



**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
OFFICE OF INTERNAL AUDIT**

Professional Audit and Advisory Service

FINAL REPORT

**Audit of General Sessions Court's Probation Department
Revenue and Collections**

Date Issued: July 29, 2009

Office Location and Phone Number

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*The Metropolitan Nashville Office of Internal Audit is an independent audit agency
reporting directly to the Metropolitan Nashville Audit Committee*

EXECUTIVE SUMMARY

July 29, 2009

Results in Brief	Recommendations
<p>The Metropolitan Office of Internal Audit (OIA) performed an audit of the processes and controls in place pertaining to revenue and collections for the General Sessions Court's Probation Department (Probation Department.) Key audit objectives and conclusions are as follows:</p> <ul style="list-style-type: none"> • <i>Is revenue owed to Metro actually received and properly reported in Metro's financial accounting system?</i> <p>Undeterminable. The deficiencies in the internal control framework for the Probation Department were substantial enough to cause a scope limitation on a material segment of this engagement. Consequently, the OIA can provide no assurance that revenue and other assets owed to Metro under the electronic monitoring and drug testing programs have actually been received, deposited and recorded in Metro's financial accounting system.</p> <ul style="list-style-type: none"> • <i>Is the control system for the collection of monies adequate?</i> <p>No. The OIA observed the Probation Department does not have a proper control system for the collection of monies.</p> <ul style="list-style-type: none"> • <i>Is revenue collected from probationers properly secured?</i> <p>No. The OIA observed the Probation Department does not have a proper control system in place to ensure that revenue receipts are properly secured.</p> <ul style="list-style-type: none"> • <i>Are restitution payments properly distributed in a timely manner?</i> <p>Generally, no. Several restitution payments were returned by the postal service and not delivered to the victim. The OIA also noted that the Probation Department did not have a consistent, methodical system in place to track restitution payments mailed out to victims.</p>	<p>The Probation Department should redesign the system of internal controls pertaining to revenue and collection. In developing the new system of internal controls, they should consider all of the elements (control environment, risk assessment, control activities, information and communication, and monitoring) recommended by the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) <i>Internal Control - Integrated Framework</i> (see Observation A, page 4.) Also, control activities guidance is available from the State of Tennessee, Comptroller of the Treasury, Division of Municipal Audit's <i>Internal Control and Compliance Manual for Tennessee Municipalities, Title 3: Revenue Collections</i>.</p> <p>Additional recommendations are for the Probation Department to:</p> <ul style="list-style-type: none"> • Ensure the reliability and integrity of information retained in the <i>Adult Probation</i> computer system. • Segregate functions so that incompatible functions are separated. • Develop a viable accounts receivable system for revenue generated on drug screens and electronic monitoring activities. • Develop a systematic process for tracking payments mailed out to victims on behalf of probationers. • Minimize the use of handwritten receipts. • Monitor usage of the drug test analyzer. • Deposit payments in the bank within one business day of receipt and record receipts into the accounting system within two days of receipts. <p>Management's response can be seen in Appendix A, page 14.</p>

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INTRODUCTION

AUDIT INITIATION

Management of the General Sessions Court contacted the Office of Internal Audit (OIA) to request an audit of the General Sessions Court Probation Department (Probation Department) revenue collections and cash handling procedures. Management believed improvements could be made in both the internal control environment and the cash handling processes. Thus, the purpose of this engagement was to assess the design of the control system and make recommendation for improvement if required.

BACKGROUND

Since its inception in 1977, the Probation Department has continued to enforce orders of probation to insure the integrity of the county's judicial system while attempting to address the needs of defendants as well as the victims of crime. A great deal of effort is expended in this endeavor. The end product ideally gives the citizens of our community a safer environment in which to live. Through the Probation Department, the court puts into practice the idea of rehabilitation for those who take the opportunity. This also provides alternatives to incarceration for non-violent offenders. In this way the judicial system dispenses justice and promotes equality and fairness while applying the laws of our society.

Organizational Structure

The Probation Department is comprised of one (1) director, five (5) supervisors, three (3) clerical, twenty-three (23) probation officers and one (1) electronic monitoring officer.

