



Texas Juvenile Justice Department

AUDIT REQUIREMENTS

Issued September 15, 2018
For the Fiscal Year Ended August 31, 2018

I. Introduction

The Texas Juvenile Justice Department (TJJD) requires an audit be completed annually in accordance with Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards* (GAS) for grant funds received from TJJD. The audit report for the fiscal year ended August 31, 2018 must be mailed in sufficient time in order for the report to be received by TJJD on or before March 1, 2019 and in accordance with this document. **Departments are encouraged to send the audit reports electronically in PDF format to facilitate timely processing. Reports may be sent to the following email address - Probation.Independent.Audits@tjjd.texas.gov. Reports received after March 1, 2019 will be considered delinquent.** Departments should provide their independent auditor a copy of these audit requirements, each grant contract, grant allocation amounts and final budgets via Grant Manager interface (beginning in FY 2015 and forward, this information is no longer provided via the TJJD website), corresponding quarterly expenditure reports, and any other relevant information. Forms such as prior year audit requirements, TJJD grants and information regarding each grant can be found at www.tjjd.texas.gov. NOTE: To review and/or print prior year grant summary requirements and compliance resources manuals, select Resources on the TJJD's website and scroll down to contracts and compliance resource manual (volume 2) and click on the link associated with the specific grant.

The TJJD audit staff will assist you in completing any requests made regarding the following audit requirements.

II. Changes – FY 2018

Changes have been made to the fiscal year 2018 audit requirements as follows:

- A. Section III. B. Grant R is reported in Statement of Revenues and Expenditures-Budget to Actual for the Year Ended 8/31/2018
 - Grant R allocation funds are reported in financials
 - Grant R reimbursement funds are report in Note 6
- B. Section III. FY 2018 allowable rates for mileage are as follows: September 1, 2017 – December 31, 2017/\$0.53.5 per mile; January 1, 2018 – August 31, 2018/\$0.54.5 per mile.
- C. Section V. C. 7. The audit report should include audit findings related to internal controls based on the scope of the audit.
- D. Departments are encouraged to send the audit reports electronically in PDF format to facilitate timely processing. Reports may be sent to the following email address - Probation.Independent.Audits@tjjd.texas.gov.

III. Special Considerations

The following items should be considered in preparing the audit report for the year ended August 31, 2018:

- A. The balance sheet is optional.
- B. The Statement of Revenues, Expenditures and Changes in Fund Balance for each grant is limited to funds received from TJJD, i.e., Grants A, B, D, M, R, S, T, and W.

The **final approved budget** should be presented in the Statement of Revenues and Expenditures and Changes to Fund Balance by Contract-Budget to Actual. The following grants should be accounted for in the audit report. Certain grant funds will no longer be required to be reported in the Statement of Revenues and Expenditures, but their revenue activity is required to be disclosed in the footnotes. The following table summarizes the requirements.

	Reported in Statement of Revenues and Expenditures-Budget to Actual for the Year Ended 8/31/2018	Reported in Statement of Revenues and Expenditures-Budget to Actual for the Period Ended 8/31/2018 (Cumulative Basis)	TJJD Grant Revenue Received in the Current Year Disclosed in Notes to Financial Statements Only.
Grant A – State Financial Assistance Fund	Yes	No	No
Grant B – Border Children’s Justice Project	Yes	No	No
Grant D – Delta Boot Camp Program (Harris County Leadership Academy)	Yes	No	No
Grant E – Title IV-E Federal Foster Care Program	No	No	Yes
Grant M – Special Needs Diversionary Program	Yes	No	No
Grant P – Juvenile Justice Alternative Education Program (Reimbursement)	No	No	Yes
Grant R – Regional Diversion Alternatives (RDA) Program (Reimbursement)	No	No	Yes
Grant R – Regional Diversion Alternatives (RDA) Program (Allocations)	Yes	No	No
Grant S – Prevention and Intervention Demonstration Project	Yes	No	No
Grant T – Prevention and Demonstration Project: School Attendance Improvement	Yes	No	No
Grant W – Juvenile Justice Alternative Education Program (Discretionary Grant approved for a two year period)	No	Yes	No
Grant W – Juvenile Justice Alternative Education Program (Discretionary Grant approved for a one year period)	Yes	No	No

