



Texas Juvenile Probation Commission

## **AUDIT REQUIREMENTS**

Issued September 30, 2010  
For the Fiscal Year ended August 31, 2010

### **I. Introduction**

The Texas Juvenile Probation Commission (Commission) requires an audit be completed annually in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS) for grant funds received from the Commission. The audit report for the fiscal year ended August 31, 2010 must be mailed in sufficient time in order for the report to be received by the Commission on or before March 1, 2011 and in accordance with this document. **Reports received after March 1, 2011 are considered delinquent.** Departments should provide their independent auditor a copy of these audit requirements, each grant contract, corresponding quarterly expenditure reports, and any other relevant information. Forms such as prior year audit requirements, Commission grants and financial information regarding each grant and can be found at [www.tjpc.state.tx.us](http://www.tjpc.state.tx.us).

The audit staff at the Commission will assist you in completing any requests called for in the following audit requirements.

### **II. Changes – FY 2010**

Changes have been made to the fiscal year 2010 audit requirements as follows:

Section III. Revisions to Hotel and mileage rates.

- Effective September 1, 2009 to May 31, 2010, the allowable hotel rate was \$85 per night.
- Effective June 1, 2010 to August 31, 2010, the allowable hotel rates were increased to \$110 per night.

*TJPC's approved rates have increased to \$110 per night; however, the juvenile probation departments cannot exceed the allowable state rates, which are the federal rates determined by area and time period within the requirements of the U.S. General Services Administration (GSA). The link to the federal lodging rates is: [www.gsa.gov/portal/category/21287](http://www.gsa.gov/portal/category/21287).*

Lodging rates not listed on the federal lodging rates website are \$85 per night.

- FY2010 allowable rates for mileage and meals are as follows:

#### **Mileage -**

September 1, 2009 – December 31, 2009/\$0.55 per mile.

January 1, 2010 – August 31, 2010/\$0.50 per mile.

**Meals -** \$36 per day.

Sections III and V. Additions/Deletions of Grants.

- Addition of Grant C.
- Deletions of Grants G and K.

Section VI. Financial Assurances.

- Added #9 - The grant funds used for placement in a post-adjudication secure correctional facility do not exceed \$95 per day unless the facility has been approved at a higher level of service rate.

**III. Special Considerations**

The following items should be considered in preparing the audit for the year ended August 31, 2010:

- A. The balance sheet is optional.
- B. The Statement of Revenues, Expenditures and Changes in Fund Balance for each grant is limited to funds received from the Commission, including Grants A, B, C, D, E, F, H, M, O, P, U, V, W, X, Y, Z, and a separate interest fund.
- C. The Grantee should use an accrual basis of accounting when preparing the fourth quarter and/or final expenditure report. (i.e., grant revenues and expenses are allocated to periods to which they apply, regardless of when they are actually received or paid).
- D. Since the revenues are reported on the accrual basis of accounting on the financial statements, refunds due to the Commission should not be presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance, but should be provided as additional information below the statement.
- E. A note disclosing the Commission's funding effect on all secure facility operations is mandatory. A separate expenditure schedule should be provided for each secure facility registered with the Commission. The Commission expenditures disclosed should agree to the financial statements (i.e. the expenditures reported for a post-adjudication facility should agree to the expenditures for Grant V, Local Post Adjudication Fund), or a reconciliation should be included. If the Department does not operate a secure juvenile facility, the note should include a disclosure stating that the Department does not operate a secure juvenile facility and thus the footnote to disclose operating costs to operate a secure juvenile facility is not applicable.
- F. Interest revenue earned on Commission grant funds should be accounted for and reported in a separate fund.
- G. Commission requires a Special Purpose financial presentation that may result on an incomplete presentation of a department's assets, liabilities, revenue and expenses. The Independent auditor should note that financial statement presentations are made using an accounting basis other than Generally Accepted Accounting Principles (OCBOA). The preferred basis of OCBOA is the regulatory basis.
- H. The year to date interest earned on funds received from the Commission should be disclosed in the notes to the combined financial statements. A separate column should be included to disclose interest earned on Title IV-E program funds if applicable.
- I. Idle grant funds shall be deposited in an interest bearing account. A statement disclosing whether the Department has idle funds and whether they are deposited in an interest bearing account is required. If the Department does not have idle funds, a statement and reason indicating why the department does not have idle funds should be included.

