



*County of*  
**TULARE**

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Auditor-Controller's Office

**Probation Department**

Compliance and Internal Control Report

Risk Based Audit: Cash Disbursement Cycle  
For the Period of July 1, 2022 through June 30, 2023

April 26, 2024

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# County of Tulare

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April 26, 2024

Kelly M. Vernon  
Chief Probation Officer  
Probation Department  
3241 West Noble Avenue  
Visalia, California 93277

Subject: Probation Department Cash Disbursement Cycle Risk Based Audit Report

Dear Ms. Vernon:

Enclosed is the Financial Reporting and Audits division's Cash Disbursement Cycle Risk Based Audit Report of the Probation Department (the Department) for the period of July 1, 2022 through June 30, 2023. This report contains the results of our audit that was conducted under California Government Code Section 26883 and the County of Tulare (the County) Board of Supervisors' Resolution No. 76-217 which authorizes the County Auditor to conduct audits of all departments. The report presents our findings, recommendations, and the Department's management responses.

Per the Internal Audit Charter, the internal auditors "will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared." Internal audit staff will perform a follow-up review to determine whether our recommendations have been implemented.

We believe implementing our recommendations will improve the Department's operations and facilitate compliance with laws, regulations, and applicable County policies and procedures. We appreciate the Department's cooperation during the audit process and their willingness to implement our recommendations.

This report is intended solely for the informational use of the Department's management and the Tulare County Audit Committee and is not intended to be, nor should be, used by anyone other than these specified parties without consent. However, public policy dictates that this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cass Cook", is written over a light blue horizontal line.

Cass Cook  
Auditor-Controller

# Report Highlights

## Probation Department

### Cash Disbursement Risk Based Audit

July 1, 2022 – June 30, 2023



#### Objective

To assess the Probation Department's internal controls and compliance with laws, County policies and procedures, and best practices as they relate to the cash disbursement cycle.

#### What We Found

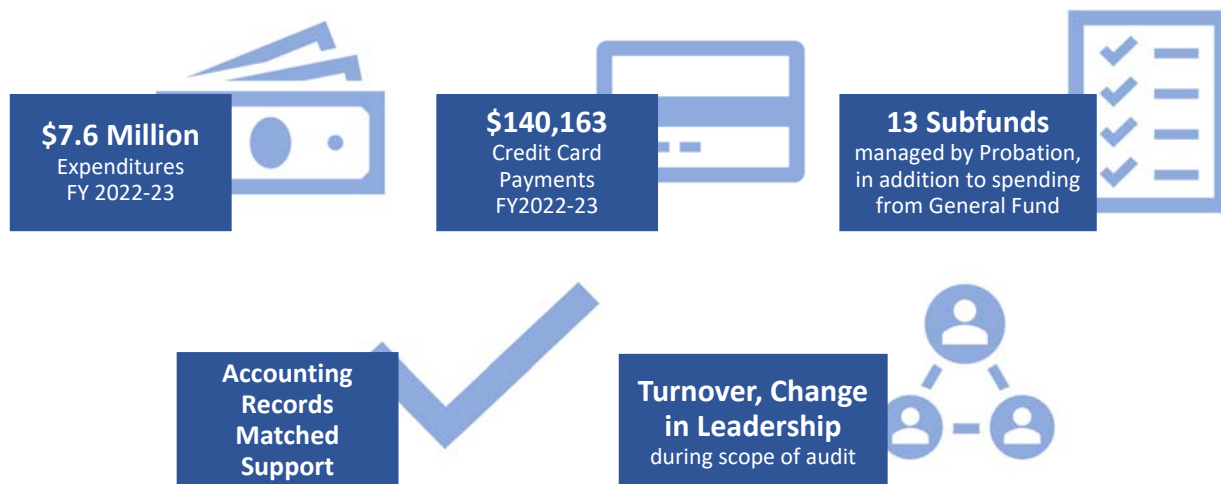
- Some payments to vendors and credit cards were not paid timely.
- Credit card statements are paid with multiple payments, which may contribute to late payments.
- Some travel claims did not agree with supporting documentation. Others overstated claimable mileage.

