

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

INTERNAL AUDIT SECTION



**PERFORMANCE AUDIT OF THE
JUVENILE COURT
AUDIT REPORT – JULY 19, 2005**

Metropolitan Government of Nashville and Davidson County

Internal Audit Section

Report on Juvenile Court

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**BILL PURCELL
MAYOR**



**DEPARTMENT OF FINANCE
INTERNAL AUDIT SECTION**

**METROPOLITAN
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July 22, 2005

Honorable Betty Adams Green
Juvenile Court
100 Woodland Street
Nashville, TN 37213

Report of Internal Audit Section

Dear Judge Green:

We are in the process of conducting a performance audit of the Office of Juvenile Court. We are performing this audit in two stages. The first stage focused on reviewing procedures and controls surrounding financial and other operations. The second stage will more thoroughly address performance compared to peers and industry best practices. *Government Auditing Standards* issued by the Comptroller General of the United States define performance audits as follows:

Performance audits entail an objective and systematic examination of evidence to provide and independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus or that synthesize information on best practices or cross-cutting issues. Performance audits provide information to improve program operations and facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and improve public accountability.

A performance audit is different than a financial statement audit, which is limited to auditing financial statements and controls, without reviewing operations and performance.

Background

The Juvenile Court mission is to provide judicial decisions, safety, support, and guidance products to children and families who come in contact with the Court so they can become productive members of our community.

The Juvenile Court has eight referees that hear cases ranging from child support to delinquency. As of June 30, 2003, the Juvenile Court averaged 845 youths on supervised probation per month and had 104,107 court appearances excluding petitions for child support. The Juvenile Court had a total of 148 budgeted positions for fiscal year 2004-2005. The 2004-2005 budget can be summarized below:

Revenues and Transfers:

Other Governments and Agencies	\$2,063,100
Non-Program Revenue	11,500
Transfers from Other Funds and Units	<u>490,400</u>
 Total Revenues and Transfers	 <u>\$2,565,000</u>

Expenditures and Transfers:

GSD General Fund	\$9,199,400
Special Purpose Fund	<u>1,896,400</u>
 Total Expenditures and Transfers	 <u>\$11,095,800</u>

Objectives, Scope, and Methodology

The primary objectives of this performance audit included the following:

- An examination of business processes employed at the Juvenile Court for purchasing and expenditures, payroll and personnel, petty cash, and fixed assets;
- Identification of weaknesses and strengths in the internal control environment and their impact on operations;
- Identification of the actual financial and/or operational impact on operations from weaknesses and strengths identified; and
- Provide recommendations to Juvenile Court management that supply a direction for improvement in the internal control structure.

Our work focused primarily on the period July 1, 2003 through September 30, 2004 financial balances, transactions, and performance on the processes in place during the time of the audit. Certain analyses required the consideration of financial results, performance, and operations outside that time period.

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 Juvenile Court. Management, administrative and operational personnel, as well as personnel from other Metro departments and other stakeholders were interviewed, and various aspects of the Juvenile Court operations were directly observed.

We performed the audit procedures in accordance with generally accepted government auditing standards.

Findings and Recommendations

We have listed below the reportable findings and recommendations for the categories listed above. If a category is not discussed below, no issues were identified or the issues identified were not to the level of a reportable condition and were verbally communicated through the course of fieldwork.

1. Improvements need to be made in monitoring transactions and complying with current procurement card policies.

We reviewed twenty procurement card transactions from January 2003 through October 2004 for compliance with current procurement card policies and management control. Based on our review, we identified the following weaknesses:

- Transactions for \$1,266, \$1,800, and \$1,444 were split by-passing Purchasing Department review;
- Detailed review of procurement card purchases for improper charges needs to be improved. We identified three transactions having sales taxes included in the amounts paid;
- Four transactions totaling \$470.10 did not have a clear business purpose relating to the Juvenile Court mission; and
- Transaction approval procedures are not appropriate. An administrative assistant approves management transactions.