- C. The Grantee should use the accrual basis of accounting when preparing the fourth quarter and/or final expenditure report. (i.e., grant revenues and expenses are allocated to periods to which they apply, regardless of when they are actually received or paid).
- D. Since the revenues are reported on the accrual basis of accounting on the financial statements, refunds paid to TJJD either during the year or subsequent to year end should not be presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance, but should be provided as additional information below the Statement.

- E. A note disclosing TJJD's funding effect on all secure facility operations is mandatory. A separate expenditure schedule should be provided for each secure facility registered with TJJD for TJJD funding effect and/or local funding effect on all secure facility operations. TJJD expenditures disclosed should agree to the financial statements (i.e. the expenditures reported for a secure juvenile facility should agree to the expenditures for the respective Grant (A and C), or a reconciliation should be included. If the Department does not operate a secure juvenile facility, the note should include a disclosure stating that the Department does not operate a secure juvenile facility and thus the footnote should disclose operating costs to operate a secure juvenile facility is not applicable.
- F. TJJD requires a financial statement presentation that may result on an incomplete presentation of a Department's assets, liabilities, revenue and expenses. The independent auditor should note that financial statements are presented in accordance with the financial reporting provisions of the Texas Juvenile Justice Department and are not intended to present the financial position or changes in financial position of the County.
- G. The year to date interest earned on funds received from TJJD should be disclosed in the notes to the combined financial statements only. A separate column should be included to disclose interest earned on Title IV-E program funds if applicable. If the juvenile probation office did not earn interest on funds received from TJJD, the column for TJJD funding should report "0". If the juvenile probation office did not earn interest on Title IV-E program funds, the column for Title IV-E funding should report "0".
- H. Idle grant funds shall be deposited in an interest bearing account. A statement disclosing whether the Department has idle funds and whether they are deposited in an interest bearing account is required. If the Department does not have idle funds, a statement and reason indicating why the Department does not have idle funds should be included.
- I. A confirmation of all reimbursements received under the Title IV-E Program (if applicable) should be disclosed by program year in the notes to the financial statements on a cash basis. This includes any direct and enhanced administrative claims for foster care reimbursement.
- J. A confirmation of all reimbursements received under the Grant P Juvenile Justice Alternative Education Program (if applicable) should be disclosed by program year in the notes to financial statements on a cash basis.
- K. Grant assurances are not 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 State Financial Assistance Contract and General Grant Requirements, 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 M-Special Needs Diversionary Programs, Grant P and W-JJAEP. The contracts are located on TJJD's website.
- L. The FY 2018 state allowable rates for mileage are:
September 1, 2017 – December 31, 2017/\$0.53.5 per mile
January 1 – August 31, 2018/\$0.54.5 cents per mile
- M. The Grantee shall ensure that county funding for juvenile services (i.e., juvenile probation services and juvenile justice programs) shall not be decreased or be supplanted by funding received under this grant. The Grantee shall certify that the amount of local or county funds expended for juvenile services is at least equal to or greater than the amount spent in the 2006 county fiscal year excluding construction and capital outlay expenses.

IV. Audit Requirements

Audits are to be prepared by an Independent Certified Public Accountant and should 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, 2018.

Expenditures should be presented in the categories of **Basic Probation Supervision, Community Programs, Pre Post-Adjudications, Commitment Division, Mental Health Services , and Prevention and Intervention** as defined below:

A. Basic Probation Supervision (BPS). The elements listed below are expenditures that can be reported under BPS.

1. **Court Intake:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
2. **Direct Supervision:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
3. **Youth Services:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
4. **Mental Health Assessments:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts.

