



Texas Juvenile Justice Department
AUDIT REQUIREMENTS

Issued September 30, 2012
For the Fiscal Year ended August 31, 2012

I. Introduction

The Texas Juvenile Justice Department (TJJD) requires an audit be completed annually in accordance with Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards* (GAS) for grant funds received from TJJD. The audit report for the fiscal year ended August 31, 2012 must be mailed in sufficient time in order for the report to be received by TJJD on or before March 1, 2013 and in accordance with this document. Departments have the option of sending the audit report either electronically, which must include the Independent Auditor's signature, or hard copies. **Reports received after March 1, 2013 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, TJJD grants and financial information regarding each grant can be found at www.tjjd.texas.gov. NOTE: To review and/or print prior year grant summary requirements and compliance resources manuals, select publications on the TJJD's website and scroll down to contracts and compliance resource manual (volume 2) and click on the link associated with the specific grant.

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

II. Changes – FY 2012

Changes have been made to the fiscal year 2012 audit requirements as follows:

Grant Funds have been consolidated and the remaining grants are listed below.

- Grant A – State Financial Assistance Fund
 - Grant B – Border Children's Justice Project
 - Grant C – Commitment Reduction Program
 - Grant D – Delta Boot Camp Program (Harris County Leadership Academy)
 - Grant E – Title IV-E Federal Foster Care Program
 - Grant M – Special Needs Diversionary Program
 - Grant P – Juvenile Justice Alternative Education Program (Reimbursement)
 - Grant S – Prevention and Intervention Demonstration Project (new grant in FY 2012)
 - Grant W – Juvenile Justice Alternative Education Program (Discretionary Grant)
- Section III. Revisions to mileage rates.

FY 2012 allowable rates for mileage are as follows:

Mileage -

September 1, 2011 – August 31, 2012/\$0.555 per mile

- Section III. Modifications.

- Modifications to Section III, H

Interest revenue earned on grant funds should be disclosed in the notes to the combined financial statements. A separate interest fund previously required to be included in the Combining Statement of Revenues, Expenditures and Changes in Fund Balance by Contract, Budget and Actual Regulatory Basis is no longer required.

- Modification to Section III, L

Grant Assurances testing no longer exist for Grants F, O and Z.

- Modification to Section III, M

The FY 2012 state allowable mileage rate is: \$0.555 per mile.

- Modification to Section III, N

Per the State Financial Assistance Contract and General Grants, the Grantee shall certify the amount of local or county funding is at least equal to or greater than the amount spent in the 2006 county fiscal year excluding construction and capital outlay expenses.

- Section III. Additions.

- Additions to Section III, N and Section V. C. 5.

A note disclosing the Financial Match Requirement is mandatory. Per the State Financial Assistance Contract, 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.

III. Special Considerations

The following items should be considered in preparing the audit for the year ended August 31, 2012:

- 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 TJJJ, i.e., Grants A, B, C, D, E, M, P, S, and W. The final approved budget should be presented in the Statement of Revenues and Expenditures and Changes to Fund Balance by Contract-Budget to Actual.
- C. The Grantee should use the 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 paid to TJJJ either during the year or subsequent to year end 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 TJJJ's funding effect on all secure facility operations is mandatory. A separate expenditure schedule should be provided for each secure facility registered with TJJJ for TJJJ funding effect and/or local funding effect on all secure facility operations. TJJJ expenditures disclosed should agree to the financial statements (i.e. the expenditures reported for a secure juvenile facility should agree to the expenditures for the respective Grant (A and C), 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 should disclose operating costs to operate a secure juvenile facility is not applicable.