Sources of Revenue

The Probation Department generates two significant revenue streams: fees generated from drug tests and fees generated for probationers participating in the electronic monitoring program. Simply stated, in many cases judges will require that an offender submit to a drug test and/or participate in an electronic monitoring program as a requirement of their being on probation. Probation Officers, if needed, may also require a probationer to take a drug test. Probationers pay a flat fee for the drug test (\$25 in most cases) and a daily rate (\$7 in most cases) for the electronic monitoring program.

According to Metro's accounting system, the Probation Department recorded over \$103,000 in fees for electronic monitoring between January 1, 2006 and December 31, 2008. The Probation Department stated during this period they administered this program to over 300 probationers for a total of 29,290 days. Additionally, the Probation Department states that it administered over 23,000 drug test from fiscal years 2006 to 2008. The OIA noted that the Probation Department recorded over \$93,000 in fee related to drug test during this period.

Another significant program administered by the Probation Department is the handling of victim restitution payments. In substance or form, this program is not a revenue stream but does involve the handling of money orders. In these instances, the courts will require that an offender make restitution payments to the victim of a crime. The offender will then submit the required payments to the

Probation Department who, in turn, records the payment into the *Adult Probation* computer system and then forwards the payment (money order purchased by the offender) to the victim.

Note: Offenders are also charged a monthly probation fee of \$35. Currently, the fee is collected by the Criminal Court Clerk and not the Probation Department. This process and revenue was not examined during this audit.

Significant IT Applications

Enterprise Business Solutions (EBS): Metro's accounting system used to report all financial activities of the Metropolitan Government of Nashville and Davidson County. All revenue activity generated by the General Session's Department should be recorded in the EBS system.

Adult Probation System: The *Adult Probation* system is a "shadow" system to EBS which is utilized by the General Sessions Probation Department to record information such as amounts charged to the probationer for services provided, amounts paid by probationers, balances due and amounts received and mailed out in restitution payments.

OBJECTIVES AND CONCLUSIONS

Is revenue owed to Metro actually received and properly reported in Metro's financial accounting system?

Undeterminable. The deficiencies in the internal control framework for the Probation Department were substantial enough to cause a scope limitation on a material segment of this engagement. Consequently, **the OIA can provide no assurance that revenue and other assets owed to Metro under the electronic monitoring and drug testing programs have actually been received, deposited and recorded in Metro's financial accounting system** (see Observation A, page 4.)

Is the control system for the collection of monies adequate?

No. Our office observed and noted that the Probation Department does not have a proper control system for the collection of revenues. Specifically, the current system lacks proper segregation of duties, monitoring activities, security of assets, information and communication, and reporting (see Observation C, page 7.)

Is revenue collected from probationers properly secured?

No. Our office noted that the Probation Department does not have a proper control system in place to ensure that revenue receipts are properly secured. Specifically, our office observed that revenue receipts are routinely retained on various employees' desks, or in a locked drawer in which everyone in the Probation Department has access to the key (see Observation J, page 12.)

Are restitution payments properly distributed in a timely manner?

Generally, no. Several restitution payments were returned by the postal service and not delivered to the victim. The OIA also noted that the General Sessions did not have a consistent, methodical system in place to track restitution payments mailed out to victims (see Observation E, page 8.)

Is revenue being deposited within one business day and recorded in Metro's accounting system within two business days, as recommended by Metro's Treasury Policy #9?

No. The OIA determined that revenue receipts are not consistently deposited in the bank within one business day. The OIA randomly selected a sample of 38 payments received for drug test screening and 30 payments received for participating in the electronic monitoring program for test work. Specifically, 28 of 38 (74%) payments tested for drug screening fees were not deposited within one business day. Similarly, 18 of 30 (60%) items tested for the electronic monitoring payments were not deposited within one business day (see Observation H, page 11.)

MAIN OBSERVATION AND RECOMMENDATION

A – A Viable System of Internal Controls Did Not Exist

The Probation Department is without a viable internal control system. The department operates under an ad-hoc system that lacks consistency, clearly defined rules, roles and objectives.