B. Community Programs (CP). The elements listed below are expenditures that can be reported under CP.

1. **Court Intake:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
2. **Youth Services:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
3. **Mental Health Assessments:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
4. **Community Based Programs (General):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
5. **Community Based Programs (Mental Health):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts.

C. Pre Post-Adjudication (PPA). The elements listed below are expenditures that can be reported under PPA.

1. **Mental Health Assessments:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter County Contracts Post Adjudication Secure and Non-Secure, and External Contracts Post Adjudication Secure and Non-Secure;
2. **Residential Programs and Services:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts Post Adjudications (Non-Secure), Inter-County Contracts Post Adjudications (Secure), Inter-County Contracts Detention/Pre-adjudication, External Contracts Post-Adjudications (Non-Secure), External Contracts Post-Adjudications (Secure), External Contracts Detention/Pre-adjudication;
3. **Post-Adjudications (Non-Secure):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts;
4. **Post-Adjudications (Secure):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts;
5. **Detention Pre-Adjudications:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts;

6. **Residential Mental Health Placement:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts.

D. Commitment Diversion (CD). The elements listed below are expenditures that can be reported under CD.

1. **Youth Services:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts;
2. **Mental Health Assessments:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts Post-Adjudication (Non-Secure), Inter-County Contracts Post-Adjudication (Secure), External County Contracts Post-Adjudication (Non-Secure) and External County Contracts Post-Adjudication (Secure);
3. **Community Based Programs (General):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts;
4. **Community Based Programs (Mental Health):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts;
5. **Residential Programs and Services:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts Post-Adjudication (Non-Secure), Inter-County Contracts Post-Adjudication (Non-Secure), Inter-County Contracts Post-Adjudication (Secure);
6. **Post-Adjudication (Non-Secure):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts;
7. **Post-Adjudication (Secure):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External-County Contracts;
8. **Residential Mental Health Placement:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External-County Contracts.

E. Mental Health Services (MHS). The elements listed below are expenditures that can be reported under MHS.

1. **Mental Health Assessments:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts Post-Adjudication (Non-Secure), Inter-County Contracts Post-Adjudication (Secure), Inter-County Contracts Detention/Pre-Adjudication, External Contracts Post-Adjudication (Non-Secure), External Contracts Post-Adjudication (Secure), and External Contracts Detention/Pre-Adjudication;
2. **Community Based Programs (Mental Health):** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts, and External Contracts;
3. **Residential Programs and Services:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts Post-Adjudication (Non-Secure), Inter-County Contracts Post-Adjudication (Secure), Inter-County Contracts Detention/Pre-Adjudication, External-County Contracts Post-Adjudication (Non-Secure), External-County Contracts Post-Adjudication (Secure), External-County Contracts Detention/Pre-Adjudication;
4. **Residential Mental Health Placement:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts.

F. Prevention and Intervention (PI). The elements listed below are expenditures that can be reported under PI.

1. **Youth Services:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts.

2. **Mental Health Assessments:** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts.
3. **Community Based Programs (General)** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts.
4. **Community Based Programs (Mental Health)** Salaries and Fringe Benefits, Travel and Training, Operating Expenditures, Inter-County Contracts and External Contracts.

V. Financial Statement Requirements

The following elements should be included in the audited financial statements:

