommendations.

¹ Juvenile fees include juvenile hall fees, public defender's fee, electronic monitoring fees, and supervision fees.

² The notice includes a copy of the court disposition, citation to appear for a financial evaluation, and proof of personal service.

³ Per the Board of Supervisors meeting on April 25, 2017, a resolution authorizing a twelve-month moratorium on the assessment and collection of Post-Notice Custody Fees, Juvenile Detention Facility Support Fees and New Foundations Program Support Fees were approved. Until the moratorium is lifted, there will be no new collection attempts.

RESULTS

Based on our follow-up review, the following is the status of the nine original recommendations:

Finding A - Establish a Comprehensive Set of Written Policies for Collection Activities

Recommendation No. A(1): Develop a comprehensive written set of policies for account collection activities.

Current Status: Fully Implemented

Our review determined management has completed an evaluation of the existing guidelines and manual procedures and developed a comprehensive policies and procedures manual. There is a copy of the procedures manual on the Probation Network Area Server (NAS), as well as a hard copy manual (binder) maintained in the Collections Unit. The binder details the juvenile detention billing processes, which includes collections and billing procedures. Also included are procedures on how to work the aging list, how to determine the parents/legal guardian's ability to pay,⁴ and how to handle delinquent or unresponsive cases. Based upon our review, we consider this recommendation to be fully implemented.

Finding B - Evaluating the Client's Ability to Pay

Recommendation No. B(1) Determining the Client's Gross Income:

Include all sources of income when determining a client's ability to pay. Probation should establish a written policy regarding its process for determining a client's ability to pay so decisions as to whether a client has such an ability are made according to objective criteria.

Current Status: Fully Implemented

Management has developed a more comprehensive set of policies and procedures for account collection activities including detail processes for determining a clients' ability to pay. These procedures are combined with the written policies for collection activities, as noted above. The updated manual addresses the deficiencies we noted and suggested for improvement. Based upon our review, we consider this recommendation to be fully implemented.

Recommendation No. B(2) Reassess the Clients Ability to Pay:

1. The collection staff should request clients contact Probation after 3 months for a re-evaluation. If the client does not initiate contact, Probation should contact the client about the re-evaluation. If the client does not cooperate, file a Court petition to require the client to appear before the collection staff.
2. Enhance CUBS to include automated notifications for accounts needing to be re-evaluated.

Current Status: Partially Implemented

⁴ An ability to pay is determined from a financial evaluation performed by Probation collection staff.

Our review revealed management has updated its policies and procedures for collection activities which included a financial re-evaluation process. Probation established a standard for the Collections Officer to schedule future meetings and initiate contacts with clients for the 3-month re-evaluation. Included are instructions as to how to re-evaluate clients, assuming they are willing to set up an appointment. There are additional instructions as to how to address uncooperative clients who are able to pay and unresponsive clients whose financial status is undetermined.

The Probation Department did not address the suggestion to file a Court petition to require uncooperative clients appear before the collection staff. There are instructions in the manual as to how to follow up on past due accounts, but nothing specifically addresses procedures for clients who fail to re-evaluate their financial status. According to the Administrative Services Manager, these procedures are in place and will be documented in the comprehensive policies and procedures manual. However, between the time of the original audit and our follow-up, the County Board of Supervisors adopted a resolution on April 25, 2017 authorizing a twelve-month moratorium on the assessment and collection of certain fees. Until the moratorium is lifted, there will be no new collection attempts.

Our follow-up indicated the Probation Department has created a status code in CUBS to flag the accounts requiring financial re-evaluation. This provides reports to assist the Collection Officer in determining when clients need to be reassessed for their ability to pay. This feature, however isn't automated; it requires organizing the Days Payable Outstanding (DPO) Aging of Receivable Report by Account Delinquency date.

Based upon the above, we consider this recommendation partially implemented.

Finding C - Billings and Collections

Recommendation No. C(1) Accounts Should be Monitored for Timely Collection Efforts:

1. Consider activating the aging of receivables module in CUBS to help monitor past due accounts. Aging the accounts will help the collection staff stay on top of past due accounts. Additionally, Probation should consider making enhancements to CUBS, such as adding automated notifications for accounts nearing the statute of limitations; or
2. Probation should seek a computerized accounts receivable software option to allow it to create an aging of receivables report.

Current Status: Fully Implemented

Our review indicated management has completed the enhancements of the CUBS system to include the Aging of Receivable (AR) reports. Effective December 2016, AR reports are being provided to the Probation Officers monthly. We reviewed a copy of a report and dollar amounts are listed delinquent by 30 days, 60 days, 90 days, and 120+ days. Management did not address the recommendation of adding automated notifications into CUBS for accounts nearing the statute of limitations. This automated option could reduce the workload of the Collections Officer, allowing more time for other collection efforts. Based upon our review, we consider this recommendation fully implemented.