Significant weaknesses in the control environment provide an inherent increased risk of theft, fraud, inaccurate reporting, and lost collections. The current system lacks proper segregation of duties, monitoring activities, security of assets, information and communication, and reporting. The OIA noted the current system lacks the following elements with respect to internal control:

- Insufficient monitoring and excessive issuance of untraceable handwritten receipts.
- Excessive number of users with edit capabilities within the *Adult Probation* computer system.
- Lack of a reconciliation process between the *Adult Probation* computer system, bank deposits and the *EBS* general accounting system.
- An absence of segregation of duties.
- No tracking of restitution payments.
- Lack of control over the equipment used to administer drug tests (analyzer.)
- Multiple users having access to the same cash drawer.
- Not properly safeguarding cash and cash equivalent assets.
- No ability to ensure that all revenue receipts are deposited and/or recorded in the accounting system.
- Lack of adequate supporting documentation for revenues due or collected.
- Lack of comprehensive written policies and procedures.

Criteria:

- *The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control - Integrated Framework* establishes a common definition of internal controls, standards, and criteria by which organizations can assess their internal control systems. The COSO internal control framework consists of five interrelated components which are critical for ensuring an effective system of internal controls. These five components are briefly summarized below:

1. *Control Environment:* The control environment sets the tone of the organization. It is the foundation of all the other control components. Control activities include the integrity, ethical values and competence of employees; management's operating style, and delegation of authority systems; as well as the processes for managing and developing people in the organization.
2. *Risk Assessment:* The identification and analysis of risk that could impede the ability of an entity to achieve its objectives.
3. *Control Activities:* Control activities are the policies and procedures that help ensure management directives are carried

out. Control activities include a wide range of activities including approvals, authorizations, verifications, reconciliations, security of assets and segregations of duties.

4. *Information and Communication*: Information and communication involves developing and implementing a system whereby information is effectively communicated across an organization.
5. *Monitoring*: This involves the periodic and systematic evaluation of the internal control systems.

- *Internal Control and Compliance Manual for Tennessee Municipalities, Title 3: Revenue Collections* establishes internal control guidelines for municipal governments in Tennessee¹.

Risk:

Lack of a strong internal control framework and control environment enhances the risk of theft, fraud, inaccurate reporting, lost collections and accountability.

Recommendation:

The Probation Department should design and implement a system of internal controls that includes all elements of the COSO *Internal Control - Integrated Framework*.

¹ State of Tennessee, Comptroller of the Treasury, Division of Municipal Audit Internet Site, <http://www.tn.gov/comptroller/ma/oldcity/CityManualAllPagesFINAL.pdf>

OTHER OBSERVATIONS AND RECOMMENDATIONS

Observations or opportunities for improvement below represent specific gaps observed between current practices and control measures expected to be present. All of these observations expand upon our central observation, the lack of a viable system of internal controls. Except as added, criteria for the below recommendations are the same as listed in Observation A.

B - Inability to Place Reliance on Information in the Adult Probation System

The OIA was unable to place reasonable reliance on records retained in the *Adult Probation* computer system. Specifically, the *Adult Probation* computer system does not appear to accurately retain information pertaining to billings, collections, and balances owed to the Probation Department.

The OIA selected a sample of 42 probationers ordered to participate in the electronic monitoring program. For each sample item, the OIA reviewed the *Adult Probation* computer system to ascertain the number of days the probationer was required to be on electronic monitoring, the number of drug test administered, the number of days actually charged for electronic monitoring, the amount paid by the probationer, and the current balance owed by the probationer. The *Adult Probation* computer system did not charge the probationer the correct number of days for 34 of 42 (81%) probationers tested. Additionally, for 38 of 42 (90%) probationers tested, the *Adult Probation* computer system did not reflect the correct balance due for the probationer. By not being able to place reliance on information contained in the *Adult Probation* computer system, the risk of theft, loss, fraud, inaccurate reporting, and lost collections has been significantly enhanced. Since revenue earned by the Probation Department is not reconciled back to the *Adult Probation* computer system, employees have the ability to accept payments “off book”, embezzle the amounts received and never record the information in the *Adult Probation* computer system.

