



Texas Juvenile Probation Commission AUDIT REQUIREMENTS

**Issued September 30, 2006
For the Fiscal Year ended August 31, 2006**

I. Introduction

The Texas Juvenile Probation Commission requires an audit be completed annually in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS) for all grant funds. The audit for the fiscal year ended August 31, 2006 must be mailed in sufficient time in order for the report to be received by TJPC on or before March 1, 2007 and in accordance with this document. Reports received after March 1, 2007 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.

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

II. Changes – FY 2006

Changes have been made to the fiscal year 2006 audit requirements, as follows:

- Section 1 provides clarification of the audit report submission deadline.
- Section V provides clarification of the requirements of the financial statements and notes to financial statements.
- Section VI provides a complete sample audit report.

III. Special Considerations

The following items should be considered in preparing the audit for the year ended August 31, 2006:

- The Grantee should use an accrual basis of accounting when preparing the fourth quarter and/or final expenditure report. (i.e., grant revenues are recorded when all eligibility requirements have been met and expenditures are recorded when incurred).
- A note that shows the Commission funding effect on all secure facility operations is mandatory. This note will support the county in the registration process for the secure facilities.
- A separate expenditure schedule should be provided for each secure facility registered with the Commission.
- Interest revenue earned on TJPC grant funds should be accounted for and reported in a separate fund.
- TJPC 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.
- The balance sheet is optional.
- The Statement of Revenues, Expenditures and Changes in Fund Balance for each grant is limited to funds received from the Commission.
- YTD 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.
- 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.

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. Please examine the language in the sample reports, titled, *Independent Auditors' Report, 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 (Reportable Conditions, Reportable Instances of Noncompliance, and Other Matters Identified)* and *(No material Weaknesses [No Reportable Conditions Identified], No Reportable Instances of Noncompliance or Other Matters)*

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, 2006.

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

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.

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.

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 for 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:

1. Independent Auditor's Report,
2. Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-Regulatory Basis. All Commission grant funds should be included in the statement.
3. Notes to the Financial Statements. The notes should, at a minimum, include:
 - a. Summary of significant accounting policies should include a description of the following:
 - i. The reporting entity
 - ii. Basis of accounting
 - b. Reconciliation of accrued interest earned on funds received from the Commission, as follows:
 - i. The beginning balance; interest received; interest expenditures; and ending balance.
 - ii. A separate column to disclose interest earned on Title IV-E funds.
 - iii. The interest disclosed should reconcile to the financial statements.
 - iv. If no interest was earned, include a statement indicating no interest was earned.
 - c. The operating costs of secure juvenile facilities. Counties operating secure facilities are required to disclose a note, as follows:
 - i. Schedule of expenditures for each secure facility registered with the Commission, which includes the Commission grants, reimbursement program funds and local funds.
 - (a) The use of Title IV-E funds for secure placement is prohibited.
 - (b) The expenditures reported for a post-adjudication facility should agree to the expenditures for Grant V, Local Post Adjudication Fund.
 - (c) Other Commission expenditures disclosed in the note should agree to the financial statements or a reconciliation should be included.
 - ii. The categories of expenditures are as follows:
 - (a) **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.
 - (b) **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.
 - (c) **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.
 - (d) **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.
 - iii. 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.
 - d. Federal Financial Assistance. Departments receiving Title IV-E federal financial assistance are required to include a note, as follows:

- i. Receipts, on a cash basis, including direct and enhanced administrative claims for foster care.
- e. 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:
 - i. 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.
 - ii. A schedule of funding, expenditures and unexpended balance by grant.
- f. Salary Adjustment. Juvenile probation departments receiving Grant Z, salary adjustment are required to perform assurance testing.

Assurance testing includes the following:

- i. Complete documentation of the total population. The total population includes vacancies and new hires. The salary adjustment budget established September 1, 2005, department payrolls, records and lists can be used.
- ii. Documentation of the officer type for each position, such as juvenile probation officers or detention officers. Review certification of each officer.
- iii. List the positions to be tested and test each position separately.
- iv. Verify each officer is receiving no more than \$3,000 for the juvenile probation officer and \$1,500 for juvenile detention officer.
- v. Note vacancy(s) in each position to determine refund due to vacancy(s) and or certification lapse(s).

