

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
February 27, 2018
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: Probation Department Fiscal Process Agreed-Upon Procedures For The Period
July 1, 2016 To December 31, 2016

Supervisory
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

DISCUSSION

The Probation Department (Probation) wanted to evaluate its fiscal processes to ensure their compliance with applicable County of Sacramento policies and procedures, and applicable laws and regulations. As such, Probation requested the Department of Finance to perform agreed-upon procedures (AUP) to evaluate their fiscal processes.

The Auditor randomly selected 100 transactions that were initiated by Probation. The results of our procedures are included in the attached AUP report.

Respectfully submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - Probation Department Fiscal Process AUP for the Period July 1, 2016 to
December 31, 2016

Department of Finance

Ben Lamera,
Director



Agenda Date: February 27, 2018

ATT 1

Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller

County of Sacramento

Inter-Office Memorandum

October 24, 2017

To: Lee Seale
Chief Probation Officer, Probation Department

From: Ben Lamera
Director of Finance

By: Alan A. Matré, C.P.A.
Chief of Audits

A handwritten signature in blue ink, appearing to read "Alan A. Matré".

Subject: **AGREED-UPON PROCEDURES – PROBATION DEPARTMENT
FISCAL PROCESSES FOR THE PERIOD FROM JULY 1, 2016 TO
DECEMBER 31, 2016**

We have performed the procedures enumerated below and on page 2, which were agreed to by you, for the County of Sacramento Probation Department (Probation). These agreed-upon procedures were performed solely to evaluate Probation's fiscal processes for the period of July 1, 2016 to December 31, 2016. Probation's management is responsible for maintaining sufficient internal controls for its fiscal processes. The sufficiency of the procedures is solely the responsibility of Probation. 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. This report is applicable solely to procedures referred to below and is not intended to pertain to any of Probation's other operations, procedures, or compliance with laws and regulations.

The procedures and associated finding are as follows below and on the next page:

1. We obtained the organizational chart for Probation and inspected the various fiscal processes that occur within Probation to determine if there is a proper segregation of duties.

Finding: We did not note any exceptions as a result of our procedures.

2. We inspected the accounting structure and records of Probation within the Sacramento County Financial System (a.k.a. COMPASS) and determined whether the processes and structure currently being used by Probation is in accordance with current policies and procedures, and within current Governmental Accounting Standards Board (GASB) guidelines.

Finding: We noted several concerns. See Attachment I, *Comments and Recommendations*.

3. We determined if Probation is properly following the policies and procedures related to COMPASS.

Finding: We did not note any exceptions as a result of our procedures.

4. We determined whether Probation has any additional departmental accounting procedures and determined if those procedures are in accordance with County procedures and if the procedures are being properly adhered to.

Finding: We noted Probation does not have any departmental accounting procedures. See Attachment I, *Comments and Recommendations*.

5. We inspected the petty cash processes to determine if petty cash with Probation is properly utilized for the intended use for each of the petty cash funds.

Finding: We noted several concerns. See Attachment I, *Comments and Recommendations*.

6. We selected a sample and tested the accounting records and determined whether income and expenditures have been properly recorded to the proper account(s) within the cost accounting structure of Probation.

Finding: We noted several concerns. See Attachment I, *Comments and Recommendations*.

7. We tested a sample of the financial reports or claims submitted to Probation's various funding sources to determine if the reports were filed in a timely manner and in accordance with the terms of the agreements.

Finding: We noted several concerns. See Attachment I, *Comments and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit, examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on Probation's fiscal processes or results of our procedures referred above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Lee Seale, Chief Probation Officer
October 24, 2017
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This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Executive, and Probation's management. It is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachments

Attachment I: *Comments and Recommendations*

cc: Members, Board of Supervisors
Nancy Newton, Assistant County Executive
David Villanueva, Deputy County Executive, Administrative Services
Paul Lake, Deputy County Executive, Social Services
Britt Ferguson, Chief Fiscal Officer, Office of Budget and Debt Management
Annie Granucci, Senior Accounting Manager, Probation

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1. Policies and Procedures

Comment

During our inspection of the County of Sacramento (County) Probation Department's (Probation) fiscal processes, we noted at the time of our visit on March 7, 2017 that there were no written policies or procedures for the preparation and requirements of submitting invoice claims for State and Federal grants. Per inquiry with Probation's Senior Accounting Manager and Accounting Manager (a.k.a. Probation's Fiscal Management), Probation's Fiscal Management encourages its staff to develop their own processes to promote efficiency.