Desired State:

The *Adult Probation* computer system would accurately represent case information reflected in the case files of the General Sessions Courts. All sentenced probation periods, electronic monitoring periods and payments required would be entered exactly as mandated by the judge at the individual's court appearance. These entries would be checked and validated by a supervisor or other employee who does not perform the entries. Changes to the *Adult Probation* computer system should require documentary evidence from the court, and be reviewed and approved by supervision, and copies maintained in the individual's file before changes are made. As an overall guiding principle, no one responsible for entering system data, or who has edit capabilities, should ever handle any of the cash or other payments associated with it.

Recommendation:

The Probation Department should ensure the reliability and integrity of information retained in the *Adult Probation* computer system by ensuring all charges are accurately entered, methodically monitor all charges, conduct periodic management review of outstanding balances, require management

approval of any balances written off and restrict all edit capabilities to a limited number of employees who do not handle cash, checks or money orders.

C - Segregation of Duties

The Probation Department lacks sufficient segregation of duties regarding the collection, custody, depositing, and recording of program revenues generated for the Drug Testing and Electronic Monitoring programs. Specifically, probation officers, cashiers, and other employees all may take part in collecting receipts and recording information into the *Adult Probation* and *EBS* systems. Consequently, in many instances, the same person receiving the cash receipts is the same person who enters the information into the *Adult Probation* computer system, prepares, or makes the deposits, and records the information into the accounting system. Additionally, the OIA noted that all Probation Department staff had the ability to edit information, including revenue collection information, in the *Adult Probation* computer system. This represents a high risk that revenue receipt information could be manipulated.

Desired State:

Information edit capability would be limited to those who manage the case file for the individual and do not handle or come in contact with cash, checks or money orders. As a general rule for segregation of functions: authorization (system entry), record keeping (file maintenance), custodian (contact with cash), and overall review (supervisory review) should be performed by different individuals.

Recommendation:

The Probation Department should properly segregate functions so that incompatible functions are separated.

D - Lack of a Viable Accounts Receivable System

The Probation Department does not have accounts receivable or follow-up systems in place to ensure amounts charged for drug screens and electronic monitoring fees have been recorded, collected and properly deposited for drug screens and electronic monitoring fees. An OIA audit test showed that 24 of 39 (62%) electronic monitoring clients had not paid balances due in excess of \$100 for electronic monitoring services. Also, only six receipt numbers were located by the OIA in the *Adult Probation* computer system for 13 drug screen participants tested. This means only six payments for 13 drug screen participants were recorded in the *Adult Probation* computer system. There is no valid reconciliation being done to account for the charges collected for drug screens and electronic monitoring fees.

Desired State:

A report could be run at any given time showing management the amounts owed and by whom. Management would actively follow-up with the assigned probation officer or electronic monitoring official who would be responsible for updating the account.

Recommendation:

The Probation Department should use current resources to develop and monitor a viable accounts receivable system for revenue generated on drug screens and electronic monitoring activities.

E - Restitution Payments Controls

The Probation Department does not have a consistent, methodical system in place to track restitution payments mailed out to victims. Consequently, the risk that these payments may not actually be received by the victims is enhanced.

The courts, in certain cases, require that an offender make restitution payments to the victim of a crime. The offender submits the restitution payment to the Probation Department. The Probation Department, in turn, records the payment into the *Adult Probation* computer system and mails the payment to the victim. A copy of the payment and the letter sent to the victim are retained in the offenders file. In some cases, a copy of the certified receipt is retained as well. However, the OIA noted that, in several instances, mail tracking receipts were not being utilized making it impossible to ascertain if the victim actually received the payment. Documentation for restitution payments received from probationers did not consistently contain certified mailing receipts from the probation officer once payments were mailed to the victim.

Desired State:

All mail should be opened by two individuals at an appropriate place and time each day and any checks, money orders, or cash properly logged into a logbook. Restitution payments should only then be forwarded to the responsible probation officer. In-person payments via money order should also be logged before providing them to the probation officer. Pre-numbered mail authorizations should be maintained by the cashiers and logged when providing to the probation officer. All restitution mailings should be tracked and annotated when delivered by the post office.

Recommendation:

The Probation Department should develop a systematic process for tracking payments mailed out to victims on behalf of probationers. At a minimum, the department should utilize a pre-numbered mail receipt system whereby all payments can be tracked to a specific mail receipt number. All mailing authorization numbers should be accounted for and kept in a logbook.