#### What We Recommend

- The Department should monitor invoices and statements to ensure payment is submitted timely, including to request delayed invoices from vendors and utilizing the Late Payment Report from the County's accounting system.
- The Department should consider consolidating credit card payments, to improve efficiency.
- The Department should thoroughly review travel claims, including the mileage calculation, for completeness and accuracy to avoid overpayment of travel claims.

#### What Probation Does Well

- No unexplained variances in expenditures from the prior fiscal year.
- Vendor payments in the accounting system matched invoices.
- Purchases were less than the transaction limit.
- Transactions were recorded in correct fiscal year.
- All monthly statements and claim forms were signed appropriately.
- Purchases for grant programs appeared to comply with program requirements.



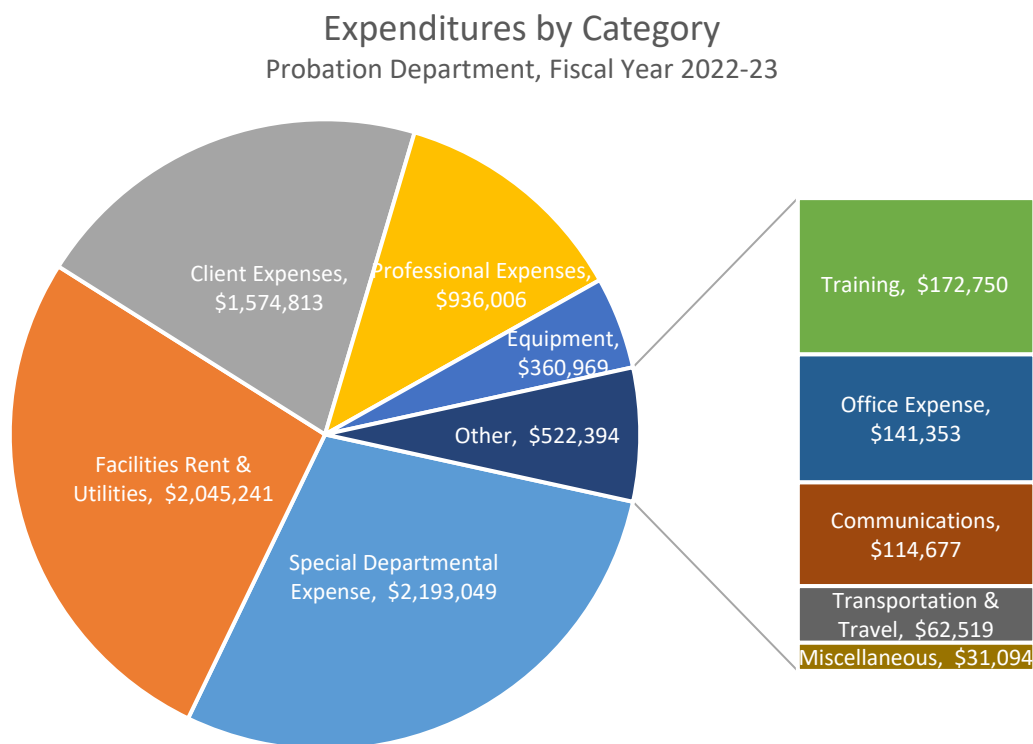
# Compliance and Internal Controls Report

## Introduction

In accordance with California Government Code Section 26883, County of Tulare (the County) Board of Supervisors' (the Board) Resolution No. 76-217, and the Audit Committee's approval of the Internal Audit Plan for fiscal years 2021 and 2022, the Financial Reporting and Audits division of the Auditor-Controller's Office performed a compliance audit with a focus on internal controls of the Probation Department's (the Department) cash disbursement activity for the period of July 1, 2022 through June 30, 2023. The Financial Reporting and Audits division is supervised by the Auditor-Controller and is independent with respect to the Department.