- A. Independent Auditor's Report
- B. Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-Regulatory Basis. The financial statements should include all TJJD grant funds, i.e. grants A, B, D, M, R, S, T and W. The Statement should be prepared using the accrual basis of accounting. Refunds paid to TJJD either during or subsequent to year end should be included below the Statement for memo purposes only since revenues would be reflected to the extent earned. Note that Grant W should be presented in a separate Statement of Revenues and Expenditures – Budget to Actual on a cumulative basis (only if approved to be spent over a two-year period). If approved to be spent in the same fiscal year as awarded, the grant funds should be presented in the Statement of Revenues and Expenditures along with other funds.
- C. Notes to the Financial Statements. The notes should, at a minimum, include:
 1. Summary of significant accounting policies should include a description of the following:
 - a. The reporting entity
 - b. Basis of accounting (accrual basis)
 2. Reconciliation of interest earned on funds received from TJJD, as follows:
 - a. The beginning balance, interest earned, interest expenditures, and ending balance.
 - b. A separate column to disclose interest earned on Title IV-E funds.
 - c. A statement should indicate if the Department has idle funds and if so, whether they were deposited in an interest bearing account.
 3. The operating costs of secure juvenile facilities. A separate expenditure schedule should be provided for each secure facility registered with TJJD. In a facility with non-secure and secure capacity, an allocation based on beds can be used, including funding from TJJD grants and reimbursement program funds.
 - a. 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.
 - b. Schedule of expenditures for each secure facility registered with TJJD, which includes TJJD grants, reimbursement program funds and local funds, as applicable.
 - i. The use of Title IV-E funds for secure placement is prohibited.
 - ii. Other TJJD expenditures disclosed in the note should agree to the financial statements or a reconciliation should be included.

- c. The categories of expenditures are as follows:
- i. **Salary and Fringe Benefits 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.
 - ii. **Travel and Training related expenditures** - Include all expenditures paid by the facility administration for travel and training expenses.
 - iii. **Operating related expenditures** - Include operating expenses such as utilities, building maintenance cost, office supplies and equipment.
 - iv. **Inter-County Contracts related expenditures** - include all expenditures paid from county to county.
 - v. **External Contracts related expenditures**-include all expenditures paid between the county and private entities.
4. Federal Financial Assistance. Departments receiving Title IV-E federal financial assistance are required to include a note disclosing receipts, on a cash basis, including direct and enhanced administrative claims for foster care, identified by contract/fiscal year.
5. Financial Match Requirements. The Grantee shall ensure that county funding for juvenile services, (i.e. juvenile probation services and juvenile justice programs) shall not be decreased or be supplanted by funding received under this grant. The Grantee shall certify that the amount of local or county funds expended for juvenile services is at least equal to or greater than the amount spent in the 2006 county fiscal year excluding construction and capital outlay expenditures.

The note to the financial statement should include the following:

- a. The total amount of local expenditures for FY 2018 (excluding construction and capital outlay expenditures)
 - b. The total amount of local expenditures for FY 2006 (excluding construction and capital outlay expenditures)
6. State Financial Assistance.
- a. Departments receiving Grant P funds for the Juvenile Justice Alternative Education Program are required to disclose the receipts on a cash basis by contract year.
 - b. Only those Departments receiving Grant W funds which have been approved to be spent over two years will disclose the amount of funds available to be carried forward to the subsequent year and the amount of funds that were brought forward from the preceding year. Departments who have received Grant W funds that were approved to be used in the same fiscal year are not required to provide this disclosure.
7. 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. This report should include audit findings related to internal controls based on the scope of the audit and list only the specific TJJD grant assurances that are applicable to the Department.
8. Schedule of Findings and Questioned Costs. The schedule should include the finding or questioned cost, affected grant, and 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.
9. Schedule of Prior Year Findings and Questioned Costs. This schedule should include the prior year finding or questioned cost, grant affected, 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. Financial Assurances

The following assurances have been copied from the contracts to provide a reference document: **PLEASE DO NOT INCLUDE THIS LIST IN THE AUDIT REPORT.**

A. **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 FY 2018-2019 contract: General Assurances are found in the State Financial Assistance Contract and General Grant Requirements 2018-6 – 2019-7 Biennium, Article VIII Section (G) Financial Assurances.