Recommendations:

The Juvenile Court should make every effort to comply with current procurement card policies. When making a purchase where time is the issue, Juvenile Court should contact Purchasing and formulate a way to complete the transaction without violating current Metro policies. Improvements to current review procedures need to be implemented that include inspecting for unauthorized charges and assuring adequate business purposes. To improve approval procedures, subordinates should not review and approve management transactions. To sufficiently reduce influence, individuals approving transactions should at least be equal organizationally to the cardholder.

2. Out-of-town travel accounting procedures need to be improved.

We reviewed eight travel expenditures from July 2003 through September 2004 for compliance with Metro travel policies. Based on our review, we identified the following weakness:

- Two out-of-town travel transactions were assigned incorrect object accounts so that they could be reimbursed through petty cash. Both transactions were coded to host and hostess expense on the petty cash reimbursement sheet but were entered in the general ledger as local travel.

Recommendation:

To comply with current travel policies, discontinue the process of reimbursing out-of-town travel through petty cash and properly assign object accounts for all travel expenditures.

3. Payroll time and attendance functions need to be improved to increase efficiency and accuracy.

We reviewed the payroll process utilized for the calendar year 2003. Along with reviewing the payroll process, we tested the time and attendance records for four exempt employees and eleven non-exempt employees to the amounts entered into FASTnet for accuracy and completeness. In addition, three part-time employees were selected for a review of time and attendance. The Juvenile Court follows Metro Civil Service Rules for all payroll and personnel related matters. Based on our review, we noted the following weaknesses:

- Time logs listing actual hours worked per day, per week, and per pay period did not have totals calculated preventing proper supervisor and management review. We identified several instances where total hours worked did not add up correctly creating either under or over payments to employees. Three non-exempt employees had approximately \$4,692 of unpaid or unused compensatory and/or flex time at the end of December 2003. Department compensatory and flex time policy states that all employees will use flex time to compensate for any hours worked over eight hours per day. The policy further states that each division keep written records and submit an explanation on how flex time will be managed. We could not obtain documentation or an explanation on how flex time is managed in each division or who is responsible for maintaining those records. We forwarded our findings to Human Resources and they reviewed all non-exempt employees for unpaid comp-time for calendar year 2003. Based on Human Resources calculations, a total comp- time payout of \$22,467 was due to eleven employees;
- Employee time logs were not forwarded in a timely manner to the individual responsible for entering payroll into FASTnet creating opportunities for errors and delays in processing;
- Time logs were not consistently maintained by the department's payroll section for accountability;
- We identified a discrepancy of 495 hours of leave time. Used leave time was not adjusted on leave accrual records creating discrepancies between actual time used, supporting records, and FASTnet;
- Time logs and leave request forms for 13 of 52 tested or 25% lacked supervisor signature approval;

- Juvenile Court Administrative personnel were not reviewing payroll expenditures for process improvements or inaccuracies;
- Leave balances were not verified by employees periodically to identify discrepancies;
- Two employee performance evaluations were not completed on an annual basis as required by Civil Service Rules;
- The Juvenile Court did not provide their non-exempt employees with the option of receiving time off or payment for compensatory time earned in accordance with the Civil Service Rules;
- Manual records were utilized to maintain time and attendance figures. Manual processes are not an efficient use of time and are not as accurate as automated procedures; and
- One non-exempt employee did not receive pay for holiday hours worked for an estimated amount of \$219.

Recommendations:

To improve accuracy, division supervisors should review and approve all time entered on time logs and compute totals for all pay types and earning codes. To improve the entire reporting process and prevent reporting delays, division supervisors should turn in all time logs in a timely manner to the appropriate individual. Division supervisors need to effectively manage compensatory time and flex time to eliminate reserves of accrued balances by reviewing the hours worked for needed adjustments and communicating changes of work hours to employees. As required by Juvenile Court policies, division supervisors need to document how flex time is managed.

The Juvenile Court Administrative Office should maintain all time records to support time and attendance. At least annually, Juvenile Court staff should confirm leave accrual balances. Current payroll procedures should be improved by eliminating manual processes and implementing electronic procedures to improve the accuracy of calculations. Lastly, Juvenile Court management should review processes and payroll expenditures periodically to assure compliance.