F - Excessive Handwritten Receipts

The Probation Department is issuing an excessive number of handwritten receipts when receiving payments instead of entering the payments into the *Adult Probation* computer system and issuing a system generated receipt. Additionally, the department does not have an adequate system in place to ensure such receipts are being reviewed and approved by management and that such receipts are being reconciled to amounts entered into the *Adult Probation* computer system.

The Probation Department utilizes a computer system called *Adult Probation* when processing payments for drug screening test and electronic monitoring services. When a payment is made, the *Adult Probation* computer system generates a receipt. These receipts are sequential. In some instances, the Probation Department will issue handwritten receipt and later enter the information into the *Adult Probation* computer system. The handwritten receipt is then attached to the receipt issued by the *Adult Probation* computer system. The use of handwritten receipts is typically only utilized when the *Adult Probation* computer system is down, there is a misclassification of the payment type, or electronic monitoring participants misplace their trackers. Justice Integration Services stated that the *Adult Probation* computer system has not had a high number of instances of being down which would create the need to issue handwritten receipts. OIA audit test revealed that 37 items related to drug test contained handwritten receipts. Similarly, OIA noted that 28 items tested for electronic monitoring contained handwritten receipts. It was noted that the majority of the receipts were generated either because they were coded to the wrong category (drug screens may have been added in the electronic monitoring deposit batch or vice versa) or that the electronic monitoring clients lost their trackers.

The OIA noted that the Probation Department does not appear to have a systematic, methodical process for accounting for these handwritten receipts. As mentioned above, the handwritten receipts are, after being entered into the *Adult Probation* computer system, attached to the receipt generated in the *Adult Probation* computer system. However, the receipts books themselves are obtained from a variety of sources. Consequently, the receipts are not pre-numbered in such a way to facilitate reconciliation between the handwritten receipts issued and what was entered into the *Adult Probation* computer system.

Desired State:

Handwritten receipts should only be utilized in rare circumstances. A member of management should review and approve all handwritten receipts. These receipts should come from a pre-numbered, sequential receipt book. Actual handwritten receipts issued should be periodically reviewed and reconciled by management back to transactions in the *Adult Probation* computer system.

Recommendation:

With regard to handwritten receipts, the Probation Department should:

1. Only utilize handwritten receipts when recording transactions in the *Adult Probation* computer system is not possible and approved individually by the Director.
2. All transactions where handwritten receipts are issued should be logged, reviewed and followed up on by a member of management for proper and accurate entry into the *Adult Probation* computer system.
3. The Probation Department should implement a methodology of utilizing pre-numbered, sequential handwritten receipts that are periodically reconciled to amounts entered into the *Adult Probation* computer system to ensure all amounts collected with handwritten receipts are actually being collected and recorded.

4. Verification should be performed to ensure that the *Adult Probation* computer system is actually down and not capable of use at the time handwritten receipts are issued.

G - Drug Testing Analyzer Controls

Internal controls over the analyzer used to administer drug test should be enhanced. Specifically, the Probation Department should ensure that transaction numbers entered into the analyzer are sequential and agree to the corresponding *Adult Probation* computer system number. The analyzer should be programmed so that random transaction numbers will not be accepted and reconciliation should be completed to agree the number of tests administered to the amount of money received.

The Probation Department utilizes an analyzer when administering drug tests. Employees are required to enter a code before processing a test. The code entered should be the corresponding *Adult Probation* system transaction number created when a participant submits a payment. During the course of the engagement, the OIA noted that the analyzer would accept any code employees entered into it. In many instances, Probation Department staff was using the same code for various tests. The OIA also noted that the Probation Department was not performing reconciliations between the actual drug tests conducted per the analyzer to the actual payments received.

Desired State:

A report should be generated that lists all drug tests conduct by the analyzer for a specific period. The test conducted per the listing should be reconciled back to the *Adult Probation* computer system to ensure all charges for tests have been recorded on the system. Transaction numbers entered into the analyzer should be a unique number that in some way corresponds back to the *Adult Probation* transaction number. The analyzer should be programmed so that a specific transaction number can be utilized only once. Management should review and approve these reconciliations.