1. Separate accountability for the receipt and expenditure of all grant funds under the Contract is maintained for each grant from which the Grantee receives funds.
2. Expenditures reported to the Department are in agreement with the Grantee's accounting records and audited expenditures in each budget category.
3. Expenditures are made in accordance with the *Expenditure Guidelines* contained in *Appendix I* of this document and are supported by written documentation.
4. Salary expenditures under each grant are verified and supported by appropriate documentation for hours worked, activities performed, and leave taken. Employees whose salaries are funded 100% out of state funds shall be dedicated to juvenile justice programs and services only.
5. All travel expenses are supported by daily documentation of the individual traveling. The Grantee shall document date, destination, times, mileage, or odometer readings, and related travel activities.
6. Travel reimbursements paid with the grant funds, including travel allowances paid in lieu of mileage, are paid according to county policy and do not exceed travel reimbursement rates adopted by the county or per diem, lodging, and travel reimbursement rates established by the State of Texas in the General Appropriations Act.
 - a. **Lodging/Meals -**
 - i. The Grantee shall not exceed the allowable federal rates determined by area and time period within the requirements of the U.S. General Services Administration (GSA). The federal lodging rates are located at www.gsa.gov/portal/category/21287.
 - ii. Lodging rates not listed on the federal lodging rates website are \$93 per night.
 - b. **Mileage -** September 1, 2017 – December 31, 2017/\$0.53.5 per mile; January 1, 2018 – August 31, 2018/ \$0.54.5 per mile
7. The grant funds used for residential expenditures are paid for placement of a juvenile in a pre-adjudication detention secure facility, a short-term secure detention facility, a post-adjudication secure correctional facility, or a non-secure correctional facility, operated by or under the authority of the Grantee or another governmental entity.
8. The grant funds used for residential child-care facilities and out-of-state residential placement facilities do not exceed the Health and Human Services Commission's *Title IV-E Foster Care Rates* [TJJD-IVE-375]. This financial assurance does not apply to facilities that are registered with the Department.
9. The grant funds used for Department-registered facilities do not exceed the *Tier Level of Care Rates for Registered Facilities* [TJJD-FIS-175].
10. The grant funds are not expended for the purchase of equipment, renovation, or construction unless explicitly authorized by the Department within any Targeted Grant requirements. 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 eight thousand dollars (\$8,000).

11. Authorized capital purchases are capitalized and depreciated within the county accounting system.
 12. 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 Department.
 13. Refunds and reimbursements are properly accounted for as reductions of expenditures rather than as increases in revenues.
 14. Any funds not expended under the terms of each grant were/are returned to the Department according to the Unexpended Balances and Refunds Due provisions contained in Subsections VIII (D) (2) and VIII (D) (4), respectively.
 15. The amount of local or county funds expended, excluding construction and/or renovation for juvenile services, is at least equal to or greater than the amount spent in the 1994 county fiscal year.
 16. All employees with access to monies are covered by surety bonds.
 17. All county and state transactional funds, revenues, and expenses are separated.
 18. Idle funds are invested in an account that provides a reasonable interest rate and provides necessary protection of principal. Interest on grant funds is credited to the account of the juvenile probation department for the provision of juvenile probation services and juvenile justice programs.
- B. **Financial Match Requirements.** The Grantee shall certify that the amount of local or county funds expended for juvenile services is at least equal to or greater than the amount spent in the 2006 county fiscal year excluding construction and capital outlay expenses per the State Financial Assistance Contract, Article VIII, Section (C) Financial Match Requirements.
- C. **JJAEP Assurances.** Include general assurances listed above and individual assurances listed from the Juvenile Justice Alternative Education Program/JJAEP Grant 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 TJJD.
- D. **Title IV-E Assurances.** Include general assurances listed above and individual assurances listed from Title IV-E Federal Foster Care Reimbursement Program Requirements Section 27, 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 TJJD 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.

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. 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 TJJD is credited to the account for enhancing juvenile justice services;
5. Salary expenses reported on Title IV-E administrative reimbursement claims do not include travel allowances or emoluments;
6. Title IV-E specific training and general training costs reported on Title IV-E administrative claims are an accurate representation of costs;
7. Direct and indirect costs reported on Title IV-E administrative claims are an accurate representation of allowable expenses incurred on behalf of the Title IV-E Program.
8. 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 TJJD as prescribed by OMB-A-133.
9. 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.