Juvenile Court management should address all exceptions individually. Corrections to the time and attendance figures need to be made to prevent the overstatement of payroll costs and overstatement of liabilities.

Before the completion of our fieldwork, Juvenile Court management started addressing a portion of the weaknesses identified above.

4. Expenditures should properly be reviewed to insure that payments are accurately billed for good or services rendered.

We reviewed 48 of the 1,266 expenditure transactions for the period of July 1, 2003 through September 30, 2004 from FASTnet and compared them to departmental source documentation for compliance with Metro Procurement Policies. Based on our review, we noted the following exceptions:

- Fourteen transactions did not have an accurate object account assigned. By not assigning object accounts accurately, effective financial management is diminished;
- Appropriate personnel do not have access to PROMIS to review contract terms for accurate pricing and compliance; and
- Vendor invoices were not properly reviewed prior to keying in payments to FASTnet which could result in overcharges and non-compliance with current contracts. We identified one transaction that was overpaid by \$167 when compared to the contract.

Recommendations:

All expenditures should be reviewed to verify that appropriate rates were applied for goods or services rendered prior to keying the payments into FASTnet to avoid price discrepancies and adjustments. Staff reviewing the expenses should have adequate training to access the PROMIS system to retrieve contract terms by vendors as appropriate. Proper contract management should be implemented to track expenditures, manage costs, and facilitate contract compliance.

5. Management should review grant transactions to ensure program expenses comply with contract requirements.

We reviewed all transactions from January 2000 through June 2004 paid to a vendor with grant funds from the Juvenile Accountability Block Grant. Based on our review, we noted the following exceptions:

- We identified potential overpayments to a vendor in the amount of \$61,848.50;
- Services were funded by a portion of the Juvenile Accountability Block Grant with service rates established by a contract between Metro and the before mentioned vendor. During a previous grant year, the vendor program coordinator and Juvenile Court program managers created a payment arrangement outside stated contractual terms where equal monthly payments based on the total program amount would be made as an alternative to payments for actual units of documented service provided. The creation of an additional payment arrangement did not comply with the contractual terms requiring that contract modifications be completed by a written amendment executed by all parties and their signatories;
- Monthly invoices submitted by the vendor did not consistently support the amounts paid. Of the 36 payments made, only nine were accurate;
- Quarterly reports filed with the Tennessee Commission on Children and Youth (grantor) did not accurately report the hours of services provided. We identified two quarterly reports where the units of service reported were overstated; and
- Quarterly service quotas were not met for all three of the reporting periods for fiscal grant year 2004. Base on grantor requirements, a minimum of 25 units of service should be provided. We calculated an average of 18.7, 20.7, and 17.5 per month during the three quarterly reporting periods.

Recommendations:

We recommend that all payments made to vendors be accurate and comply with any contractual arrangements. When procuring goods and/or services with grant funds, applicable federal and state guidelines should be followed to document the services received for grant payments.

We have forwarded our documentation detailing the potential overpayments made to the vendor mentioned above to the Office of Financial Accountability and to the Metro Legal Department and recommend that Juvenile Court work with Legal to determine whether further action is recommended. We also recommend that the Office of Financial Accountability conduct a review of all Juvenile Court grants.

6. Improvements need to be made to the petty cash process.

We reviewed the petty cash funds utilized by the Juvenile Court to determine if the funds were properly safeguarded, expenditures were reasonable, and if transactions were properly approved. Based on our review, we noted the following weaknesses:

- Two petty cash funds exist. Based on the low replenishment rate, maintaining two funds appear to be unnecessary;
- An out-of-town travel expenditure reimbursement was assigned a local-travel object account and reimbursed through petty cash. By assigning out-of-town travel a local travel object account and reimbursing the expenditure through petty cash, management is giving the impression of intentionally circumventing current petty cash and travel policies; and
- Surprise counts and reconciliations are not completed on a regular basis.