## Background

During fiscal year 2022-23 (the scope of the audit), the Department had approximately \$7,632,473 in expenditures, as shown in the chart below. The greatest amount of spending (29% of the total) was for Special Departmental Expense, which is a catchall object in the County's accounting system for expenditures that don't fit in other categories. The next greatest expenditures were for the Department's facilities (27%) and client-related expenses (21%).



The Department's unique operations increase risks related to cash disbursements in several ways. The Department manages many grant-funded programs, causing it to spend not only from the County's General Fund, but 13 sub-funds as well. Each grant has unique restrictions on allowable costs and documentation requirements. Additionally, grant programs can purchase items that are typically prohibited, such as food, gift cards, or entertainment. Regularly purchasing such items increases the risk that employees could take advantage and make personal purchases, and they could go unnoticed.

Also, the Department operates out of three (3) locations, increasing the need for employee travel and related reimbursements if employees use their personal vehicles. A decentralized department can also increase the need for credit cards. As of June 30, 2023, the department had 19 credit cards, including 13 issued to specific employees (or 5% of all employees). During the scope of the audit, the department made \$140,163.43 in credit card payments, making up 2% of all disbursements.

Additionally, during the scope of the audit, the Department had the challenge of transitioning leadership. The former Chief Probation Officer retired in October 2022 and a new Chief Probation Officer was appointed in March 2023, with a third, Interim Chief Probation Officer in the middle. The Department also restructured leadership positions and experienced turnover within its fiscal staff.

## Objective

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The objective of this audit was to assess the Department's internal controls and compliance with applicable laws, County policies and procedures, and best practices as they relate to the cash disbursement cycle. We conducted this compliance and internal controls audit in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. It should be noted that such an audit is not designed and cannot be relied upon to disclose all errors, defalcations, and other similar irregularities, although they may be discovered as a result of our audit. We believe that our audit provides a reasonable basis for our findings and conclusions based on our audit objective.

## Scope

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The audit covered the Department's cash disbursement activity for the period of July 1, 2022 through June 30, 2023. The activity audited is considered the responsibility of the Department's management.

## Methodology

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We obtained pertinent laws, County policies and procedures, and best practices as they relate to cash disbursements. We conducted interviews with Department staff who participate in the cash disbursement cycle. Source documentation and reports were obtained through AFIN (the County's accounting system), Enterprise (the County's payroll and human resources system), and the Department's personnel. Digital copies of records were used as evidence and verified through physical examination.

To assess internal controls and determine compliance with applicable laws, County policies and procedures, and best practices, we performed the following procedures:

- Interviewed key employees and reviewed the Department's policies, procedures, and internal controls as they relate to cash disbursements;
- Tested a sample of cash disbursements for accuracy, validity, and timeliness of payments;
- Tested a sample of credit card transactions for adequate support, cardholder and department head signatures, accuracy, timeliness of payments, and compliance with transaction limits and credit card policies;
- Reviewed direct payments for accuracy, validity, and timeliness of payments;
- Tested a sample of travel claim reimbursements for completeness of travel claim forms and support, compliance with travel policies, accuracy, and timeliness of travel claim submissions;
- Reviewed a tuition reimbursement for required documentation, employee eligibility, Department Head approval, and compliance with County policy; and
- Compared expenditures recorded in fiscal year 2023 (the scope of the audit) to the prior fiscal year and inquired about any significant variances.

## Conclusion

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Based on testing, we found that the Department excels in the following areas:

- There were no unexplained variances in the expenditure amounts for fiscal year 2023 (the scope of the audit) and the prior year.
- Payments and vendor details in AFIN, the County's accounting system, agreed with those on the corresponding invoices for all payments in our sample.
- All material payments in our sample were recorded in the correct fiscal year, based on when goods were received or when services were performed.
- All direct pay transactions and credit card purchases were less than the applicable purchase limit.
- All travel claim reimbursements in our sample were for County-related travel.
- Purchases for grant programs appeared to comply with program requirements.
- Reimbursement for tuition was submitted and approved prior to the beginning of the course and the cost did not exceed the \$350 reimbursable limit.
- All credit card statements had the appropriate signatures for approval.