- F. TJJJ 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.
- G. The year to date interest earned on funds received from TJJJ should be disclosed in the notes to the combined financial statements only. A separate column should be included to disclose interest earned on Title IV-E program funds if applicable. If the juvenile probation office did not earn interest on funds received from TJJJ, the column for TJJJ funding should show "0". If the juvenile probation office did not earn interest on Title IV-E program funds, the column for Title IV-E funding should show "0".
- H. 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.
- I. A confirmation of all reimbursements received under the Title IV-E Program (if applicable) should be disclosed by program year in the notes to the financial statements on a cash basis. This includes any direct and enhanced administrative claims for foster care reimbursement.
- J. 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.
- K. 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 State Financial Assistance Contract and General Grant Requirements, 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 M-Special Needs Diversionary Programs, Grant P and W-JJAEP. The contracts are located on TJJJ's website.
- L. The FY 2012 state allowable rate for mileage is:

September 1, 2011 – August 31, 2012/\$0.555 per mile.
- M. The Grantee shall ensure that county funding for juvenile services (i.e., juvenile probation services and juvenile justice programs) shall not be decreased or be supplanted by funding 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.
- N. If supplemental information is not presented as part of the audit report, a statement in the Independent Auditor's Report is not necessary. The financial statement columns should not be marked as "supplemental information," as this information is required and should not be considered supplemental. SAS No. 119, effective for the fiscal year 2012, implements changes to the independent auditors' report when reporting on supplemental information.

IV. Audit Requirements

Audits are to be prepared by an Independent Certified Public Accountant and should 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, 2012.

Expenditures should be presented in the categories of Staff Services; Salaries and Fringe Benefits, Travel, Operating Expenditures, Non-Residential, and Residential Services, as 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 TJJJ 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**

A. Independent Auditor's Report

B. Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-Regulatory Basis. The financial statements should include all TJJJ grant funds, i.e. grants A, B, C, D, E, M, P, S and W. The Statement should be prepared using the accrual basis of accounting. Refunds paid to TJJJ either during or subsequent to year end should be included below the Statement for memo purposes only since revenues would be reflected to the extent earned.

C. 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 interest earned on funds received from TJJJ, as follows:
 - a. The beginning balance, interest earned, interest expenditures, and ending balance.
 - b. A separate column to disclose interest earned on Title IV-E funds.
 - c. A statement should indicate 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 TJJJ. In a facility with non-secure and secure capacity, an allocation based on beds can be used, including funding from TJJJ 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 TJJJ, which includes TJJJ grants, reimbursement program funds and local funds, as applicable.
 - (1) The use of Title IV-E funds for secure placement is prohibited.
 - (2) Other TJJJ 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, identified by contract/fiscal year.
5. Financial Match Requirements. The Grantee shall ensure that county funding for juvenile services (i.e., juvenile probation services and juvenile justice programs) shall not be decreased or be supplanted by funding 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 expenditures.

- a. The note to the financial statement should include the following:
 - (1) The total amount of local expenditures for FY 2012 (excluding construction and capital outlay expenditures)
 - (2) The total amount of local expenditures for FY 2006 (excluding construction and capital outlay expenditures)
- 6. Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards. This report should list only the specific TJJD grant assurances that are applicable to the Department.
- 7. Schedule of Findings and Questioned Costs. The schedule 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.
- 8. 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.

9. 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 2012 contract: General Assurances are found in the State Financial Assistance Contract and General Grant Requirements 2012 – 2013 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 TJJD 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. Employees whose salaries are funded 100% out of state funds, shall be dedicated to juvenile justice programs and services only;
- 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 - \$110.00/Day**

- i. The Grantee shall not exceed the allowable federal rates determined by area and time period within the requirements of the U.S. General Services Administration (GSA). The federal lodging rates are located at www.gsa.gov/portal/category/21287
- ii. Lodging rates not listed on the federal lodging rates website are \$77 per night.

- b. **Meals** - \$36.00 per day.
 - c. **Mileage** - \$0.555/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 TJJD;
 9. The grant funds used for TJJD registered facilities shall not exceed the *TJJD Tier Level of Care Rates for Registered Facilities* [TJPC-FIS-01-10];
 10. The grant funds are not expended for the purchase of equipment, renovation or construction unless explicitly authorized by TJJD 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 TJJD;
 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 TJJD according to the Unexpended Balances and Refunds Due provisions contained in the State Financial Assistance Contract, 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. **Financial Match Requirements.** 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 per the State Financial Assistance Contract, Article VIII, Section (C) Financial Match Requirements.
- C. **JJAEP Assurances.** Include general assurances listed above and individual assurances listed from the Juvenile Justice Alternative Education Program/JJAEP Grant 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 TJJJ.