On March 30, 2017, Probation's Fiscal Management provided written policies and procedures for 2 out of 5 grant invoice claim policies and procedures.

Probation's Fiscal Management should develop and implement written policies and procedures for the 3 invoice grant claims that were not provided. Lack of written policies and procedures can create inconsistency and confusion among staff, and can lead to errors and omissions, and/or not be in compliance with County, State, and Federal regulations. See also Finding Number 6.

Recommendation

We recommend Probation develop and implement written policies and procedures for its grant activities. We reiterate our recommendation in Finding Number 6.

Probation's Management Response

We agree with this comment and will implement the recommendation.

2. Information Security

Comment

During our inspection of Probation's fiscal records, we noted a username, password, security image, and security phrase for a website that administers one of Probation's grants were written on a piece of paper by Probation's Fiscal Management and kept in the respective binder.

Usernames, passwords, and other security information should never be written down or kept in a place accessible by unauthorized individuals. By storing login information in an improper location, unauthorized individuals may retrieve access to platforms containing sensitive and/or privileged information.

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Recommendation

We recommend Probation prohibit its staff and Fiscal Management from writing down and storing login information in locations accessible by individuals other than the account holder. Login information that has been stored in areas accessible by unauthorized users should be changed immediately.

Probation's Management Response

We agree with this comment and will implement the recommendation.

3. Improper Transaction Posting and Reporting

Comment

During our test of Probation's financial transactions (100 transactions selected for testing) posted in the Sacramento County Financial System (a.k.a. COMPASS), we noted the following concerns:

- I. One petty cash reimbursement in the amount of \$527 was charged to cost center 6706760000 in COMPASS. Per Probation's supporting documentation and the nature of the transaction, the purchase should have been charged to cost center 6706762050.
- II. Probation re-assigned five expenditures from one cost center to another. Per our inquiry with Probation's Fiscal Management, Probation's funding for the Juvenile Sex Offender program changed to a different funding source. As such, Probation staff did not properly record the expenditures to the correct cost center because Probation staff was not familiarized with the new cost center for these expenditures. After the initial posting in COMPASS, Probation staff discovered the incorrect posting, and created and posted a journal voucher to re-assign the expenditures.
- III. Probation no longer uses cost center 6706770010. However, we noted one transaction was posted to this cost center and later re-classed to the correct cost center.

These transactions were reviewed by Probation's accounting staff supervisor and Probation's Fiscal Management. Probation's Fiscal Management should retrain its accounting staff and supervisor to ensure that the correct amounts are posted, and the correct cost center, fund center, and general ledger accounts are used in COMPASS. In addition, Probation's Fiscal Management should properly review its accounting staff's work.

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In addition, cost centers that are no longer being used should be closed to ensure that no transactions are posted to them. Inadequate review of transactions, incorrect postings, and inactive accounts that are left open could lead to errors, omissions, and inaccurate financial and budgetary reporting.

Recommendation

We recommend Probation ensure its transactions are adequately reviewed by Probation's accounting staff supervisor as well as Probation's Fiscal Management. Probation's Fiscal Management should retrain Probation's accounting staff and supervisor to ensure that transactions are assigned to the correct cost center, fund center, and general ledger account prior to approving and posting. In addition, we recommend Probation to contact the Department of Finance to close out its inactive cost centers and/or fund centers to ensure transactions can no longer be posted to them.

Probation's Management Response

We agree with this comment and will implement these recommendations except to note that 6706770010 is still an active cost center. Beyond that, we are heartened to note that, of the one hundred transactions selected for testing, only three items raised concerns. Of those three items, two were caught and fixed by our department before the auditors' inspection, as the report notes, leaving only a single item of concern to be uncovered by the auditors. That said, even a single error is unacceptable and we will continue working to improve our processes.

4. Juvenile Work Project

Comment

Probation operates a Juvenile Work Project (JWP) program under Memorandum of Understandings (MOU) with various County Departments. Juvenile probationers are assigned to work in crews to do abatements and other manual labor for the Department of Transportation, Department of General Services (DGS), and Department of Waste Management and Recycling. Upon completion of work projects, Probation bills the County Departments a daily rate based on the number and size of work crews. If a juvenile probationer participating in the JWP program owes a restitution balance, he or she receives a credit of \$60 per day worked. Credits earned are transferred to the Department of Revenue Recovery (DRR) on a monthly basis to be applied to respective restitution balances owed to victims.