Recommendation:

The Probation Department should utilize the following controls with respect to the drug testing analyzer:

1. Each transaction number entered into the analyzer should be a unique number that corresponds to an *Adult Probation* system transaction number.
2. The analyzer should be programmed that a transaction number can only be used once. Overrides to this should be approved by management.
3. A monthly reconciliation should be conducted that agrees the total number of drug tests administered, as determined by a complete analyzer report of transaction numbers, to the actual charges or payments posted to *Adult Probation* computer system accounts or other approved administered test. Reconciliations should be filed and maintained.

H - Timeliness of Cash Deposits

Payments received by the Probation Department were not being submitted to the bank for deposit within one business day or being recorded into the accounting system within two business days as recommended by the Metropolitan Treasurer's Office. Specifically, 28 of 38 (74%) payments tested for drug screens were not deposited within one business day, while 18 of 30 (60%) items tested for electronic monitoring program payments were not deposited within one business day.

Desired State:

Cash drawers should be counted and reconciled at the end of each shift. Amounts collected should be deposited within one business day of receipt and recorded into the accounting system within two business days of receipt.

Criteria:

Metro's *Treasury Policy #9* states that cash receipts should be deposited and recorded within two business days of receipts.

Recommendation:

The Probation Department should submit all payments received to the bank for deposit within one business day of receipt and record all receipts into the accounting system within two days of receipts.

I - Multiple Users Having Access to the Same Cash Drawer

Multiple Probation Department employees have access to and utilize the same cash drawer. The Probation Department utilizes a single cash drawer to process payments received for drug testing and electronic monitoring. Instead of having a single person assigned and accountable for the activity occurring in this drawer, the OIA noted that multiple Probation Department employees use the same drawer when accepting payments.

Desired State:

An individual employee is assigned to a specific cash drawer during their shift. All revenue receipt activities are handled by this employee and this employee is held accountable for any overages and shortages in the drawer. No other individuals should handle any cash except the cashiers and the person making the bank deposit. Each cash drawer will be counted at the end of each shift and the bank deposit promptly made.

Recommendation:

The Probation Department should assign one specific employee to each cash drawer who is responsible for all transactions that takes place through their cash drawer. Employees not assigned to the cash drawer should not be allowed to access the cash drawer. Each cash drawer shall be counted at the end of each shift to ensure the completeness of money receipt. Overages or shortages shall be recorded and signed for.

J - Safeguarding of Assets

Controls over the safeguarding of assets should be enhanced. The OIA observed personnel at the cash window placing cash and receipts in a push button cash drawer. The cash drawer is not properly locked and all Probation Department employees have access to the drawer. Additionally, the OIA observed the Probation Department Director placing cash and receipts openly out on the Director's desk and in a desk drawer which had the keys inserted in the lock outside of the drawer. Numerous individuals stated that they have used the key that the Director keeps in his desk drawer to the file cabinet in order to lock up the day's receipts if the Director was unavailable. Several days of deposits are kept in the file cabinet at any given time.

Desired State:

All revenue receipts received are properly secured in a safe or locked drawer. Access to the safe and/or locked drawer should be limited to a small number of department staff.

Recommendation:

The Probation Department should lock all monies and receipts collected in a safe, the safe should be properly secured with a select few employees having access. A log should be maintained which details the date, reason and persons initials who entered the safe. Each cash drawer should be locked at all times with only the employees assigned to the drawer having access to it.

GENERAL AUDIT INFORMATION

STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit from January 2009 to May 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

SCOPE AND METHODOLOGY

The audit period focused primarily on the period July 1, 2005 through December 31, 2008 financial balances, transactions, and performance of processes in place during the time of the audit.

The deficiencies in the internal control framework for the General Sessions Probation Department were substantial enough to cause a scope limitation on a material segment of this engagement. Consequently, ***the OIA can provide no assurance that revenues and other assets owed to Metro under the electronic monitoring and drug testing programs have actually been received, deposited and recorded in Metro's financial accounting system.***

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various forms of data, reports and information maintained by the Probation Department. Management, administrative and operational personnel, as well as personnel from other Metro departments and other stakeholders were interviewed, and various aspects of the Probation Department were directly observed.