D. **Title IV-E Assurances.** Include general assurances listed above and individual assurances listed from Title IV-E 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 TJJJ 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 TJJJ 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 TJJJ 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, 2012 of the Sample County Juvenile Probation Department, Texas Juvenile Justice Department Grant Funds. *[Note: If the financial statements include a balance sheet, reference will be made to the balance sheet as of August 31, 2012 and the related statement of revenues, expenditures and changes in fund balance-budget and actual-regulatory basis for the year ended August 31, 2012].* 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 more fully in Note 1, the Sample Juvenile Probation Department prepares its financial statement using accounting practices prescribed or permitted by the Texas Juvenile Justice Department, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statement of the variances between those regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The financial statement was prepared on the same basis of accounting used for reporting to the Texas Juvenile Justice Department, 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 Justice Department 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 revenue it earned and expenditures incurred compared to budgeted revenues and expenditures of the Department's Texas Juvenile Justice Department Grant Funds for the year ended August 31, 2012 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. Refer to SAS No. 119 for additional information or modification of this sample].

Our audit was conducted for the purpose of forming an opinion on the accompanying financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The (refer to specific supplementary schedules) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplemental schedules XYZ have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management of the County Juvenile Board and for filing with the Texas Juvenile Justice Department 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)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the combined financial statement(s) of the County Name Juvenile Probation Department Texas Juvenile Justice Department Grant Funds for the year ended August 31, 2012, 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 statement(s), 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, 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 TJJD 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 Justice Department 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 Justice Department 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)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the combined financial statement(s) of the County Name Juvenile Probation Department Texas Juvenile Justice Department Grant Funds for the year ended August 31, 2012, 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, 2012-1, 2012-2, 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, 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 TJJD 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 Justice Department 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, 2012-1, 2012-2, etc.].

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

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 Justice Department 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 Justice Department Grant Funds
Combined Balance Sheet – (Regulatory Basis)
August 31, 2012

	Grant Funds
ASSETS	
Cash	\$20,000
Total Assets	\$20,000
LIABILITIES	
Accounts Payable	\$20,000
Total Liabilities	\$20,000
FUND BALANCE	
Fund Balance	-
Total Liabilities and Fund Balance	\$ 20,000

Appendix 5

COUNTY NAME
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS

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

FOR THE YEAR ENDED AUGUST 31, 2012

	Grant A-12-XXX			Grant C-12-XXX			Grant M-12-XXX		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
TJJD	\$600,000	\$575,000	\$ 25,000	\$500,000	\$465,000	\$ 35,000	\$200,000	\$200,000	\$ -
Funds									
Total Revenues	\$600,000	\$575,000	\$ 25,000	\$500,000	\$465,000	\$ 35,000	\$200,000	\$200,000	\$ -
Expenditures:									
Salaries and	\$550,000	\$525,000	\$ 25,000	\$500,000	\$465,000	\$ 35,000	\$200,000	\$200,000	\$ -
Fringe			-						
Benefits									
Travel	-	-	-	-	-	-	-	-	-
Operating	50,000	50,000	-	-	-	-	-	-	-
Expenditures									
Non-Residential	-	-	-	-	-	-	-	-	-
Residential	-	-	-	-	-	-	-	-	-
Services									
Total Expenditures	\$600,000	\$575,000	\$ 25,000	\$500,000	\$465,000	\$ 35,000	\$200,000	\$200,000	\$ -
Excess Revenues over Expenditures	-	-	-	-	-	-	-	-	-
Fund Balance-Beginning of Year	-	-	-	-	-	-	-	-	-
Fund Balance-End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Additional Information: Refunds Paid to TJJD for the Period of Fiscal Year 2012 (include all refunds whether paid during or subsequent to year end)