The note to the financial statement should include the following:

- a. A statement that assurance testing was performed
 - b. Number of probation officers
 - c. Number of detention officers
 - d. Sample size tested
 - (a) Juvenile probation 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.
 - e. Results of testing performed
4. 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 address the specific assurance that does not comply with the Commission grant contracts.
5. Schedule of Findings and Questioned Costs; should include 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.
6. Schedule of Prior Year Findings and Questioned Costs. This schedule should include the prior year finding or questioned cost, 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.

VI. Sample Audit Report

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, 200X and the related statement of revenues, expenditures and changes in fund balance-budget and actual-regulatory basis for the year ended August 31, 200X).* 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 State of America.

As discussed in Note 1, the financial statement presents the results of operations of the Department's TJPC 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 TJPC 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, 2006. 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

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, 2006

	<u>A-05-287</u>	<u>G-05-287</u>	<u>Y-05-287</u>	<u>Interest</u>	<u>Total</u>
ASSETS					
Cash	\$3,800	-	-	\$840	\$4,640
Total Assets	\$3,800	\$0	\$0	\$840	\$4,640
LIABILITIES					
Accounts Payable	\$3,800	-	-	\$300	\$4,100
Total Liabilities	\$3,800	0	-	\$300	\$4,100
FUND BALANCE					
Fund Balance	-	-	-	\$540	\$540
Total Liabilities and Fund Balance	\$3,800	\$0	\$0	\$840	\$4,640

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, 2006

	A-06-287			Y-06-287		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
Grant Revenues:						
Commission Grant funds	\$288,101	\$288,101		\$86,900	\$86,900	
Total Grant Revenues	\$288,101	\$288,101		\$86,900	\$86,900	
Expenditures:						
Salaries and Fringe Benefits	284,923	281,923	3,000	27,240	\$26,124	1,116
Travel						
Operating Expenses						
Non-residential Services					1,800	(1,800)
Residential Services	3178	6178	(3,000)	\$59,660	\$57,860	1,800
Total Expenditures	\$288,101	\$288,101	0	\$86,900	\$85,784	(\$1,116)
Excess Revenues over Expenditures					\$1,116	
Expenditures						
Fund Balance - Beginning						
Fund Balance - Ending						

Notes to the Financial Statements

**COUNTY NAME JUVENILE PROBATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2006**

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 in County Name.

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

B. BASIS OF ACCOUNTING

The combined financial statements are reported with the accrual basis of accounting, in accordance with the Governmental Accounting Standards, a comprehensive basis of accounting other than generally accepted accounting principles.

NOTE 2: RECONCILIATION OF ACCRUED INTEREST

Interest accrued on funds received from the Commission should be reported as generated income. A separate column should be included to disclose interest earned on Title IV-E Program funds.

	Interest earned Commissions Funds	Interest earned Title IV-E Funds	Total Interest
Accrued Interest:	<u>FY 2005</u>	<u>FY 2005</u>	
Beginning balance, Sept 1, 2005	\$1,200	\$ 450	\$1,650
Interest accrued on funds received from the period of 9/01 – 8/31/06	<u>430</u>	<u>1,150</u>	<u>1,580</u>
Total Accrued Interest at Aug 31, 2006	\$1,630	\$1,600	\$3,230
Minus interest expenditures in FY 2006	<u>(310)</u>	<u>(0)</u>	<u>(310)</u>
Ending Balance, Aug 31, 2006	<u>\$1,320</u>	<u>\$1,600</u>	<u>\$2,920</u>

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

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. The use of Title IVE funds for secure placement is prohibited.

The categories of expenses should be utilized as follows:

Salary related expenses- 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.

Student related expenses- Include all expenses paid by the facility administration that will directly benefit a juvenile. Some examples are food, clothing and medical services and supplies.

Facility related expenses- 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.

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.