APPENDICES

Appendix 1

INDEPENDENT AUDITOR'S REPORT

Members of the Board
The Sample County Juvenile Board
Sample County, Texas

We have audited the accompanying financial statements of the Texas Juvenile Justice Department Grant Funds of Sample County Juvenile Probation Department (Department), which comprise the statement of revenues, expenditures and changes in fund balances – budget and actual-regulatory basis for the year ended August 31, 2018 and the related notes to the financial statements. *[Note: If the financial statements include a balance sheet (which is optional), reference will include the balance sheet as of August 31, 2018].*

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Texas Juvenile Justice Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenue earned and expenditures incurred compared to budgeted revenues and expenditures of the Department's Texas Juvenile Justice Department Grant Funds for the year ended August 31, 2018, in accordance with the financial reporting provisions of the Texas Juvenile Justice Department as described in Note 1. *[Note: If the financial statements include a balance sheet, reference will include the balance sheet as of August 31, 2018].*

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of the Texas Juvenile Justice Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Texas Juvenile Justice Department. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 1, the financial statement presents the results of operations of the Department's Texas Juvenile Justice Department 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 States of America.

Other Matters*Other Information*

[Note: If supplementary information is included in the audit report, this paragraph is required. Refer to SAS No. 119 for additional information or modification of this sample].

Our audit was conducted for the purpose of forming an opinion on the accompanying financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The (refer to specific supplementary schedules) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. *(If applicable, the following is required for supplemental schedules not subjected to auditing procedures)* The supplemental schedules XYZ have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sample County's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of management, Sample County, others within Sample County Juvenile Probation Department and the Texas Juvenile Justice Department and is not intended to be and should not be used by anyone other than these specified parties.

Firm's signature

City, State

Date

Appendix 2

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 Standard*

(No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of Noncompliance or Other Matters Identified) – See Note Below

Independent Auditor's Report

Members of the Board
The Sample County Juvenile Board
Sample County, Texas

We have audited, in accordance with the 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, the financial statements of the Texas Juvenile Justice Department Grant Funds of Sample County Juvenile Probation Department, and have issued our report thereon dated _____.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample County Juvenile Probation Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was based on the scope of the audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sample County Juvenile Probation Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Firm's signature]

City and State

Date

NOTE: This sample report illustrates a report when there are no material weaknesses identified, no significant deficiencies identified, no reportable instances of noncompliance or other matters identified. Refer to the AICPA Audit Guide, Government Auditing Standards and the updated 2013 Circular A-133 Audit Guide (GAS-A133 Guide) which have been updated for the 2011 edition of Government Auditing Standards, as well as the new clarity auditing standards for sample auditor's reports which disclose material weaknesses, significant deficiencies or other reportable instances of noncompliance or other matters.

Appendix 3

(Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with Significant Deficiencies and Reportable Instances of Noncompliance, and Other Matters Identified, but No Material Weaknesses Identified)

**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**

SEE APPENDIX 2 NOTE

Appendix 4

The Balance Sheet is optional

SAMPLE BALANCE SHEET

Sample Juvenile Probation Department
Texas Juvenile Justice Department Grant Funds
Combined Balance Sheet – (Regulatory Basis)
August 31, 2018

	Grant Funds
ASSETS	
Cash	\$20,000
Total Assets	\$20,000
LIABILITIES	
Accounts Payable	\$20,000
Total Liabilities	\$20,000
FUND BALANCE	
Fund Balance	-
Total Liabilities and Fund Balance	\$ 20,000

Appendix 5

COUNTY NAME TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS

SAMPLE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BY CONTRACT BUDGET AND ACTUAL (REGULATORY BASIS)