8/15/2012 **\$25,000**

10/1/2012 **\$35,000**

Appendix 6

COUNTY NAME
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS

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

FOR THE YEAR ENDED AUGUST 31, 2012

	E-10-XXX	E-11-XXX	E-12-XXX
Revenues:			
TJJD Funds	\$ 200,000	\$ 100,000	\$ 50,000
Total Revenues	<hr/> \$ 200,000	<hr/> \$ 100,000	<hr/> \$ 50,000
Expenditures:			
Salaries and Fringe Benefits	\$ 200,000	\$ 100,000	\$ 50,000
Travel	-	-	10,000
Operating Expenditures	100,000	50,000	10,000
Non-Residential	100,000	50,000	-
Residential Services	-	-	-
Total Expenditures	<hr/> \$ 400,000	<hr/> \$ 200,000	<hr/> \$ 70,000
Excess Revenues over Expenditures	<hr/> (200,000)	<hr/> (100,000)	<hr/> (20,000)
Fund Balance-Beginning of Year	<hr/> 300,000	<hr/> 250,000	<hr/> 90,000
Fund Balance-End of Year	<hr/> \$ 100,000	<hr/> \$ 150,000	<hr/> \$ 70,000

Appendix 7

Notes to the Financial Statements

**COUNTY NAME JUVENILE PROBATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

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

The Funds provide separate accountability as required under the State Financial Assistance Contract, by TJJD. 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 TJJD, 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 INTEREST EARNED

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

	Interest earned TJJD Funds <u>FY 2012</u>	Interest earned Title IV-E Funds <u>FY 2012</u>	Total Interest
Beginning balance, Sept 1, 2011	\$4,000	\$5,000	\$9,000
Interest earned on funds received from the period of 9/01/11 – 8/31/12	<u>2,000</u>	<u>4,000</u>	<u>6,000</u>
Total Interest at Aug 31, 2012	\$6,000	\$9,000	\$15,000
Minus interest expenditures in FY 2012	(---)	(---)	(---)
Ending Balance, Aug 31, 2012	<u>\$6,000</u>	<u>\$9,000</u>	<u>\$15,000</u>

Note to Auditor: 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, 2012

	<u>TJJD</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
Total Operating Expenditures	<u>\$70,000</u>	<u>\$295,000</u>	<u>\$365,000</u>

Operating Costs
Texas County Pre-Adjudication Juvenile Facility
For the Year Ended August 31, 2012

	<u>TJJD</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
Total Operating Expenditures	<u>\$100,000</u>	<u>\$400,000</u>	<u>\$500,000</u>

- TJJD Funding is provided from:
Grant A - \$40,000
Grant C - \$60,000

Note to Auditor: If the Department does not operate a secure juvenile facility, the following statement should be included:

The Department does not operate a secure juvenile facility.

NOTE 4: FEDERAL FINANCIAL ASSISTANCE

The Texas Juvenile Justice Department administers along with the Texas Department of Family and Protective Services, the Title IV-E Program (CFDA 93.658). TJJD disburses funds to County Name on a cost reimbursement basis. A confirmation of revenue received in the year ending August 31, 2012 is required and presented below. This includes receipts for direct and enhanced administrative foster care claims.

Title IV-E Contract Number	Amount Received (Cash Basis) August 31, 2012
E-08-XXX	\$ 30,000
E-09-XXX	10,000
E-11-XXX	200,000
E-12-XXX	100,000
Total	<u>\$ 300,000</u>

Note 5: FINANCIAL MATCH REQUIREMENTS

To receive Texas Juvenile Justice Department state funds, the juvenile probation departments are required to 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. A confirmation of local funds for the year ending August 31, 2012 is required and presented below:

	Local Funding Expended (less construction and capital outlay)
FY 2012	\$50,000.00
FY 2006	\$40,000.00

The juvenile probation department certified the financial match requirements were fulfilled in FY 2012.

Note to Auditor: If the financial match requirement was not achieved, it should be stated as a finding in the "Schedule of Findings and Questioned Costs" for the current fiscal Year.

Appendix 8

SAMPLE FINDINGS AND QUESTIONED COSTS

County Name Juvenile Probation Department
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2012

FINDING NO. 2012-1

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 TJJD.

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 TJJD.

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 TJJD on or about Date.

Person Responsible for Finding Resolution

Chief Financial Officer

Target Completion Date

February 4, 2013

Note to Auditor: If the Department did not have findings, the schedule of findings and questioned costs schedule 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, 2012

FINDING NO. 2011-1

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, 2011 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.