The following disclosure is information included in this audit to support registration of the secure facility with the Commission, for County name.

Example
 Operating Costs
 Texas County Holdover Facility
 Ending August 31, 2006

The Texas County Holdover facility Operation Expenses are immaterial. The rated capacity is 6. This space is located in the office of the Juvenile Probation Department for Texas County for use in an extraordinary situation. There were no children detained in FY2006.

Operating Costs
 Texas County Pre Adjudication Juvenile Facility
 Ending August 31, 2006

	<u>Commission Funding</u>	<u>Local Funding</u>	<u>Total</u>
Salary Related Expenses	\$ 213,840	\$213,840	\$ 427,680
Student Related Expenses	8,520	11,480	20,000
Facility Expenses	5,000	160,216	165,216
Capital Expenditures		28,984	28,984
Total Operating Expenditures	<u>\$ 227,360</u>	<u>\$ 414,520</u>	<u>\$ 641,880</u>

Operating Costs
 Texas County Post Adjudication Juvenile Facility
 Ending August 31, 2006

	<u>Commission Funding</u>	<u>Local Funding</u>	<u>Total</u>
Salary Related Expenses	\$ 169,760	\$	\$ 169,760
Student Related Expenses		4,500	4,500
Facility Expenses	435	265,000	265,435
Capital Expenditures		68,984	68,984
Total Operating Expenditures	<u>\$ 170,195</u>	<u>\$ 338,484</u>	<u>\$ 508,679</u>

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 received in the year ending August 31, 2006 is required and presented below. This includes receipts for direct and enhanced administrative foster care claims.

<u>Title IV-E Federal Receipts Contract Number</u>	<u>(cash basis) August 31, 2006</u>
E-05-287	\$10,500
<u>E-06-287</u>	<u>80,000</u>
Total	<u>\$90,500</u>

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-FY2006 Progressive Sanctions JPO			
A. Basic PSO FY 98-99 \$27,567	\$ 82,701	\$ 82,701	
B. Basic PSO FY 96-97 \$22,179	\$ 44,358	\$ 44,358	
Grant O-FY2006 Progressive Sanctions ISJPO			
A. ISP PSO 98-99 \$27,240	\$ 81,720	\$ 81,720	
B. ISP PSO 96-97 \$26,502	\$ 26,502	\$ 26,386	(116)
Total	\$235,281	\$235,165	(116)

Information for the Independent Auditor

The Texas Juvenile Probation Commission awarded Progressive Sanctions officer funding to select juvenile probation departments statewide in fiscal years 1996 – 1999. Allocations following two legislative sessions result in the four officer classifications shown in the table.

NOTE 6: SALARY ADJUSTMENT

Funding for the Salary Adjustment, Z-FY2006 is clearly restricted. Assurance testing is based on the following grant assurance.

G. 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 \$3,000.00 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.

The Results of the Salary Adjustment Compliance testing should be reported in the following format.

Sample

Total Population: 323 Certified Juvenile Probation Officers
175 Detention and Correction Officers

Sample size: 32 Certified Juvenile Probation Officers
18 Detention and Correction Officers

Sample

Brief synopsis: All but 2 positions tested for compliance with contract assurance shown above were correctly certified and paid. One vacancy resulted in a fund balance of \$209 that was included in the refund of the fund balance for Z-06- 287. An uncertified officer was paid \$1,975 before he resigned. The refund is due.

Total expenditure errors for the special compliance testing are noted as follows:

\$1,975 Certified Juvenile Probation Officer
\$ 290 Detention and Correction Officers

Information for the Independent Auditor.

At a minimum 15 qualified positions and 10% of all juvenile probation officers receiving funding and 10% of all detention officers receiving funding is required to be tested. Simple Random Sampling will be used for compliance testing. ***Results will be reported in the audit under Note: 6.***

- Departments receiving funding for the Commission salary adjustment for 15 or less qualified positions are required to test each officer receiving funding.
- Departments receiving funding for the Commission salary adjustment for 15-154 qualified positions are required to test 15 employed officers.
- 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.