- J. A confirmation of reimbursements received under the Title IV-E Program (if applicable) should be disclosed in the notes to the financial statements on a cash basis. This includes any direct and enhanced administrative claims for foster care reimbursement.
- K. The Title IV-E enhanced administrative claim reimbursement is required to be used to enhance juvenile justice services. Revenues required to be reported in this fund should represent the earned administrative claim reimbursements. Expenditures should represent the use of those funds to enhance juvenile justice services, therefore, expenditures will rarely agree to the revenues.
- L. Grant assurances are no longer required in the compliance report. Assurance testing is an audit requirement and exceptions should only be listed in the compliance report. The general assurances are listed in the General Grant Requirement, Article VIII, Section G, as well as assurances for specific grants should be tested for compliance which includes: Grant E-Title IV-E Federal Foster Care Reimbursement Program, Grant F-Progressive Sanctions JPO, Grant O-Progressive Sanctions ISJPO, Grant M-Special Needs Diversionary Programs, Grant P and W-JJAEF and Grant Z-Salary Adjustment. The contracts are located on the Commission's website.
- M. The FY 2010 state allowable rates for mileage are:
  - September 1, 2009 – December 31, 2009/\$0.55 per mile.
  - January 1, 2010 – August 31, 2010/\$0.50 per mile.
- N. Juvenile probation departments that received Grant U/Intensive Community Based Pilot and Grant X/Intensive Community Based Programs shall certify that the amount of local or county funds expended for juvenile services is at least equal to or greater than the amount spent in 2006 county fiscal year excluding construction and capital outlay expenses.

#### IV. Audit Requirements

Audits are to be prepared by an Independent Certified Public Accountant and to be conducted in accordance with Generally Accepted Auditing Standards and Government Auditing Standards. Audits are completed to cover the grant activity for the 12-month period ending August 31, 2010.

Expenditures should be presented in the categories of Staff Services; Salaries and Fringe Benefits, Travel, Operating Expenditures, Non-Residential, and Residential Services, defined below:

- A. **Staff Services Budget Category.** Staff services means:
  - 1. Salaries and fringe benefits for staff employed by the juvenile probation department under the direction of the Grantee;
  - 2. Travel Reimbursement for juvenile probation department staff for the provision of juvenile probation services, juvenile justice programs and administration; and
  - 3. Operating expenses for the probation department (e.g., postage, telephone, office supplies, printing and other costs) directly related to juvenile probation services, juvenile justice programs and administration.
- B. **Non-Residential Services Budget Category.** A service or program provided to a juvenile who has not been placed in a residential facility or a service or program provided to a juvenile who has been placed in a residential setting, but the service or program is not included in the cost per day for the juvenile's placement. The following services/programs are considered non-residential including:
  - 1. Psychological, psychiatric and other professional diagnostic, evaluation and therapeutic treatment services;
  - 2. Medical and dental diagnosis, evaluation, treatment and supplies;

3. Vocational and educational fees and supplies;
4. Related programs, services, supplies and tutoring not provided by public schools;
5. Transportation and meals;
6. Clothing and personal hygiene supplies; and
7. Program and services approved in writing, in advance by the Commission including professional and contractual services.

C. **Residential Services Budget Category.** Residential services means the provision of services to a juvenile that has been placed in a secure pre-adjudication detention facility, a short-term detention facility (i.e., holdover), a post-adjudication correctional facility, or a non-secure residential placement facility operated by or under the authority of the Grantee. This category also includes services contracted with a third-party service provider in any non-secure placement facility licensed and/or operated by or under the authority of another governmental entity under the laws of this state or another state.

## V. Financial Statement Requirements

Financial Statements should include Commission grant fund activity only. The audit report should at a minimum consist of the following:

### A. Independent Auditor's Report,

Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-Regulatory Basis. The financial statements should include all Commission grant funds, i.e. grants A, B, C, D, E, F, H, M, O, P, U, V, W, X, Y, Z, and a separate fund for interest earned. The Statement should be prepared using the accrual basis of accounting. Refunds paid to Commission should be included on the Statement for memo purposes only since revenues would be reflected to the extent earned. See example below.

### B. Notes to the Financial Statements. The notes should, at a minimum, include:

1. Summary of significant accounting policies should include a description of the following:
  - a. The reporting entity
  - b. Basis of accounting (accrual basis)
2. Reconciliation of accrued interest earned on funds received from the Commission, as follows:
  - a. The beginning balance; interest received; interest expenditures; and ending balance.
  - b. A separate column to disclose interest earned on Title IV-E funds.
  - c. The interest disclosed should reconcile to the financial statements. A statement indicating if the Department has idle funds and if so, whether they were deposited in an interest bearing account.
3. The operating costs of secure juvenile facilities. A separate expenditure schedule should be provided for each secure facility registered with the Commission. In a facility with non-secure and secure capacity, an allocation based on beds can be used. Include funding from the Commission grants and reimbursement program funds.
  - a. If the juvenile probation department does not operate a secure juvenile facility, the note should include

a disclosure stating that the county does not operate a secure juvenile facility and thus the footnote to disclose operating costs to operate a secure juvenile facility is not applicable.