Per our inquiry with Probation's Fiscal Management, there is a time lapse between when the court system determines the restitution amounts owed by the juvenile probationers and when

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DRR receives the restitution amounts and posts the amounts to the respective juvenile's account. If the juvenile's account balance at DRR is zero due to no information being provided by the court system yet, DRR returns the transferred funds to Probation, and Probation retains the funds. During our test, we noted that Probation does not perform any reconciliation or follow-up with returned DRR transfers. Per Probation's records, a total of \$19,252.09 in transfers were returned from DRR for the period of July 1, 2016 to December 31, 2016.

We also noted that revenues received from JWP billing are kept in a temporary 5500000 DEPOSITS FROM OTHERS general ledger account in COMPASS.

As of December 31, 2016, we noted a total balance of \$439,997.14 in the 5500000 account for the JWP program. This amount includes Probation's revenues received from JWP billing, returned DRR transfers, and activities from Probation's Adult Work Project program.

Returned DRR transfers should be reconciled and investigated to ensure restitution balances are credited appropriately. Furthermore, revenues received by Probation from its JWP program should be assigned to a proper revenue account. By not reconciling or investigating returned restitution payment transfers, restitution balances owed are not being properly credited. By not assigning revenues received from JWP billing to a revenue account, Probation is understating its revenues in its financial statements.

Recommendation

We recommend Probation to:

- a. Reconcile and investigate all returned DRR transfers and ensure restitution balances, if any, are properly credited.
- b. Assign Probation's revenues from the 5500000 account to an appropriate revenue account.
- c. Develop a resolution to resolve the \$439,997.14 in revenues and outstanding payments to restitution balances sitting in the 5500000 account.

Probation's Management Response

Juvenile work crews have been used for a number of purposes for youth on probation: community service, sanctions in lieu of incarceration for youth who violate the terms of their probation, and an opportunity to earn money toward restitution. The juveniles engage in projects such as park cleanups, stream restoration and cemetery beautification as part of contracts that Probation has with other governmental entities. Juveniles who participate in work project for community service purposes or as a sanction in lieu of incarceration, but

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who themselves do not owe restitution, contribute to the surplus identified in this report. We agree with the recommendations in this report and will be providing county leadership with a fuller history of the Juvenile Work Project program and recommended next steps.

5. Juvenile Work Project Billing Error

Comment

As described in Finding Number 4 of this attachment, Probation has MOU's with County Departments for its JWP program. At the end of each month, Probation bills participating County Departments that utilized the JWP program. During our test of Probation's JWP invoices, we noted three transactions in the amounts of \$3,240, \$3,240, and \$1,080 were incorrectly billed to DGS at a rate of \$540 per small crew per day for work at the Sacramento County Boys Ranch for the months of July 2016, August 2016, and September 2016, respectively.

According to the MOU between DGS and Probation, "*the FY 2016-17 cost of services for this MOU is as follows: \$630 per day for a Large Work Crew... or \$500 per day for a Small Work Crew...*" Therefore, Probation is not in compliance with its MOU, and the amounts that should have been billed are \$3,000, \$3,000, and \$1,000. As such, we noted Probation overbilled DGS in the amount of \$560.

We reiterate our comments in Finding Number 3 of this attachment.

Recommendation

We recommend Probation ensure it charges the correct billing rates to County Departments utilizing the JWP program. We also recommend Probation to contact DGS and develop a resolution to resolve the overbilled amount of \$560. We reiterate our recommendation noted in Finding Number 3 of this attachment.

Probation's Management Response

We agree with this comment and will implement the recommendation.

6. Invoice Claims to Probation's Funding Sources

Comment

Probation receives money from a combination of both State and Federal funding sources to operate its programs: Office of Traffic Safety – Driving Under the Influence, Co-Occurring Mental Health Court, Edward Byrne Memorial Justice Assistance Grant (a.k.a. JAG-VOU),

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Veteran Treatment Court (VTC), and Title IV-E. During our test of Probation's funding source invoice claims, we noted the following issues below and on the next page:

- I. Funds received from JAG-VOU were recorded in the 95957200 FEDERAL WELFARE SERVICE revenue account. JAG-VOU is not funded by Federal Welfare.
- II. Probation prepares its Title IV-E claims and sends the claims to the Department of Human Assistance (DHA). DHA sends Probation's along with other Departments' invoice claims to the State of California. We noted the Title IV-E claims prepared by Probation are not signed or initialed by Probation's Fiscal Management indicating the invoice claim has been properly reviewed and approved prior to submitting for payment.
- III. The VTC grant agreement indicated that Probation can only claim 75% of its salaries and benefits for one full time Deputy Probation Officer and the remaining 25% of salaries and benefits were to be used as a cash match. However, Probation included other program costs to calculate the claim invoice and to pay for the cash match. Per Probation staff, the entire program cost for the month of October 2016 was \$20,094.52. This amount included non-salary and non-benefit costs. The amount claimed by Probation was \$15,070.89 (75% of \$20,094.52). We noted the total salaries and benefits in COMPASS was \$18,386.45 for October 2016. As such, the maximum amount that can be claimed should be \$13,789.84 (75% of \$18,386.45). Therefore, Probation over-claimed \$1,281.05 (\$15,070.89 - \$13,789.84).

Non-welfare Federal funds received by Probation should be recorded in COMPASS as Federal Aid revenue. Invoice claims submitted to funding sources should be properly signed or initialed, indicating the invoice claim and supporting documentation have been adequately reviewed by Probation's Fiscal Management. Match requirements should be met in accordance with the terms of the grant, and only the allowable expenses in accordance with the grant should be claimed. Improper recording of revenue and inadequate Fiscal Management review of grant invoice claims and grant requirements can lead to reporting errors, omissions, non-compliance with grant agreements, and can lead to invoice claim errors.

Recommendation

Non-welfare related Federal funding sources should not be recorded in the 95957200 FEDERAL WELFARE SERVICE account. We recommend Probation re-class its revenues from the JAG-VOU grant to the appropriate Federal revenue account in COMPASS. We also recommend Probation ensure its Fiscal Management adequately reviews its invoice claims

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and grant requirements prior to submission. The invoice claim should be initialed or signed by Fiscal Management indicating the invoice claim and its supporting documentation have been reviewed. We also recommend Probation's Fiscal Management review match requirements written in its grants to ensure they are met. We further recommend Probation ensure that only allowable expenses are considered when preparing its invoice claims. In addition, we recommend Probation contact the administrator of the VTC grant to develop a resolution to resolve the over-claimed amount of \$1,281.05. We reiterate our recommendation noted in Finding Number 1.

Probation's Management Response

Probation will implement the recommendation that it reclassify its revenues from the JAG-VOU grant to the appropriate Federal revenue account in COMPASS. Probation also will continue to ensure that invoice claims and grant requirements are properly reviewed prior to submission and will implement the recommendation that invoice claims be signed to indicate review and approval. We will continue to review the comment and recommendation pertaining to the Veteran Treatment Court grant in light of discussion the grantees have had with the grantor indicating potential approval of our claiming in this matter. Ultimately we will comply with the direction provided from the grantor.

7. Petty Cash Custodian and Advance Inefficiencies

Comment

During our inspection of Probation's petty cash, we noted the Senior Accounting Manager is listed as the official custodian of Probation's Administrative Division's petty cash in COMPASS. However, we noted the Accounting Technician has physical custody of the petty cash and primarily performs all of the related responsibilities and tasks with petty cash. We further noted Probation has advanced a portion of its petty cash to its Adult Day Reporting Centers (ADRC) to allow them to make petty cash purchases without traveling to Probation's administrative office location for each petty cash purchase.

Petty cash, and all related activities, should be in the physical custody of and performed by the authorized custodian noted in COMPASS only. Probation has an informal agreement with the Department of Finance to allow Probation to give petty cash advances to its Probation Officers for emergency last minute travel claims where a standard travel claim would be unfeasible. Improper assignment of custodianship and advances of petty cash can lead to staff inefficiency by having the Accounting Technician reconcile the advances from three different locations when the three different ADRC custodians bring in their receipts to obtain replenishment for their advances. The Accounting Technician would then have to reconcile these receipts again during the monthly petty cash reconciliation. In addition, the three ADRC custodians would have to visit Probation's Administrative Office when they

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need replenishment which could disrupt the Accounting Technician's other job responsibilities. Also, theft or misappropriation of funds could occur without management's knowledge. In addition, outstanding advances of petty cash can create an unnecessary liability for Probation's Administrative Division's petty cash custodian, make it difficult to reconcile the petty cash and make it difficult to research and resolve petty cash overages and shortages.