Each Position must be tested separately.

Determine the Total Population: Complete documentation includes vacancies and new hires. The salary adjustment budget established September 1 2005, department payrolls, records and lists can be used.

Determine officer type for each position. Please separate the positions into 1) juvenile probation officers and 2) detention officers receiving funding.

List the positions to be tested. Testing more than 15 positions includes 10% of all juvenile probation officers receiving funding and 10% of all detention officers receiving funding.

Determine officer type and constraints for Commission salary funding. Verify each officer is receiving no more than \$1500 or \$3000 or amount determined for part-time officers.

Note vacancy(s) in each position.

Review certification for each officer.

Determine refund due to vacancy(s) and or certification lapse(s).

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Governmental Auditing Standards*
(Reportable Conditions, Reportable Instances of Noncompliance, and 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, 2006, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect County Name Juvenile Probation Department's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items. List the reference numbers of the related findings, (e.g., 20X1-1, 20X1-3, etc.).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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. 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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards and Texas Juvenile Probation Commission Audit Requirements which are described in the accompanying schedule of findings and questioned costs as items. List the reference numbers of the related findings (e.g., 20X1-2, 20X1-5, etc.).

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

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed In Accordance With *Governmental Auditing Standards***
(No Material Weaknesses (No *Reportable Conditions Identified*),
No Reportable Instances of Noncompliance, and Other Matters)

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, 2006, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not to be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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. 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 County. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards and Texas Juvenile Probation Commission Audit Requirements.

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

SAMPLE FINDINGS AND QUESTIONED COSTS – If none, include schedule and indicate there were no findings or questioned costs.

County Name Juvenile Probation Department
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2006

Finding:

The County's travel mileage reimbursement rate is \$.45 per mile instead of the state's maximum allowable rate of \$.405 per mile. The excess mileage reimbursement paid with Commission funds was \$128.

Recommendation:

The county must use local funds when maximum allowable rate is exceeded. A refund is due TJPC for A-06-287 in the amount of \$56, and Y-06-287 in the amount of \$72.

Management Response:

The County Name Juvenile Probation Department will use local funds to cover the difference between the maximum allowable rate and the County's reimbursement rate. A refund in the amount of \$128 will be forwarded to the Commission.

Sample County Juvenile Probation Department
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended August 31, 2006

Finding:

The County's travel mileage reimbursement rate is \$.45 per mile instead of the state's maximum allowable rate of \$.35 per mile. The excess mileage reimbursement paid with Commission funds was \$125.

Recommendation:

The county must use local funds when maximum allowable rate is exceeded. A refund is due TJPC for A-05-287 in the amount of \$56, and Y-05-287 in the amount of \$75.

Current Status:

The finding was satisfactorily resolved.

Note: This schedule should include the prior year finding or questioned cost, 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.

The following assurances have been copied from the contracts to provide a reference document:

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 FY2006 contract: General Assurances are found in General Grant Requirements – All TJPC Grants TJPC-FY2006, 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* [TJPC-FIS-54-04] and are 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 utilized the *Travel Activity Log* [TJPC-FIS-23-05] or its substantial equivalent to 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..... \$85.00 / Day
 - b. Meals \$36.00 / Day
 - c. Mileage \$0.405 / 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 placement do not exceed the Commission's *Levels of Service* [TJPC-FIS-39-04] in the State Financial Assistance Contract;
9. 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 not policy, it has a useful life of more than one year and a cost of more than \$5,000.00;
10. Authorized capital purchases are capitalized and depreciated within the county accounting system;
11. 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. A modified accrual basis of accounting is only used in preparing fourth quarter expenditure reports to the Commission;
12. Refunds and reimbursements are properly accounted for as reduction of expenditures rather than as increases in revenues;
13. 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; and
14. 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.

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 2006.
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 2006.

Include general assurances listed above and individual assurances listed from Progressive Sanctions Level 1-2-3 Programs, Article VIII, Section (G) Financial Assurances.

1. 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.

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. 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.

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.

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 \$5,000.00;
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 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;