Recommendation No. C(2) Enhance Collection Efforts on Accounts by Seeking a Court-Ordered Judgment:

1. Pursue additional collection efforts such as filing an abstract of judgment; or
2. Refer accounts to the Franchise Tax Board for potential tax refund intercept; or
3. Consider participating in the State of California's Court-Ordered Debt Program which collects unpaid fines, state or local penalties, bail, forfeitures, restitution fines and orders, vehicle code violations or any other amounts upon a person for criminal offenses.

Current Status: Fully Implemented

During our follow-up review, we determined management referred 1,052 accounts (with court order) valued at \$1.3 million to the State Franchise Tax Board (FTB) for the State Tax Intercept program in December 2016. At the time this memorandum was composed, the State FTB had collected and reimbursed Probation for \$20,296 worth of delinquent payments. Management also inquired with several other collection agencies, started submitting delinquent stipulated cases to the Court for order and entry of judgement. Based upon the tax refund intercept program being utilized, we consider this recommendation fully implemented.

Recommendation No. C(3) Work to Resolve Outstanding "Pending" Accounts:

In cases where the client refuses to appear before the financial evaluation officer or refuses to sign stipulation, Probation should petition the court to require the client to appear before the County financial evaluation officer.

Current Status: Partially Implemented

Our follow-up determined management has included procedures within its updated collections manual addressing return to court procedures for delinquent stipulated cases and unresponsive cases (no stipulations⁵). Probation also met with County Counsel to discuss the Juvenile billing process, specifically a collaboration with their office and the Courts for the return to Court process. Due to the recent adoption of a resolution authorizing a twelve-month moratorium on the assessment and collection of certain fees, there cannot be any new collection attempts. Based upon the above, we consider this recommendation partially implemented.

Recommendation No. C(4) File Signed Stipulations with the Court:

Generate a report of all defaulted accounts with signed stipulations. Notify clients in writing about the default. If the client does not respond, file a civil judgment against him/her within the statute of limitation period.

Current Status: Fully Implemented

Our follow-up determined management has created a report in CUBS on defaulted stipulated cases. We obtained a copy of the report and it identifies the stipulated date, total amount due, last paid date, and total amount remaining. This report will be useful for notifying clients and filing a civil judgement within the statute of limitation periods.

⁵ A stipulation is a legal acknowledgement made between opposing parties concerning a certain fact or facts.

Probation has also developed an action plan for submission of unresponsive clients to the Court for civil judgment filing. Up until the moratorium was put into place, Probation had filed 366 cases to be Returned to Court (RTC). Any court orders previously filed were included in the 1,052 accounts forwarded to the FTB. Due to the recent adoption of a resolution authorizing a twelve-month moratorium on the assessment and collection of certain fees, there cannot be any new collection attempts. Based upon the efforts above, we consider this recommendation fully implemented.

Recommendation No. C(5) Continue Collection Activities on Clients Who File for Bankruptcy:

Probation should seek to collect the costs related to the care, support, and maintenance of the incarcerated minor even if the parent/guardian files for bankruptcy.

Current Status: Partially Implemented

Our follow-up determined that after management met with County Counsel, the Administrative Services Manager sent an email to staff in November 2016 regarding the processing procedures of bankruptcy filing notices. The email notes that procedures will be developed upon processing the next bankruptcy notice. Probation is working with County Counsel to develop these formal procedures but at of the time of our review, an official notice had not yet been received. Also due to the recent adoption of a resolution authorizing a twelve-month moratorium on the assessment and collection of certain fees, there cannot be any new collection attempts. Based upon our review, we consider this recommendation partially implemented.

Finding D - Cash Handling Procedures

Recommendation No. D(1) Secure Cash Payments at the Probation Branch in Vallejo:

1. Remove the key to the payment drop box from the Vallejo office and place it in the custody of Billings and Collections staff in Fairfield; or
2. Install a payment kiosk at the Vallejo office and discontinue the use of the payment drop box.

Current Status: Fully implemented

Our follow-up revealed management has complied with the recommendation by removing the key to the payment drop box from the Vallejo office. It is now in the custody of the Collections Officer in Probation's Fairfield office⁶.

Based upon the above, we consider this recommendation fully implemented.

We would like to thank the Probation Department management and staff for the assistance and cooperation extended to us during this follow-up review.

⁶ Also, note a duplicate key is also maintained in the safe in the Fairfield office. The safe key is in the custody of the Accountant.