Recommendation

We recommend Probation to:

- a. Either transfer the physical custody and all related responsibilities of Probation's administrative office petty cash from the Accounting Technician to the Senior Accounting Manager; or change the custodianship from the Senior Accounting Manager to the Accounting Technician in COMPASS.
- b. Mitigate the inefficiency of its staff's time by reducing unnecessary steps for petty cash advances and reconciliations; Probation should assign permanent custodianship to ADRC's that receive petty cash advances and ensure regular reconciliations and petty cash activities are completed by each respective custodian.

Probation's Management Response

We are implementing the recommendation to transfer petty cash custodianship to the Accounting Manager. We do not plan to implement the recommendation pertaining to permanent custodianship at the ADRCs at this time as we believe it is preferable to exercise strong centralized oversight over petty cash and that any inconveniences that result from this centralized oversight will be minor.

8. Petty Cash Shortage

Comment

On March 7, 2017, we visited Probation's administrative office and counted a total of \$8,240.48 in cash, cash advances, disbursement receipts, and pending reimbursements. During our inspection, we noted the amount counted did not agree to the authorized amount of \$8,250.00 noted in COMPASS, resulting in a shortage of -\$9.52 in petty cash. On March 8, 2017, Probation stated they found a missing disbursement receipt in the amount of \$20.00 that was not included with the other receipts we counted, and notified us of a previous overage from October 2016 in the amount of \$8.45 that was processed as a JV in COMPASS, but was never deposited to the County Treasury and was not included with the petty cash

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records we counted. The resulting adjustments changed the petty cash balance from a shortage of -\$9.52 to a net overage of \$2.03 (-\$9.52 + \$20.00 - \$8.45).

All imprest cash and records should agree to the authorized amounts noted in COMPASS. Petty cash disbursement receipts and other reconcilable items should be organized and kept together with all petty cash records. Differences in petty cash should not be adjusted using a JV. Overages and shortages should be deposited to the County Treasury or filed as a claim with the Department of Finance, respectively. Excessive differences in petty cash and unorganized petty cash records can lead to theft or misappropriation of funds that cannot be detected or reconciled in a timely manner.

Recommendation

We recommend Probation retrain its Fiscal Management and accounting staff on proper cash handling to ensure its petty cash agrees to the authorized amount noted in COMPASS. Any differences should be researched and resolved in a timely manner, and should not be adjusted with a JV. If the difference cannot be resolved, any overages and shortages should be deposited to the County Treasury or processed with the next reimbursement claim from Department of Finance Payment Services in the corresponding account, respectively. We also recommend Probation ensure its petty cash records are organized and kept together. We further recommend Probation to deposit the \$2.03 variance into the County Treasury into the overage account.

Probation's Management Response

We agree with this comment and will implement the recommendation.

9. Unauthorized Petty Cash Disbursement

Comment

During our inspection of Probation's petty cash records, we noted an employee lunch in the amount of \$15.20 was reimbursed using petty cash. The lunch occurred in Grass Valley, CA, for a day-trip for an annual site visit performed by a Probation Officer.

Petty cash should not be used for reimbursing employee travel expenses that can be processed through a standard travel claim or a standard employee reimbursement claim. All routine travel expenses should be processed through the Department of Finance. By reimbursing travel expenses through petty cash, Probation is not in compliance with the County's Travel Policy.

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Recommendation

We recommend Probation to process all routine travel expenses through a standard travel claim or a standard employee reimbursement claim, whichever is most appropriate. We also recommend Probation to retrain its Fiscal Management and accounting staff to ensure proper handling of petty cash and travel expenses.

Probation's Management Response

We agree with this comment and will implement the recommendation.

10. Unauthorized Imprest Cash

Comment

As noted in Finding Number 7, we visited Probation's administrative office and counted its petty cash. During our visit, we counted a tray filled with loose change totaling \$0.41 in Probation's Accounting Technician's office. Per our inquiry with the Accounting Technician, employees receiving petty cash reimbursements that did not want to keep loose change left it with the Accounting Technician. The Accounting Technician retained the loose change in the tray to be used to keep unwanted change and also to provide change to employees repaying travel advances that did not have enough funds. As such, we consider the funds to be unauthorized imprest cash.

