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Department of Finance

Internal Audit and Licensing

April 16, 2010

TO: The Honorable Judge Edward Carriere

FROM: Deputy Director of Finance, Internal Audit & Licensing

SUBJECT: State Court Probation Office (SCPO)
Management Report for 2009 Operations

General Information

Internal Audit has reviewed the financial operations of the State Court Probation Office (SCPO) for the calendar year 2009. Issued separately from this report is an audit report that includes financial statements and our opinion as to their reasonableness and reliability. The significant deficiencies covered in this report address operational aspects of the State Court Probation Office's financial activities and are the same that we've mentioned in prior years reports.

SCPO has been in the process of implementing a new computer system for several years. The latest system is scheduled to go online during 2010.

Significant Deficiency I

The Trial Balance (Liabilities) as of December 31, 2009 could not be reconciled with the Adjusted Cash on Hand as of December 31, 2009. After an original variance of around \$ 10,000, numerous errors on the Outstanding Check List were noted which resulted in a larger Cash on Hand amount. The Liabilities still remained \$ 4,809 more than the Cash on Hand.

There is no report available to determine the details of the December 31, 2009 Trial Balance.

Recommendation I

We recommend a full review of the Outstanding Check List (also see Significant Deficiency II) to determine if additional outstanding checks have actually cleared. We also recommend that SCPO personnel select a date in the near future (and prior to implementation of the new system) to produce detail reports that would be compared to the Trial Balance for that date. If there is a problem with the Trial Balance report, this needs to be corrected prior to implementation of the new system.

Significant Deficiency II

The Outstanding Check List includes over \$ 140,000 total of checks that are three years old or older.

Recommendation II

Checks need to be periodically reviewed and a determination made as to whether they should be written off or reissued. The SCPO should escheat to the state of Georgia any funds for checks over five years old following state of Georgia guidelines for unclaimed property. We recommend that the Outstanding Check List be cleared prior to conversion to the new accounting system in order to not carry over existing problems (see Significant Deficiency I).

We further recommend that a report be prepared prior to conversion listing each individual outstanding case with the original court ordered amount, amount paid, and amount outstanding.

Significant Deficiency III

The Administrative Supervisor is the primary accounting personnel for the SCPO. The heavy workload and lack of additional accounting support personnel present significant internal control weakness as it relates to separation of duties and also results in monthly reconciliations not being completed in a timely manner. For the last three audit years, the monthly reports for January of any year had not been reconciled by November of that year.

Recommendation III

We recommend that a position be created in order to assist the Administrative Supervisor with the accounting, compilation, and reconciliation of the SCPO funds and accounting records. The additional personnel would alleviate some of the workload from the Administrative Supervisor while increasing internal controls by further separating accounting duties. The additional personnel would also serve as a back up to ensure continuation of accounting functions in the event of absence due to unforeseen circumstances.

Significant Deficiency IV

SCPO has two Allowances for Doubtful Accounts on their Trial Balance. These accounts consist of all cases opened since the inception of the current system excluding cases closed or partial amounts distributed. These accounts do not reflect doubtful accounts in the traditional accounting understanding which is a percentage of receivables not expected to be collected. They are also accounts which are not used by SCPO personnel.

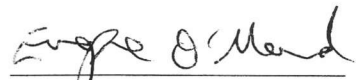
Recommendation IV

Due to the nature of the SCPO, in our opinion, a traditional allowance for doubtful accounts is not useful. We recommend that the new system provide a periodic report of all open cases showing the original court ordered amount, total paid and total outstanding by individual case or account.

Comment

In most instances, disbursements are now made only when a case is closed rather than as monies are collected. This allows monies owed to others to accrue for months and delays their timely payment. We have recommended in prior audits that a system be developed to ensure that monies collected be disbursed during the following month. We have been informed that the new system will allow for this timely disbursement and urge that this use be implemented as a standard procedure.

Sincerely,


Eugene O'Mard

Cc: Keith A. Barker, Chief Operating Officer / Executive Assistant
Dr. Michael J. Bell, Chief Financial Officer
Kevin Batye, Chief Probation Officer
Cynthia Hogan, Administrative Supervisor

EO/mw