FOR THE YEAR ENDED AUGUST 31, 2018

	Grant A-18-XXX			Grant R-18-XXX					
	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>			
Revenues:									
TJJD	\$600,000	\$ 575,000	\$ 25,000	\$14,000	\$10,000	\$4,000			
Funds									
Total Revenues	600,000	575,000	25,000	\$14,000	\$10,000	\$4,000			-
Expenditures:									
Basic Probation Services	550,000	525,000	25,000						-
Community Programs									
Pre Post Adjudications									
Commitment Division	-		-	-	-	-	-	-	-
Mental Health Services	50,000	50,000		-	-	-	-	-	-
Prevention and Interventi	-		-	-	-	-	-	-	-
Region	-		-	-	\$14,000	\$10,000	\$4,000	-	-
					-	-	-		
Total Expenditures	600,000	575,000	25,000	\$14,000	\$10,000	\$4,000			-
Excess Revenues over Expenditures	-	-	-	-	-	-	-	-	-
Fund Balance- Beginning of Year	-	-	-	-	-	-	-	-	-
Fund Balance-End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Additional Information: Refunds Paid to TJJD. (Include all refunds whether paid during or subsequent to year end)

8/15/2018 **\$25,000**

10/1/2018 **\$4,000**

Note: Departments receiving Grant W funds that are required to be spent within the same fiscal year should present those funds in this statement.

COUNTY NAME
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS

**SAMPLE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BY CONTRACT
BUDGET AND ACTUAL (REGULATORY BASIS)**

GRANT W 2018-XXX

(Note: This statement is required for Grants approved to be spent over a two-year period)

FOR THE PERIOD ENDED AUGUST 31, 2018

	TOTAL BUDGET	PRIOR YEAR. ACTIVITY	CURRENT YEAR ACTIVITY	TO DATE ACTIVITY	BUDGET VARIANCE
Revenues:					
TJJD Funds	\$ 200,000	\$ 150,000	\$ 50,000	\$ 200,000	\$ -
Total Revenues	\$ 200,000	\$ 150,000	\$ 50,000	\$ 200,000	\$ -
Expenditures:					
Salaries and Fringe Benefits	\$ 100,000	\$ 75,000	\$ 25,000	\$ 100,000	\$ -
Travel	-	-	-	-	-
Operating Expenditures	50,000	37,500	12,500	50,000	-
Inter-County Contracts	50,000	37,500	12,500	50,000	-
External Contracts	-	-	-	-	-
Total Expenditures	\$ 200,000	\$ 150,000	\$ 50,000	\$ 200,000	\$ -
Excess Revenues over Expenditures	-	-	-	-	-
Fund Balance-Beginning of Year	-	-	-	-	-
Fund Balance-End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

Additional Information: Refunds Paid to TJJD. (Include all refunds whether paid during or subsequent to year end).

Note: This statement is required for Grants approved to be spent over a two-year period.

Appendix 6

Notes to the Financial Statements

**COUNTY NAME JUVENILE PROBATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

The Texas Juvenile Justice Department Grant Funds of County Name (the Funds) were established to account for juvenile probation services funded by the Texas Juvenile Justice Department (TJJD) in County Name.

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

B. BASIS OF ACCOUNTING

The financial statements were prepared in conformity with the accounting practices prescribed by TJJD, which prescribes policies and procedures for county probation departments, which is a comprehensive basis of accounting other than generally accepted accounting principles. These accounting practices include the following:

- The financial statements are reported using the accrual basis of accounting. Revenues are recorded when all eligibility requirements have been met and expenditures are recorded when incurred.
- The accompanying financial statements do not represent financial statements prepared in accordance with provisions for governmental funds as prescribed by the Governmental Accounting Standards Board.
- The accompanying financial statements are prepared in a format to facilitate uniform financial reporting by county probation departments.

NOTE 2: RECONCILIATION OF INTEREST EARNED

Idle funds were maintained in an interest bearing account. The reconciliation of interest earned on funds received from TJJD is as follows:

	Interest earned TJJD Funds <u>FY 2018</u>	Interest earned Title IV-E Funds <u>FY 2018</u>	Total <u>Interest</u>
Beginning balance, Sept 1, 2017	\$4,000	\$5,000	\$9,000
Interest earned on funds received from the period of 9/01/16– 8/31/17	<u>2,000</u>	<u>4,000</u>	<u>6,000</u>
Total Interest at Aug 31, 2018	\$6,000	\$9,000	\$15,000
Minus interest expenditures in FY 2018	(---)	(---)	(---)
Ending Balance, Aug 31, 2018	<u>\$6,000</u>	<u>\$9,000</u>	<u>\$15,000</u>

Note to Auditor: If the Department does not have idle funds, a statement and reason should be included.