- b. Schedule of expenditures for each secure facility registered with the Commission, which includes the Commission grants, reimbursement program funds and local funds, as applicable.
    - (1) The use of Title IV-E funds for secure placement is prohibited.
    - (2) The expenditures reported for a post-adjudication facility built in whole or in part with grant funds from the State of Texas should agree to the expenditures for Grant V, Local Post Adjudication Fund.
    - (3) Other Commission expenditures disclosed in the note should agree to the financial statements or a reconciliation should be included.
  - c. The categories of expenditures are as follows:
    - (1) **Salary related expenditures** - Include any salary and fringe benefits paid to employees of the facility, or a portion of salary and fringe that is allocated based on time dedicated to facility operation.
    - (2) **Student related expenditures** - Include all expenditures paid by the facility administration that will directly benefit a juvenile, such as food, clothing and medical services and supplies.
    - (3) **Facility related expenditures** - Include operating expenses such as utilities, building maintenance cost, office supplies and equipment, registration fees for staff training and expenses not directly related to juveniles.
    - (4) **Capital expenditures** - Include expenditures over \$5,000 that have a useful life of more than one year or improve an existing capital item by 25% of the original cost or remaining life.
4. **Federal Financial Assistance.** Departments receiving Title IV-E federal financial assistance are required to include a note, as follows:
- a. Receipts, on a cash basis, including direct and enhanced administrative claims for foster care, disaggregated by contract/fiscal year.
5. **Progressive Sanctions Officer Expenditures.** Departments receiving Grant F, Progressive Sanctions JPO, or Grant O, Progressive Sanctions ISJPO are required to include a note, as follows:
- a. A statement stating the funds were awarded to the juvenile probation department for the progressive sanctions officer in fiscal years 1996-1999; the total positions by award are listed within the State Financial Assistance Contract under 4.1.1.4. for Grant F and 4.1.1.7. for Grant O; and funds which become available due to vacant progressive sanctions positions shall be returned to the Commission.
  - b. A schedule of funding, expenditures and unexpended balance by grant.
  - c. Information for the Independent Auditor: The Commission awarded Progressive Sanctions officer funding to selective juvenile probation departments statewide in fiscal year 1996-1999. Allocations following two legislative sessions result in four officer classification.
6. **Salary Adjustment.** Juvenile probation departments receiving Grant Z, Salary Adjustment are required to perform assurance testing. Simple random sampling should be used for compliance testing.
- a. Assurance testing includes the following:

- (1) Complete documentation of the total population. The total population includes vacancies and new hires.
  - (2) The salary adjustment budget established September 1, 2008, department payroll, records and lists can be used.
  - (3) Documentation of the officer type for each position, separate position into: (1) juvenile probation officers and (2) detention officers. Review certification of each officer.
  - (4) List the positions to be tested and test each position separately, i.e. calculate sample size separately for probation and detention officers.
  - (5) Verify each officer is receiving no more than \$3,000 for the juvenile probation officer and \$1,500 for the juvenile detention officer.
  - (6) Note vacancy(s) in each position to determine refund due to vacancy(s) and or certification lapse(s).
- b. The note to the financial statement should include the following:
- (1) A statement that assurance testing was performed.
  - (2) Number of probation officers.
    - a. If the department has no probation officers, indicate 0 probation officers in total population and in sample size.
  - (3) Number of detention officers.
    - a. If the department has no detention/supervising officers, indicate 0 detention/supervising officers in total population and in sample size.
  - (4) Sample size tested.
    - a. Departments receiving funding for the Commission salary adjustment for 15 or less qualified positions are required to test each officer receiving funding.
    - b. Departments receiving funding for the Commission salary adjustment for 16-154 qualified positions are required to test 15 employed officers.
    - c. Departments receiving funding for the Commission salary adjustment for 155 or more qualified positions are required to test 10% of employed officers receiving funding for the salary adjustment.
  - (5) Results of testing performed.
7. Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with **Generally Accepted Governmental Auditing Standards**. The Report on Compliance and Internal Control should list only the specific Commission grant assurances that are applicable to the Department.
  8. Schedule of Findings and Questioned Costs; should include the finding or questioned cost, affected grant, and a management response or plan of corrective action. If the juvenile probation department does not have current year findings, a schedule indicating such should still be included.

9. Schedule of Prior Year Findings and Questioned Costs. This schedule should include the prior year finding or questioned cost, grant affected, recommendation, current status, management response or plan of correction actions. If the department did not have prior year findings, a schedule indicating such should still be included.

## 10. Financial Assurances

The following assurances have been copied from the contracts to provide a reference document: **PLEASE DO NOT INCLUDE THIS LIST IN THE AUDIT REPORT.**

A. **General Financial Assurances.** Recipient agrees to comply with the following general accounting rules, procedures, and assurances in addition to any program-specific requirements noted in the FY 2010 contract: General Assurances are found in General Grant Requirements – All Grants 2009-10 Biennium, Article VIII Section (G) Financial Assurances.

