



**Internal Audit Division
Finance Department
DeKalb County**

**STATE COURT
PROBATION OFFICE**

2015 MANAGEMENT REPORT

APRIL 2016

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Finance Department Internal Audit Division

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Executive Officer**

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TRANSMITTAL MEMORANDUM


DATE: April 20, 2016
TO: The Honorable Judge Wayne Purdom
FROM: Cornelia Louis, Deputy Director of Finance-Internal Audit
SUBJECT: State Court Probation Office
RE: 2015 Management Report

Attached is the 2015 Management Report of the State Court Probation Office (SCPO). The issue raised in the report was discussed with Willie Hopkins, Chief Probation Officer, during the Exit Conference on April 20, 2016.

Management's response to our audit observation and recommendation is included in the following report.

We appreciate the cooperation and assistance we received from SCPO personnel during the course of this review. If you have any questions about the audit or this report, please feel free to contact me at 404-371-2639.

Sincerely,



Cornelia Louis

cc: Appendix D



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EXECUTIVE SUMMARY

Background

Probation is a sentence imposed by a court as an alternative to jail. To be eligible for probation, the offender agrees to certain terms. These terms generally include regular meetings with a probation officer, restricted travel, and the payment of court costs and/or restitution.

The State Court Probation Office (SCPO) collects these payments, called fiduciary funds, "held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs."¹ Agency Funds are "used to report resources held by the reporting government in a purely custodial capacity."²

Objective and Approach

The primary purpose of the audit is to review and analyze the financial records maintained by the SCPO to provide a reasonable basis for our opinion; and prepare a Balance Sheet, and Statement of Receipts & Disbursements. This information is reviewed by the County's external auditors and presented in the County's Comprehensive Annual Financial Report (CAFR).

We examined bank records and SCPO records and reports for the period January 1, 2015 to December 31, 2015.

Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The Finding and Recommendation covered in this report is to address an operational aspect of the financial activities of the SCPO.

Summary of Observations

Overall, records maintained by SCPO are sufficient for auditing purposes. However, the end of month bank balancing procedure does not produce an accurate balance, making it difficult to agree the balance to other records.

Overall Recommendation

We recommend a change in the procedure of determining the end of month bank balances.

¹ GASB Statement No. 34, paragraph 69

² Governmental Accounting, Auditing, and Financial Reporting (Blue Book), Chapter 4



Approvals:

Original Signed by:

Cornelia Louis

Deputy Director of Finance
Internal Audit Division
Department of Finance
DeKalb County



OBSERVATION DETAILS

1. INACCURATE MONTH END BANK RECONCILEMENT

The reconciliation form, developed by a former employee, and the reconciliation method caused inaccuracies in the bank reconciliation. The bank balance did not agree to the month end bank balance determined by Internal Audit. The starting balance used on the reconciliation did not support the bank balance, but was a roll-forward of the prior month's balance.

A bank reconciliation ensures SCPO's records (check register, GL, balance sheet, etc...) and the bank's records are correct. This process matches the balances in the SCPO's accounting records for a cash account to the corresponding information on a bank statement and is necessary for the accuracy of both the entity's accounting records and financial statements.

Inefficiencies in the reconciliation process can lead to mistakes on the financial statements and overall inaccuracies in the month end balance.

Recommendation:

We recommend SCPO perform a bank reconciliation using the bank statement end of month balance, outstanding checks total, deposits in transit, and other adjustments. The Bank of North Georgia (*which has SCPO's primary operating account*) bank statement contains an example of a reconciliation.

Management Response

To ensure that the banking reports for the Bank of North Georgia accurately reflects the total funds on hand for the Probation Department; the report will now reflect the end of the month bank statement balance along with the addition of any deposits in transit, less the outstanding checks for the end of the month.



Appendix A – Acknowledgements

We would like to take this opportunity to thank the management and staff of the State Court Probation Office for their assistance during this engagement.

Conducted by:

A. Murray Walters
Principal Auditor
Finance Department - Internal Audit Division

Reviewed by:

Cornelia Louis
Deputy Director of Finance
Finance Department - Internal Audit Division



Appendix B – ENGAGEMENT Objectives and Scope

Engagement Objectives

The primary purpose of the audit is to review and analyze the financial records maintained by the SCPO to provide a reasonable basis for our opinion; and prepare a Balance Sheet, and Statement of Receipts & Disbursements. This information is reviewed by the County's external auditors and presented in the County's Comprehensive Annual Financial Report (CAFR).

Engagement Scope and Approach

For the period January 1, 2015 to December 31, 2015, we examined the following records:

- Monthly Bank Statements
- Bank Debit/Credit memos
- Canceled Checks and Deposit Slips
- JustWare daily and month-end reports
- Daily and Month-end reports prepared by SCPO personnel
- Other records and reports prepared and maintained by SCPO personnel



APPENDIX C – DEFINITIONS AND ABBREVIATIONS

Acronyms and Abbreviation

SCPO – State Court Probation Office

Key Definitions

JustWare – Case management software used by SCPO, developed by New Dawn Technologies (NDT) that provides assistance and support for any type of justice agency. Organizations and individuals such as courts, probation and parole agencies, and pretrial and diversion officers have used the software.



APPENDIX D – DISTRIBUTION LIST

This report has been distributed to the following individuals:

DeKalb County Board of Commissioners

Lee May, Interim Chief Executive Officer

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Claudette Leak, Assistant to the Chief Operating Officer

Willie Hopkins, Chief Probation Officer