All imprest cash should be recorded in COMPASS, and all disbursement requests should be fully repaid to requestors. Any loose change that is refused should be deposited to the County Treasury into the overage account. By retaining unauthorized imprest cash, theft or misappropriation of the funds could occur and not be detected in a timely manner.

Recommendation

We recommend Probation to ensure its employees requesting reimbursement are paid the full amounts they are owed. If employees refuse to accept loose change, it should be deposited as an overage to the County Treasury in a timely manner. We also recommend Probation deposit the \$0.41 to the County Treasury as an overage. We further recommend Probation retrain its Fiscal Management and accounting staff on proper petty cash handling.

Probation's Management Response

We disagree with the comment and recommendation regarding \$0.41. We believe that loose change deposited into a tray by employees receiving reimbursement is no longer county funds or imprest cash. It is akin to a tray of pennies next to a grocery store cash register, donated by employees not to the county but to other employees who may need a particular amount of loose change to repay an advance. We believe that the Accounting Technician has

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handled this properly, though the tray has now been removed from her office and change will no longer be deposited there.

11. 073A Fund

Comment

The 073A is an agency fund (fiduciary fund) in COMPASS. An agency fund is used to report assets held for others and cannot be used to support the government's program.

Probation has a 073A fund account to record and post its funds received from certain state funding sources (funding sources). We noted realignment funds received from Probation's funding sources were coded to 5500000 DEPOSITS FROM OTHERS under the 073A fund account. These funds received are revenue and should be coded to their respective revenue accounts in COMPASS under the 001A, general fund account. We were informed that these funds received are advances and recognized as revenues when they are spent and that is why they are coded to the 5500000 DEPOSITS FROM OTHERS account. However, we did not receive any information that indicated these are advances that require the funds to be held for a certain period prior to use.

Per Governmental Accounting Standards Board (GASB) statement number 33, "*...On the modified accrual basis, revenues should be recognized when all applicable eligibility requirements are met and the resources are available...Government-mandated nonexchange transactions, which occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state or local governments are mandated to perform)...*" and per GASB statement number 54, "*the general fund should be used to account for and report all financial resources not accounted for and reported in another fund*".

Therefore, the realignment funds received from government mandated non-exchange transactions coded to the 073A fund account and 5500000 DEPOSITS FROM OTHERS account were incorrectly coded in COMPASS and not in compliance with GASB statement numbers 33 and 54.

Recommendation

We recommend Probation reclassify and start coding the funds received from its funding sources that were/would be coded to 073A and the 5500000 DEPOSITS FROM OTHERS account to the correct fund and revenue general ledger accounts in COMPASS.

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Probation's Management Response

We agree with this comment and will implement the recommendation.

12. Repeat Finding

Comment

We noted that Finding Numbers 7 and 8 of this attachment are repeat findings from a cash handling agreed-upon procedures performed by the Department of Finance, report dated June 22, 2016. Proper internal controls indicate that the recommendations for findings be implemented in a timely manner.

Recommendation

We recommend Probation implement the recommendations noted in this attachment in a timely manner.

Probation's Management Response

We will implement this recommendation.

13. Inefficiencies Regarding Fiscal Processes

Comment

Based on the deficiencies described at Finding Numbers 1 through 12 of this attachment, we noted that Probation's Fiscal Management is not operating as efficiently and effectively as it should be.

Probation's Fiscal Management is responsible for establishing and maintaining sufficient internal controls for its financial reporting and cash handling processes, and for ensuring the accuracy and compliance of its financial transactions. Probation's Fiscal Management should hold its staff accountable in regards to fiscal processing errors and omissions. In addition, Probation's management should hold its Fiscal Management accountable for oversight over its fiscal processing errors and omissions, as well as cash handling controls. Lack of sufficient internal controls, cash handling controls, and management oversight can lead to significant financial reporting issues, errors, omissions, and non-compliance with Local, State, and Federal laws, regulations, and statutes.

Recommendation

We recommend Probation provide training to its Fiscal Management and accounting staff and establish and implement sufficient preventative internal controls over its financial reporting and cash handling to ensure effective fiscal processes are in place. We also

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recommend Probation ensure its Fiscal Management and accounting staff are held accountable when significant deficiencies occur in its fiscal processes. We further recommend Probation implement the recommendations noted in this attachment within six months.

Probation's Management Response

We agree with this recommendation and are committed to improving our fiscal processes. We requested this audit to identify areas of improvement and thank the auditors for providing this report so that we can move forward with that effort.