1. Separate accountability for the receipt and expenditure of all grant funds under the State Financial Assistance Contract is maintained for each grant program from which the Grantee receives funds;
2. Expenditures reported to the Commission are in agreement with Grantee's accounting records and audited expenditures in each budget category;
3. Expenditures are made in accordance with the *Expenditure Guidelines* contained in *Appendix 1* of the General Grant Requirements and supported by written documentation;
4. Salary expenditures under each grant are verified and supported by appropriate documentation or hours worked, activities performed and leave taken;
5. All travel expenses are supported by daily documentation of the individual traveling. The Grantee shall document date, destination, times, mileage or odometer readings and related activities;
6. Travel reimbursement paid with the grant funds, including travel allowances paid in lieu of mileage, are paid according to county policy and do not exceed state travel rates as described below:

**a. Lodging -**

Effective September 1, 2009 to May 31, 2010, the allowable hotel rate was \$85 per night.

Effective June 1, 2010 to August 31, 2010, the allowable hotel rates were increased to \$110 per night.

*TJPC's approved rates have increased to \$110 per night; however, the juvenile probation departments cannot exceed the allowable state rates, which are the federal rates determined by area and time period within the requirements of the U.S. General Services Administration (GSA). The link to the federal lodging rates is: [www.gsa.gov/portal/category/21287](http://www.gsa.gov/portal/category/21287).*

Lodging rates not listed on the federal lodging rates website are \$85 per night.

**b. Meals - \$36.00 per day.**

**c. Mileage -**

September 1, 2009 – December 31, 2009/\$0.55 per mile.

January 1, 2010 – August 31, 2010/\$0.50 per mile.

7. The grant funds used for residential expenditures are paid for placement of a child in a secure pre-adjudication detention facility, a short-term detention facility, a post-adjudication correctional facility, or a non-secure residential placement facility operated by or under the authority of the Grantee, another governmental entity or a third-party service provider licensed under the laws of the state;

8. The grant funds used for residential child-care facilities and out-of-state residential placement facilities do not exceed the Health and Human Services Commission's Levels of Care Rates [TJPC-FED-27-04]. This financial assurance does not apply to non-secure correctional facilities that are registered with the Commission;
  9. The grant funds used for placement in a post-adjudication secure correctional facility do not exceed \$95 per day unless the facility has been approved at a higher level of service rate;
  10. The grant funds are not expended for the purchase of equipment, renovation or construction unless explicitly authorized by the Commission within the individual grant requirements. An item is equipment if county policy requires it to be capitalized or, if the county has no policy, it has a useful life of more than one year and a cost of more than \$5,000.00;
  11. Authorized capital purchases are capitalized and depreciated within the county accounting system;
  12. Proper cut-off procedures are observed at the end of each fiscal period. Obligations of the fiscal period under review are not paid from funds of a subsequent fiscal period. Obligations of a subsequent fiscal period are not prepaid from funds of a fiscal period under review. An accrual basis of accounting should be used in preparing the fourth quarter expenditure reports to the Commission;
  13. Refunds and reimbursements are properly accounted for as reduction of expenditures rather than as increases in revenues;
  14. Any funds not expended under the terms of each grant were returned to the Commission according to the Unexpended Balances and Refunds Due provisions contained in Subsections VIII (D) 2 and VIII (D) 4, respectively;
  15. The amount of local or county funds expended excluding construction and/or renovation for juvenile services are at least equal to or greater than the amount spent in the 1994 county fiscal year;
  16. All employees with access to monies are covered by surety bonds; and
  17. The Grantee is required to separate all county and state transactional funds, revenues and expenses.
- B. **Progressive Sanctions Assurances.** Include general assurances listed above and individual assurances listed from Progressive Sanctions JPO and Progressive Sanctions ISJPO, Article VIII, Section (G) Financial Assurances.
1. Any funds identified as Progressive Sanctions JPO or ISJPO grant funds under the terms of Section IV (A) are expended for the sole purpose of funding the salaries and fringe benefits of those JPO(s) or ISJPO (s) hired in fiscal years 1998 through 2010.
  2. Any funds identified a Progressive Sanctions JPO or ISJPO grant funds under the terms of Section IV (B) are expended for the sole purpose of funding the salaries and fringe benefits of those JPO(s) or ISJPO (s) hired in fiscal years 1996 through 2010.
  3. Any funds received under this grant are expended for the sole purpose of funding juvenile probation services and/or juvenile justice programs for juveniles assigned to levels 1, 2 and 3 of the Progressive Sanctions Model.