CRITERIA

In conducting this audit, the existing processes and controls in place pertaining to drug screens, the electronic monitoring program and restitution payments were evaluated for compliance with:

- Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Internal Control - Integrated Framework*
- The Internal Control and Compliance Manual for Tennessee Municipalities
- Metro Department of Finance Treasury Policy #9

STAFF ACKNOWLEDGEMENT

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APPENDIX A. MANAGEMENT RESPONSE

- Management's Responses Starts on Next Page –



**METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY
GENERAL SESSIONS COURT**

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July 14, 2009

Mr. Mark Swann
Metropolitan Auditor
Office of Internal Audit
222 3rd Avenue North, Suite 401
Nashville, TN. 37201

Re: Audit of General Sessions Court's Probation Department
Revenue and Collections


Dear Mr. Swann:

This letter acknowledges that the General Sessions Court received the report entitled *Audit of General Sessions Court's Probation Department, Revenue and Collections*. We have reviewed the "Observations and Recommendations" section of the report and agree with all recommendations made. We have immediately initiated affirmative actions in response to all recommendations and will work further with the Department of Finance and Justice Integration Services to comply with the recommendations.

I would request that your office conduct a follow-up review of our revenue and collection procedures within 4 months to be assured that we have maintained compliance with your recommendations.

I would like to express my appreciation for your Office's assistance and professionalism exemplified in the audit process. The General Sessions Court's goal is to promote operational efficiency and integrity in the administration of justice.

Sincerely,


GALE ROBINSON
JUDGE, DIVISION I

**Audit of the General Sessions Court's Probation Department – Revenue and Collections
Management Response to Audit Recommendations – July 14, 2009**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
A: The Probation Department should design and implement a system of internal control that includes all elements of the COSO Integrated Framework.	The Director of the Probation Department with oversight by the Court Administrator will design and implement a system of internal control that incorporates the elements of the COSO Integrated Framework.	Director of Probation and Court Administrator	July 2009
B: The Probation Department should ensure the reliability and integrity of information retained in the <i>Adult Probation</i> computer system by ensuring all charges are accurately entered, methodically monitor all charges, conduct periodic management review of outstanding balances, require management approval of any balances written off and restrict all edit capabilities to a limited number of employees who do not handle cash, checks or money orders.	The Probation Department will ensure the integrity and reliability of information retained in the <i>Adult Probation</i> computer system by ensuring all charges are accurately entered; monitor all charges, conduct periodic (monthly) reviews of outstanding balances, require management approval of any balances to be written off and restrict edit capabilities to probation officers who will not handle cash, checks or money orders.	Probation Dept. Supervisors, Justice Integration Services	August 31, 2009 or sooner depending on JIS making the necessary system modification
C: The Probation Department should properly segregate functions so that incompatible functions are separated.	Supervisors will be given specific assignments relating to the reconciliation of cash receipts and bank deposits, the entry of this data into EBS and prepare monthly reconciliations. Supervisors will monitor staff activity to ensure compliance with goals, objectives, policies and procedures.	Probation Department Supervisors	August 31, 2009 or sooner
D: The Probation Department should use current resources to develop and monitor a viable accounts receivable system for revenue generated on drug screens and electronic monitoring activities.	The Probation Department Director will work with the IT Department (JIS) to develop an accounts receivable system with reporting capabilities to facilitate the collection of all fees.	Justice Information System Department (JIS), and Director of Probation	August 31, 2009 or sooner depending on JIS
E: The Probation Department should develop a systematic process for tracking payments mailed out to victims on behalf of probationers. At a minimum, the department should utilize a pre-numbered mail receipt system whereby all payments can be tracked to a specific mail receipt number. All mailing authorization numbers should be accounted for and kept in a logbook.	The Probation Department will maintain a log book of restitution payments received. All payments received by mail will be opened by at least one administrative assistant and one supervisor who will record receipt of payment and establish a mail receipt number for tracking purposes.	Probation Department Supervisor and Administrative Assistant	August 31, 2009 or sooner