Recommendations:

We recommend the removal of one of the petty cash funds to match current replenishment rates. To comply with both current petty cash and travel policies, out-of-town travel expenditures should not be reimbursed through petty cash and should be assigned proper object account codes. To improve current procedures, surprise counts and regular reconciliations should be performed.

Before the completion of our fieldwork, management had taken the necessary steps to close one of the petty cash funds.

7. Fixed assets on departmental records are not properly accounted for and tracking procedures need to be improved.

We reviewed fifteen fixed assets with a value of \$5,000 or more listed in FASTnet and completed additional testwork on computers and handguns at the Juvenile Court for existence, safeguarding, and proper valuation. Based on our review, we noted the following weaknesses:

- We could not identify one copier listed in FASTnet with a cost of \$10,869. Juvenile Court Management notified us that the copier was surplus, but they could not provide official supporting documentation;
- Amrel Rocky II laptop computers valued at \$5,957 in FASTnet were not tracked sufficiently to account for specific unit loss. The computer listing maintained by both Juvenile Court Information Technology and the Administrative Office did not have the correct asset serial number for the computers on hand. By not tracking each computer, losses may not be resolved;

- A Compaq computer server listed in FASTnet for \$180,894 was not included in the Juvenile Court Information Technology listing and was listed as surplus on the Administrative Office asset listing. When we followed-up with Juvenile Court Information Technology and Juvenile Court management, neither was aware of the location of the server. The server was later located by Juvenile Court staff in the Detention area;
- One laptop listed in FASTnet for \$6,344 was not included in the Juvenile Court Information Technology listing. The laptop was later located by Juvenile Court staff;
- One piece of computer hardware for \$16,020 listed in FASTnet was not included in the Juvenile Court Information Technology listing and was listed as surplus on the Administrative Office listing. The Juvenile Court could not provide official supporting documentation to substantiate the disposition;
- Currently, handguns are located in three locations, two of which were not secured and ammunition is located in the same storage locker as the handguns. In addition, two people in separate functional areas are maintaining tracking information on handguns without cross-checking for accuracy; and
- The quarterly computer verification procedures performed by Juvenile Court Information Technology are not effective. As stated above, we identified several items that were listed incorrectly or not listed at all.

Recommendations:

We recommend the exceptions noted in the FASTnet fixed asset record be corrected for all issues identified above. After the completion of the current construction projects, we recommend that all handguns and ammunition be kept separately in one secure location under the control of one individual and all assigned items be tracked electronically with completed assignment forms kept for supporting documentation. We also recommend a complete computer inventory be performed that includes all servers and other computer hardware to identify and correct any discrepancies with the identifying information listed in FASTnet and other tracking information assigned by Justice Information Systems. Also, computer inventory processes should be improved to include random checks on laptop computers and other areas of risk identified by Juvenile Court Information Technology.

Before the completion of our fieldwork, management updated their handgun inventory and steps have been taken to adequately secure the handguns and ammunition.

* * * *

Management's response to the audit recommendations is attached to this report.

We greatly appreciate the cooperation and help provided by all Juvenile Court staff.

This report is intended for the information of the management of the Metropolitan Government of Nashville and Davidson County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Internal Audit Section

Don Dodson
Assistant Audit Manager

Copy: Mayor Bill Purcell
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Metropolitan Government of Nashville and Davidson County

Internal Audit Section

Report on Juvenile Court

Section II

Management's Response

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

BETTY ADAMS GREEN, JUDGE

JUVENILE COURT OF DAVIDSON COUNTY
100 WOODLAND STREET
NASHVILLE, TENNESSEE 37213

July 15, 2005

Mr. Don Dodson
Metro Department of Finance
Internal Audit Division
222 Third Avenue North, Suite 401
Nashville, TN 37201

Dear Mr. Dodson:

This letter is acknowledgement that the Juvenile Court has received the audit report completed by Internal Audit.

We have reviewed the report and are in basic agreement with its findings. We are determined to work diligently to address the issues raised in the report, and are committed to implementing its recommendations.

Sincerely,


Judge Betty Adams Green
Juvenile Court