- C. **Intensive Community Based Pilot and Program Financial Match Requirements.** Any funds received under this grant, the Grantee shall certify that the amount of local or county funds expended for juvenile services is at least equal to or greater than the amount spent in the 2006 county fiscal year excluding construction and capital outlay expenses, Article VIII, Section (C) Financial Match Requirements.
- D. **Salary Adjustment Assurances.** Include general assurances listed above and individual assurances listed from Salary Adjustment, Article VIII, Section (G) Financial Assurances.
1. The grant funds made available for salary adjustments under Article IV of this grant were used only to provide salary adjustments not exceeding \$3,000 for eligible full time certified juvenile probation officers and \$1,500 for eligible full time certified detention officers including fringe benefits per fiscal year of the grant period. All funds not used for this purpose were returned to the Commission in accordance with the Unexpended Balances provision of the General Grant Requirements.
  2. The amount of county funds expended for juvenile services (i.e., juvenile probation services and juvenile justice programs) were equal to or greater than the amount spent in the 2001 fiscal year, excluding construction and capital outlay expenses per fiscal year of the grant period.
- E. **JJAEP Assurances.** Include general assurances listed above and individual assurances listed from JJAEP Program P, Article VIII, Section (G) Financial Assurances.
1. All students for whom JJAEP grant funds were collected were eligible for funding as defined in Section IV (A) of this grant.
    - a. Actual student attendance days reported on the JJAEP *Attendance Voucher* (TJPC-JJAEP-01-05) are verifiable and in agreement with the Grantee's monthly attendance roster.
    - b. The amount of funds received is reconciled with reported student attendance days and unearned funds have been refunded to the Commission.
- F. **IV-E Assurances.** Include general assurances listed above and individual assurances listed from Title IVE Federal Reimbursement Program, Article VIII, Section (G) Financial Assurances.
1. The receipt and expenditure of all Title IV-E federal reimbursements received by the Grantee pursuant to this grant are accounted for separately and expended according to the grant requirements;
  2. Prior written authorization from the Commission is received for the purchase of equipment, renovation or construction. An item is equipment if county policy requires it to be capitalized or, if the county has no policy, it has a useful life of more than one year and a cost of more than \$5,000.
  3. No more than fifteen percent (15%) of any federal funds received pursuant to the Title IV-E Program are used for any flat or contingency fees paid to private service providers for administrative claiming;
  4. Grantee did not use reimbursement funds received through this grant for secure placement or detention or any related costs;
  5. Idle funds are invested in an account that provides a reasonable interest rate and provides necessary protection of principal. Interest generated as a result of Title IV-E funds deposited from the Commission is credited to the account for enhancing juvenile justice services;
  6. Salary expenses reported on Title IV-E administrative reimbursement claims do not include travel allowances or emoluments;
  7. Title IV-E specific training and general training costs reported on Title IV-E administrative claims are an accurate representation of costs;

8. Direct and indirect costs reported on Title IV-E administrative claims are an accurate representation of allowable expenses incurred on behalf of the Title IV-E Program.
9. Any and all findings related to the Title IV-E program noted in the annual Single Audit for the Grantee, if applicable, are disclosed in the Schedule of findings and Questioned Costs in the Grantee's Annual Independent Audit and a reporting package is submitted to the Commission as prescribed by OMB-A-133.
10. The Grantee's policies on compensatory time and overtime pay are consistently applied to employees of the Grantee's juvenile probation department for all state and federal programs.

# APPENDICES

# Appendix 1

The following is an example of an audit report prepared in accordance with the requirements noted above.

## **INDEPENDENT AUDITORS' REPORT**

Honorable \_\_\_\_\_, Chairman  
Sample County Juvenile Board  
City, Texas

We have audited the statement of revenues, expenditures and changes in fund balance – budget and actual-regulatory basis for the year ended August 31, 200X of the Sample County Juvenile Probation Department, Texas Juvenile Probation Commission Grant Funds. *[Note: If the financial statements include a balance sheet, reference will be made to the balance sheet as of August 31, 2010 and the related statement of revenues, expenditures and changes in fund balance-budget and actual-regulatory basis for the year ended August 31, 2010].* This statement is the responsibility of the Department's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. *[Optional: An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion].* An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statement was prepared on the same basis of accounting used for reporting to the Texas Juvenile Probation Commission, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statement presents the results of operations of the Department's Texas Juvenile Probation Commission Grant Funds only and is not intended to present fairly the results of operations of the County in conformity with accounting principles generally accepted in the United State of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the results of operations of the Department's Texas Juvenile Probation Commission Grant Funds for the year ended August 31, 200X in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated \_\_\_\_\_, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*[Note: If supplementary information is included in the audit report, this paragraph is required].* Our audit was conducted for the purpose of forming an opinion on the financial statement taken as whole for the year ended August 31, 2010. The supplemental information as listed on the table of contents, representing individual grant activity, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the audit procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

This report is intended solely for the information and use of management of the County Juvenile Board and for filing with the Texas Juvenile Probation Commission and is not intended to be and should not be used by anyone other than these specified parties.