**Audit of the General Sessions Court’s Probation Department – Revenue and Collections
Management Response to Audit Recommendations – July 14, 2009**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>F: With regard to handwritten receipts, the Probation Department should:</p> <ol style="list-style-type: none"> 1. Only utilize handwritten receipts when recording transactions in the <i>Adult Probation</i> computer system is not possible and approved individually by the Director. 2. All transactions where handwritten receipts are issued should be logged, reviewed and followed up on by a member of management for proper and accurate entry into the <i>Adult Probation</i> computer system. 3. The Probation Department should implement a methodology of utilizing pre-numbered, sequential handwritten receipts that are periodically reconciled to amounts entered into the <i>Adult Probation</i> computer system to ensure all amounts collected with handwritten receipts are actually being collected and recorded. 4. Verification should be performed to ensure that the <i>Adult Probation</i> computer system was actually down and not capable of use at the time handwritten receipts are issued. 	<p>The use of handwritten receipts will be restricted to a cashier who will confirm the unavailability of <i>Adult Probation</i>'s receipting module and obtain authorization from a supervisor before issuing a hand written receipt. The receipt book will be maintained in the cashier's locked drawer at all times.</p>	<p>Cashier , Supervisor</p>	<p>August 31, 2009 or sooner</p>

**Audit of the General Sessions Court's Probation Department – Revenue and Collections
Management Response to Audit Recommendations – July 14, 2009**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>G: The Probation Department should utilize the following controls with respect to the drug testing analyzer:</p> <ol style="list-style-type: none"> 1) Each transaction number entered into the analyzer should be a unique number that corresponds to an <i>Adult Probation</i> transaction number. 2) The analyzer should be programmed that a transaction number can only be used once. Overrides to this should be approved by management. 3) A monthly reconciliation should be conducted that agrees the total number of drug test administered, as determined by a complete analyzer report of transaction numbers, to the actual charges or payments posted to <i>Adult Probation</i> accounts or other approved administered test. Reconciliations should be filed and maintained. 	<p>The Probation Department Director will work with the IT department (JIS) to create a unique number box in the <i>Adult Probation</i> computer system drug test screen, which coupled with the drug test number, can confirm the number of tests run for any given period. Reports will be run monthly with results filed and maintained.</p>	<p>Justice Integration Services, Probation Director, Probation Department Supervisor</p>	<p>August 31, 2009 or sooner</p>
<p>H: The Probation Department should submit all payments received to the bank for deposit within one business day of receipt and record all receipts into the accounting system within two days of receipts</p>	<p>The Probation Department will make daily deposits of all receipts and make the required EBS entries by the next business day as required by Metro Treasury Department.</p>	<p>Probation Department Supervisor, Administrative Assistant, Cashier</p>	<p>Already in Effect</p>
<p>I: The Probation Department should assign one specific employee to each cash drawer who is responsible for all transactions that takes place through their cash drawer. Employees not assigned to the cash drawer should not be allowed to access the cash drawer. Each cash drawer shall be counted at the end of each shift to ensure the completeness of money receipt. Overages or shortages shall be recorded and signed for.</p>	<p>There will be two lockable cash drawers in the reception area of the Probation Department. Each drawer will be assigned to a specific cashier. No other individual will be allowed access to these drawers. A reconciliation of each drawer will be conducted at the end of each shift with overages and shortages recorded and signed for. The cash drawers will be locked at all times.</p>	<p>Cashiers, Probation Department Supervisor</p>	<p>July 2009 depending on safe installation and drawer installation by General Services</p>

**Audit of the General Sessions Court's Probation Department – Revenue and Collections
Management Response to Audit Recommendations – July 14, 2009**

Audit Recommendation	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
<p>J: The General Sessions Court Probation Department should lock all monies and receipts collected in a safe, the safe should be properly secured with a select few employees having access. A log should be maintained which details the date, reason and persons initials who entered the safe. Each cash drawer should be locked at all times with only the employees assigned to the drawer having access to it.</p>	<p>All receipts and monies collected at the end of each shift will be deposited into a floor safe. Only administrative assistant and supervisors will have access to this safe and shall record, in detail, the reason, date and person who accessed the safe.</p>	<p>Probation Department Supervisor, Administrative Assistant</p>	<p>July 2009 depending on safe installation and drawer installation by General Services</p>