Although the Department excels in many areas, we found some weaknesses in the Department's internal controls and compliance with County policies and procedures, and best practices. While the following conditions may not, individually or in the aggregate, significantly impair the operations of the Department, they do present risks that can be more effectively controlled by improvement in internal controls and compliance with County policies and procedures, and best practices.



# Findings and Recommendations

The following conditions were noted upon inquiry, observation, and testing of the Probation Department's (the Department) internal controls over its cash disbursement cycle. Our recommendation and the Department's management response follow each finding.

## A. Late Payments

### Credit Cards

For accounts that accumulate over time, such as credit cards, it is important to pay the balance in full by the stated due date to avoid late fees or interest charges. Additionally, if the balance is not paid in full before the next billing cycle, the following statement will have some balance carried forward, forcing the Department to deduct previous payments from the balance and increasing the likelihood of an erroneous payment amount.

Tucoemas Credit Union sends a statement for each credit card held by the Department, and four (4) of the 12 statements (or 33%) during the scope of the audit were paid late. The Department's U.S. Bank credit card account sends a single bill for all cardholders. During the scope of our audit, five (5) of the 12 months (or 42%) were not paid in full during the billing cycle. The late payments resulted in \$84.81 in fees and interest.

The Department enters a payment for each U.S. Bank credit card holder, instead of making a single payment for the statement. A total of 103 payments were made for the 12 statements in our audit. Multiple payments must be tracked and reconciled to the statement, and each payment that is entered in the accounting system must be approved at the Department level and by the Claims division in the Auditor's Office. Entering a payment for each cardholder may help organize the Department's records, however repetitive data entry reduces efficiency and may be a causal factor for the late payments.

### Other Payments

Payments are considered timely if paid by the due date specified on the invoice, statement, or contract, if applicable. If no due date is specified, then the best practice is to make payment within 30 days from the invoice or statement date.

During the scope of our audit, the Department made 1,794 payments, excluding travel claims, credit card payments, and restitution payments, for a total of \$5,784,477. Based on our testing of 58 payments, we observed that eight (8) payments (or 14% of the sample) were late, as shown in the following table:

| Vendor Name                                       | Invoice Date | Due Date <sup>1</sup><br>(A) | Payment Date <sup>2</sup><br>(B) | # Days Late<br>(B-A) | Amount     |
|---|--------------|------------------------------|----------------------------------|----------------------|------------|
| Beatwear, Inc.                                    | 1/18/2023    | 2/17/2023                    | 3/13/2023                        | 24                   | \$ 216.95  |
| Lexipol, LLC                                      | 6/2/2022     | 7/2/2022                     | 7/25/2022                        | 23                   | 17,219.78  |
| Motorola Solutions Inc.                           | 1/10/2023    | 2/9/2023                     | 2/27/2023                        | 18                   | 185,099.44 |
| Chief Probation Officers of California Foundation | 1/6/2023     | 2/5/2023                     | 2/20/2023                        | 15                   | 160.00     |
| Nicole Eslinger Patel                             | 4/19/2023    | 5/19/2023                    | 5/31/2023                        | 12                   | 1,650.00   |
| Boys & Girls Clubs of Tulare County               | 5/31/2023    | 6/30/2023                    | 7/5/2023                         | 5                    | 4,204.18   |
| Chief Probation Officers of California Foundation | 3/28/2023    | 4/27/2023                    | 5/1/2023                         | 4                    | 300.00     |
| CORE Business Interiors, Inc.                     | 9/23/2022    | 10/23/2022                   | 10/26/2022                       | 3                    | 324,791.79 |

<sup>1</sup>If no due date is listed on the invoice, the due date is 30 days after the invoice date.

<sup>2</sup>Date payment is issued. This does not include time for mailing of physical checks.

Failure to pay invoices timely can result in late payments and fees. Additionally, many of the vendors the County does business with are smaller entities that may have cash flow issues if the County does not pay them timely. This hurts the County's business partners, damages the County's reputation, and may deter vendors from doing business with the County in the future.

**Recommendation:** We recommend the Department assess the benefit of making a separate payment for each credit card holder and consider making a single payment for each statement received, to improve efficiency. If support is not available for some cardholders when payment is due, the ones that are ready to pay could be combined in a single payment.