Signature of Independent Auditor  
Date of Report

## Appendix 2

### Sample Reports Modified from the AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits

#### **Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses, Significant Deficiencies, or Reportable Instances of Noncompliance or Other Matters Identified**

Members of the Board  
The Sample County Juvenile Board  
Sample County, Texas

We have audited the combined financial statements of the County Name Juvenile Probation Department Texas Juvenile Probation Commission Grant Funds for the year ended August 31, 200X, and have issued our report thereon dated Month, Day, 20XX. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit, we considered County Name Juvenile Probation Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether County Name Juvenile Probation Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; and, general financial, progressive sanctions, salary adjustment, JJAEP, and IV-E assurances, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. **(Note: List only the Commission grant assurances which are applicable to the Department.)** However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Compliance with laws, regulations, contracts, grants, and requirements of the Texas Juvenile Probation Commission Audit Requirements is the responsibility of the management of the Department. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of County Name Juvenile Probation Department in a separate letter dated Month, Day, 20XX.

This report is intended solely for the information of the audit committee, management, and the Texas Juvenile Probation Commission and is not intended to be and should not be used by anyone other than these specified parties.

Signature of Independent Auditor  
Date of Report

## Appendix 3

### **Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with Significant Deficiencies and Reportable Instances of Noncompliance, and Other Matters Identified, but No Material Weaknesses Identified**

Members of the Board  
The Sample County Juvenile Board  
Sample County, Texas

We have audited the combined financial statements of the County Name Juvenile Probation Department Texas Juvenile Probation Commission Grant Funds for the year ended August 31, 2010, and have issued our report thereon dated Month, Day, 20XX. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. [List the finding reference numbers, for example, 2010-1, 2010-2, etc.]. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether County Name Juvenile Probation Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; and, general financial, progressive sanctions, salary adjustment, JJAEP, and IV-E assurances, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. **(Note: List only the Commission grant assurances which are applicable to the Department.)** However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Compliance with laws, regulations, contracts, grants, and requirements of the Texas Juvenile Probation Commission Audit Requirements is the responsibility of the management of the Department. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items [list the reference numbers of the related findings, for example, 2010-1, 2010-2, etc.].

We noted certain matters that we reported to management of Department in a separate letter dated Month, Day, 200X.

*The Department's response to the findings identified in our audit are described in the accompanying schedule of findings and responses ["or above" if findings and responses are included in the body of the report]. We did not audit Department's response and, accordingly, we express no opinion on it. (OPTIONAL)*

This report is intended solely for the information of the audit committee, management, and the Texas Juvenile Probation Commission and is not intended to be and should not be used by anyone other than these specified parties.

Signature of Independent Auditor

Date of Report

## Appendix 4

*The Balance Sheet is optional*

(OPTIONAL)

### SAMPLE BALANCE SHEET

Sample Juvenile Probation Department  
Texas Juvenile Probation Commission Grant Funds  
Combined Balance Sheet – (Regulatory Basis)  
August 31, 2010

	Grant Funds	Interest	Total
<b>ASSETS</b>			
Cash	\$20,000	\$20,000	\$40,000
Total Assets	\$20,000	\$20,000	\$40,000
<b>LIABILITIES</b>			
Accounts Payable	\$20,000	\$ 5,000	\$25,000
Total Liabilities	\$20,000	\$ 5,000	\$25,000
<b>FUND BALANCE</b>			
Fund Balance	-	\$15,000	\$15,000
Total Liabilities and Fund Balance	\$ 20,000	\$20,000	\$40,000

## Appendix 5

COUNTY NAME  
TEXAS JUVENILE PROBATION COMMISSION GRANT FUNDS

**SAMPLE SCHEDULE OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY CONTRACT  
BUDGET AND ACTUAL (REGULATORY BASIS)**

*FOR THE YEAR ENDED AUGUST 31, 2010*

	Grant A-10-XXX			Grant F-10-XXX			Grant Z-10-XXX	
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual
<b>Revenues:</b>								
Commission Funds	\$600,000	\$600,000	\$ -	\$500,000	\$500,000	\$ -	\$200,000	\$200,000
Interest	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$ -</b>	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$ -</b>	<b>\$200,000</b>	<b>\$200,000</b>
<b>Expenditures:</b>								
Salaries and Fringe	\$550,000	\$550,000	\$ -	\$500,000	\$500,000	\$ -	\$200,000	\$200,000
Benefits								
Travel	-	-	-	-	-	-	-	-
Operating	50,000	50,000	-	-	-	-	-	-
<b>Expenditures</b>								
Non-Residential	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-
<b>Services</b>								
<b>Total Expenditures</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$ -</b>	<b>\$500,000</b>	<b>\$500,000</b>	<b>\$ -</b>	<b>\$200,000</b>	<b>\$200,000</b>
<b>Excess Revenues over Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance- Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance-End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Additional Information:**

**Refunds Paid to Commission Subsequent to 8/31/10**

9/5/10	\$ 25,000	
9/11/10		\$ 35,000

## Appendix 6

COUNTY NAME  
TEXAS JUVENILE PROBATION COMMISSION GRANT FUNDS

**SAMPLE SCHEDULE OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE BY CONTRACT  
BUDGET AND ACTUAL (REGULATORY BASIS)**

