

Department of Probation and Community Corrections

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Comptroller's Summary

Organization and Background

The Department of Probation and Community Corrections collection responsibilities include the collection and distribution of Restitution and the collection of Supervision Fees.

The Probation Director contacted our office in October 2009. She indicated there was a backlog of restitution funds not being disbursed which she attributed to problems with the implementation of the recent edition of their software. Preliminary discussions with Probation uncovered additional concerns with the Restitution and Supervision Fee collection processes that led to an audit. Simultaneously, the Director of Probation convened meetings with OCIS, Probation Staff and Comptroller's Office representatives to address the concerns. In addition, the Probation Director contacted a local accounting firm to assist the department in resolving concerns identified in this audit. The firm was commencing work in December 2009.

In 2002 the Comptroller reported major deficiencies regarding the handling of Restitution and Supervision Fees. The department formed an internal committee in response to that audit. A 2004 Comptroller audit reported concerns had been addressed.

Continuous oversight is imperative to prevent future internal control and process disintegration.

Audit Scope and Objective

The accounting processes and adequacy of internal controls over Probation's collections, disbursements and recordkeeping for Restitution and Supervision Fees were reviewed. We reviewed available records for 2009.

An average of \$500,000 is received in cash, deposited, and disbursed annually through the Restitution and Supervision bank accounts. The department's 2009 revenue budget included: \$15,000 for fees for restitution collection and \$125,000 for supervision fee collection.

This report contains an overview of the internal control concerns. Detailed review of each process has been provided to the Probation Department to expedite corrections.

Summary of Findings

Accounting for Restitution and Supervision Fees was deficient: processes, recordkeeping and oversight of funds were inadequate to account for funds received, held and disbursed. *Management commenced a comprehensive review of all functions related to Restitution and Supervision Fee collection. An internal task force was formed while the audit was being conducted and recently Probation contracted with a consultant to review and develop policies, procedures and guidelines.*

Detailed Findings

Control Environment, Communication and Risk Assessment

Findings:

- The administrative procedures governing day-to-day accounting operations were outdated and incomplete.
- Job duties performed were not consistent with best accounting practices and did not support appropriate checks and balances for accounting activities.
- Effective communication was not in place to identify the deficiencies.
- Risk assessment was not appropriately conducted to address the inherent risks of large volumes of cash handling and software implementations.

Recommendations:

- The administrative procedures manual should be updated and oversight should be instituted to ensure utilization by all employees. Roles and responsibilities should be clearly defined, documented and communicated.
- Job duties must be appropriately written and supervised. Duties must be properly segregated and checks and balances put in place. On-going reviews of office procedures should be instituted to ensure internal controls are functioning at all times.
- Effective communication through policies and procedures and daily oversight of all procedures (cash handling, recordkeeping, banking and reconciliations) will ensure the safeguarding of funds.
- Periodic risk assessment must be conducted to ensure inherent cash handling risks and software changes are addressed immediately.

Control Activities

Policies and Procedures

Finding:

- Up-to-date policies and procedures for all accounting activities related to Restitution and Supervision were not in place to ensure data integrity and allow for effective and efficient management of funds.

Recommendation:

- Policies and procedures should include: authorization and oversight; properly designed records; appropriate security of assets and records; segregation of duties and periodic reconciliations and verification.

Accounting Records

Findings:

- Accounting records were incomplete for Restitution and Supervision Fees. This included all functions related to receipting, disbursing, reconciling and accounting for funds.

- Manual and computerized records were not properly designed.
- Oversight, monitoring and verification of the accounting records was not in place to account for all funds received, disbursed and held.

Recommendations:

- All accounting records for Restitution and Supervision Fess should be reviewed and verified to ensure all funds are accounted for. This includes all receipts, disbursements, reconcilements, voids and current 'unidentified funds'.
- Manual and computerized records for all functions should be traceable to provide a complete documented audit trail.
- Oversight, monitoring and verification all current and prior year records must be evidenced to provide a full accounting of funds.

Monitoring

Monitoring is the review of an organization's activities and transactions to assess the quality of performance over time and to determine whether controls are effective. Monitoring is most effective, when all employees understand the organization's mission, objectives, responsibilities, and levels of risk tolerance.

Findings:

- Management did not perform ongoing monitoring activities regarding all aspects of Restitution and Supervision Fee accounting.
- Effective policies and procedures were not in place to monitor control activities.
- Employees responsible for Restitution and Supervision Fee processes were not properly trained.

Recommendations:

- Monitoring should be in place for all accounting activities.
- Effective policies and procedures to monitor control activities must be implemented.
- All employees responsible for Restitution and Supervision Fee processes should be continuously trained to understand their role and responsibilities to ensure monitoring at all levels.