In addition, all efforts should be made to pay invoices by the stated due date or, if no due date is given, within 30 days. The Department should monitor invoices and credit card statements to ensure they are submitted for payment processing timely. If an invoice is not received from a vendor within a reasonable time frame, the Department should contact the vendor to inquire about the invoice. Also, the Department should utilize the Late Payment Report in AFIN to more effectively monitor late payments. The report lists vendors, the number of days it took for invoices to be paid, and the employees who entered the payment. It can be used to identify potential issues with vendors and opportunities for training or coaching of employees.

**Management Response:** The Department concurs with the recommendation. The Department's practice of making single payments for each credit card holder was based on the recommendation by the previous Purchasing Manager to avoid the risk of credit card closures due to late payments. At the time, the Department operated from seven office locations, and it was not feasible to process one single payment for all card holders in a timely manner. However, since the Probation Offices are now collocated in HQ, the Department can process statements that are ready for payment in one single payment. On May 1, 2024, the Department instituted a change to make a single payment or to combine card holder statements that are ready to pay in a single payment. Please reference GAX 205-24205PB210

In an effort to pay invoices by the due date, the Department continues to request credit card holders submit all receipts to Accounting immediately. Likewise, the Department continues to request vendors to email all invoices to the shared ProbationAccounting email or mail all invoices

to the attention of Probation Accounting. Staff are instructed to forward all invoices to Accounting immediately if vendors send invoices to them directly. The Department continues to request vendors to update the invoice date or due date if the invoice was not received within a reasonable time frame. However, vendor compliance to this request is not always consistent. More specifically, the Department often receives invoices from vendors that require correction. From the time of correction to finalization, it is not uncommon for vendor invoices to retain the original invoice dates, which would be consequently incongruent with the invoice correction factored in. That being said, the Department will then implement a new procedure whereby corrected vendor invoices that do not have adjusted invoice dates are to be timestamped with the date of receipt of the final invoice and will operationalize the date of receipt as the invoice date.

Implementation Date: May 1, 2024

## **B. Travel Claim Errors**

When an employee travels on County business, they may be reimbursed for mileage, meals, and other expenses through a travel claim. During the scope of our audit, the Department paid \$25,429 for 284 travel claims. We tested 22 of those claims and found errors on five (5) of them, or 23% of the sample.

Per Administrative Regulation 1, with regard to working at a location other than the normal work location, "... mileage will only be paid to the extent that it exceeds mileage to/from [the employee's] normal work location to/from his/hers home." However, for one (1) of the claims in our sample, the employee did not subtract their normal commute mileage from the distance traveled when working at an alternate facility. The claim form accumulated travel over a month and resulted in an overpayment of \$160.08.

Additionally, four (4) of the travel claims had errors, such as inconsistent miles for a repeated trip, and discrepancies between the forms and the support, including travel dates, per diem claimed, miles between locations, and the destination addresses. Although these errors did not materially affect the payments, it indicates the forms might not be thoroughly reviewed.

Recommendation: We recommend the Department remind employees that commute mileage must be subtracted from the distance traveled to alternate work locations. Additionally, travel claim forms should be thoroughly reviewed before the supervisor signs the form, for things such as correct distances, number of days of per diem, and consistent distances for the same locations.

Management Response: The Department concurs with the recommendation. The Payroll/Payable unit was understaffed during FY22-23 with two Payroll Clerks who processed both payroll and payables for the Department. Thus, the oversight on the travel claims in question.

In September 2023, the Department hired an additional Payroll Clerk and one Accountant. Accounting continues to provide support to staff and their supervisors on how to complete the travel claim accurately. The Accountant utilizes Enterprise to determine employee addresses then

conducts mileage verification using geolocation applications such as Google Maps, MapQuest, to name a few, to determine claimable miles in excess of normal commute to alternate work locations. Consequently, the Accountant provides an additional layer of vetting prior to claims being entered into AFIN, ensuring further accuracy.

Implementation Date: January 1, 2024