*FOR THE YEAR ENDED AUGUST 31, 2010*

	E-09-XXX	E-10-XXX	V-10-XXX	Interest
<b>Revenues:</b>				
Commission Funds	\$ 200,000	\$ 100,000	\$ 50,000	\$ -
Interest	-	-	-	20,000
<b>Total Revenues</b>	<b>\$ 200,000</b>	<b>\$ 100,000</b>	<b>\$ 50,000</b>	<b>\$ 20,000</b>
<b>Expenditures:</b>				
Salaries and Fringe Benefits	\$ 200,000	\$ 100,000	\$ 50,000	\$ -
Travel	-	-	10,000	10,000
Operating Expenditures	100,000	50,000	10,000	-
Non-Residential	100,000	50,000	-	-
Residential Services	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 400,000</b>	<b>\$ 200,000</b>	<b>\$ 70,000</b>	<b>\$ 10,000</b>
<b>Excess Revenues over Expenditures</b>	<b>(200,000)</b>	<b>(100,000)</b>	<b>(20,000)</b>	<b>10,000</b>
<b>Fund Balance-Beginning of Year</b>	<b>300,000</b>	<b>250,000</b>	<b>90,000</b>	<b>5,000</b>
<b>Fund Balance-End of Year</b>	<b>\$ 100,000</b>	<b>\$ 150,000</b>	<b>\$ 70,000</b>	<b>\$ 15,000</b>

## Appendix 7

Notes to the Financial Statements

**COUNTY NAME JUVENILE PROBATION DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ENTITY**

The Texas Juvenile Probation Commission Grant Funds of County Name (the Funds) were established to account for juvenile probation services funded by the Texas Juvenile Probation Commission (Commission) in County Name.

The Funds provide separate accountability as required under the State Financial Assistance Contract, by the Commission. The funds are used to account for each separate program, matching funds and all related expenditures incurred.

**B. BASIS OF ACCOUNTING**

The financial statements were prepared in conformity with the accounting practices prescribed by the Commission, which prescribes policies and procedures for county probation departments, which is a comprehensive basis of accounting other than generally accepted accounting principles. These accounting practices include the following:

- The financial statements are reported using the accrual basis of accounting. Revenues are recorded when all eligibility requirements have been met and expenditures are recorded when incurred.
- The accompanying financial statements do not represent financial statements prepared in accordance with provisions for governmental funds as prescribed by the Governmental Accounting Standards Board.
- The accompanying financial statements are prepared in a format to facilitate uniform financial reporting by county probation departments.

**NOTE 2: RECONCILIATION OF ACCRUED INTEREST**

Idle funds were maintained in an interest bearing account. The reconciliation of accrued interest earned on funds received from the Commission is as follows:

	Interest earned Commission Funds <u>FY 2010</u>	Interest earned Title IV-E Funds <u>FY 2010</u>	Total Interest
<b>Accrued Interest:</b>			
Beginning balance, Sept 1, 2009	\$4,000	\$5,000	\$9,000
Interest accrued on funds received from the period of 9/01/09 – 8/31/10	<u>2,000</u>	<u>4,000</u>	<u>6,000</u>
Total Accrued Interest at Aug 31, 2010	\$6,000	\$9,000	\$15,000
Minus interest expenditures in FY 2010	(---)	(---)	(---)
Ending Balance, Aug 31, 2010	<u>\$6,000</u>	<u>\$9,000</u>	<u>\$15,000</u>

If the Department does not have idle funds, a statement and reason should be included.

**NOTE 3: OPERATING COST FOR A SECURE JUVENILE FACILITY OPERATED BY YOUR COUNTY**

The Department operates two secure juvenile facilities—a post-adjudication and pre-adjudication facility. The schedule of expenditures for each facility is as follows:

Operating Costs  
Texas County Post-Adjudication Facility  
For the Year Ended August 31, 2010

	<u>Commission</u> <u>Funding</u>	<u>Local</u> <u>Funding</u>	<u>Total</u>
Salary Related Expenses	\$50,000	\$250,000	\$300,000
Student Related Expenses	-	20,000	20,000
Facility Expenses	20,000	10,000	30,000
Capital Expenditures	-	15,000	15,000
<b>Total Operating Expenditures</b>	<b><u>\$70,000</u></b>	<b><u>\$295,000</u></b>	<b><u>\$365,000</u></b>

Operating Costs  
Texas County Pre-Adjudication Juvenile Facility  
For the Year Ended August 31, 2010

	<u>Commission</u> <u>Funding*</u>	<u>Local</u> <u>Funding</u>	<u>Total</u>
Salary Related Expenses	\$100,000	\$150,000	\$250,000
Student Related Expenses	-	10,000	10,000
Facility Expenses	-	200,000	200,000
Capital Expenditures	-	40,000	40,000
<b>Total Operating Expenditures</b>	<b><u>\$100,000</u></b>	<b><u>\$400,000</u></b>	<b><u>\$500,000</u></b>

- Commission Funding is provided from Grant A.

**If the Department does not operate a secure juvenile facility, the following note should be included:**

The Department does not operate a secure juvenile facility.

**NOTE 4: FEDERAL FINANCIAL ASSISTANCE**

The Texas Juvenile Probation Commission administers along with the Texas Department of Family and Protective Services, the Title IV-E Program (CFDA 93.658). The Commission disburses funds to County Name on a cost reimbursement basis. A confirmation of revenue receipted in the year ending August 31, 2010 is required and presented below. This includes receipts for direct and enhanced administrative foster care claims.

	Amount Received (Cash Basis)
Title IV-E Contract Number	August 31, 2010
E-09-XXX	\$ 200,000
E-10-XXX	100,000
<b>Total</b>	<b><u>\$ 300,000</u></b>

**NOTE 5: PROGRESSIVE SANCTIONS OFFICERS**

The following shows funding awarded to County name for the Progressive Sanctions Officers, in fiscal years 1996 – 1999, expenditures and any unexpended balance. Total positions by award are listed within the State Financial Assistance Contract under 4.1.1.4 for (Grant “F”)-Progressive Sanctions JPO and 4.1.1.7 for (Grant “O”) Progressive Sanctions ISJPO. Funds that become available during the term of the State Financial Assistance Contract due to vacant Progressive Sanctions positions shall be returned to the Commission at the end of the State Financial Assistance Contract term.

Contract	Awarded Funding	Expenditures	Unexpended Balance
Grant F-FY2010 Progressive Sanctions JPO			
A. Basic PSO FY 98-99 \$27,567	\$ 350,000	\$ 350,000	
B. Basic PSO FY 96-97 \$22,179	\$ 150,000	\$ 150,000	
Grant O-FY2010 Progressive Sanctions ISJPO			
A. ISP PSO 98-99 \$27,240	\$ -	\$ -	\$ -
B. ISP PSO 96-97 \$26,502	-	-	-
Total	\$ 500,000	\$ 500,000	\$ -

**NOTE 6: SALARY ADJUSTMENT**

Funding for the Salary Adjustment, Z-FY2010 is clearly restricted. Assurance testing is based on the following grant assurance.

Financial Assurances.

The grant funds made available for salary adjustments under Article IV of this grant were used only to provide salary adjustments not exceeding \$3,000 for eligible full-time certified juvenile probation officers and \$1,500.00 for eligible full-time certified juvenile detention officers including fringe benefits. All funds not used for this purpose were returned to the Commission in accordance with the Unexpended Balances and Refunds Due provision of the General Grant requirements.

**Total Population:** 175 Certified Juvenile Probation Officers  
30 Detention and Correction Officers

**Sample size:** 18 Certified Juvenile Probation Officers  
15 Detention and Correction Officers

All positions tested for compliance were correctly certified and paid.

## Appendix 8

### SAMPLE FINDINGS AND QUESTIONED COSTS

County Name Juvenile Probation Department  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2010

FINDING NO. 2010-1

Affected Grant:

A reference to the affected grant is required to be disclosed

**Criteria**

**The State's maximum allowable rate for meal reimbursement is xxxxx.**

**Condition:**

**The Department's travel mileage reimbursement rate exceeds the state's maximum allowable rate.**

**Cause**

**The individual responsible for approving the reimbursement was not aware of the State's reimbursement rates.**

**Effect**

As a result of this finding, a refund from Grant A, in the amount of \$25, is due to the Commission.

**Recommendation:**

Training should be provided to individuals responsible for approving travel reimbursements.

**Questioned Cost:**

As a result of this finding, a refund from Grant A, in the amount of \$50, is due to the Commission.

**Corrective Action Plan/Management Response:**

The County Name Juvenile Probation Department will use local funds to cover the difference between the maximum allowable rate and the Department's reimbursement rate. A refund in the amount of \$50 will be forwarded to the Commission on or about Date.

**Person Responsible for Finding Resolution**

**Chief Financial Officer**

**Target Completion Date**

**February 4, 2010**

If the Department did not have findings, the schedule of findings and questioned costs should be included, stating the following:

There were no findings or questioned costs in the current year.

Sample County Juvenile Probation Department  
Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended August 31, 2010

FINDING NO. 2009-1

Affected Grant:

All Grants.

**Condition:**

**One employee is responsible for cash receipting, recording and reconciling the bank account.**

Recommendation:

The Department should fill the vacant position as soon as possible and assign this individual the receipting responsibilities. Compensating controls should be implemented for any duties which cannot be segregated.

Current Status:

The Accounting Clerk position was filled on February 18, 2009 and the cash handling activities were segregated from the Business Manager.

Questioned Costs: N/A

Note to Auditor:

If the Department did not have prior year findings or questioned costs; the schedule of prior year findings and questioned costs should be included, stating the following:

There were no findings or questioned costs in the prior year.