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

The Department operates two secure juvenile facilities—a post-adjudication and pre-adjudication facility. The schedule of expenditures for each facility is as follows:

Operating Costs
Texas County Post-Adjudication Facility
For the Year Ended August 31, 2018

	<u>TJJD</u> <u>Funding</u>	<u>Local</u> <u>Funding</u>	<u>Total</u>
Salary and Fringe	\$ 50,000	\$ 250,000	\$ 300,000
Travel and Training	-	20,000	20,000
Operating Expenses	20,000	10,000	30,000
Inter-County Contracts	-	15,000	15,000
External Contracts	10,000	10,000	20,000
	<hr/>		
Total Operating Expenditures	<u>\$80,000</u>	<u>\$305,000</u>	<u>\$385,000</u>

Operating Costs
Texas County Pre-Adjudication Juvenile Facility
For the Year Ended August 31, 2018

	<u>TJJD</u> <u>Funding*</u>	<u>Local</u> <u>Funding</u>	<u>Total</u>
Salary and Fringe	\$100,000	\$150,000	\$250,000
Travel and Training	-	10,000	10,000
Operating Expenses	-	200,000	200,000
Inter-County Contracts	-	40,000	40,000
External Contracts	-	10,000	10,000
	<hr/>		
Total Operating Expenditures	<u>\$100,000</u>	<u>\$410,000</u>	<u>\$510,000</u>

- TJJD Funding is provided from:
Grant A - \$40,000

Note to Auditor: If the Department does not operate a secure juvenile facility, the following statement should be included:

The Department does not operate a secure juvenile facility.

NOTE 4: FEDERAL FINANCIAL ASSISTANCE

The Texas Juvenile Justice Department administers along with the Texas Department of Family and Protective Services, the Title IV-E Program (CFDA 93.658). TJJD disburses funds to County Name on a cost reimbursement basis. A confirmation of revenue receipted in the year ending August 31, 2018 is required and presented below. This includes receipts for direct and enhanced administrative foster care claims.

	Amount Received (Cash Basis)
<u>Title IV-E Contract Number</u>	<u>August 31, 2018</u>
E-14-XXX	\$ 30,000
E-15-XXX	10,000
E-16-XXX	200,000
E-17-XXX	100,000
Total	<u>\$ 330,000</u>

NOTE 5: FINANCIAL MATCH REQUIREMENTS

To receive Texas Juvenile Justice Department state funds, the juvenile probation departments are required to certify that the amount of local or county funds expended for juvenile services is at least equal to or greater than the amount spent in the 2006 county fiscal year excluding construction and capital outlay expenses. A confirmation of local funds for the year ending August 31, 2018 is required and presented below:

	<u>Local Funding Expended (less construction and capital outlay)</u>
FY 2018	\$50,000
FY 2006	\$40,000

The juvenile probation department certified the financial match requirements were fulfilled in FY 2018

Note to Auditor: If the financial match requirement was not achieved, it should be stated as a finding in the "Schedule of Findings and Questioned Costs" for the current fiscal year.

NOTE 6: STATE FINANCIAL ASSISTANCE

- a. The Texas Juvenile Justice Department provided the County the following funds for the JJAEP Juvenile Reimbursement Grant funds. A confirmation of revenue receipted in the year ending August 31, 2018 is required and presented below.

	Amount Received (Cash Basis)
<u>Contract Number</u>	<u>August 31, 2018</u>
P-17-XXX	\$ 33,000
P-16-XXX	\$ 57,000

- b. The Texas Juvenile Justice Department provided approval for the County for the following funds: Grant W Juvenile Justice Alternative Education Program Discretionary Grant funds that can be used over a two year period. The following indicates the amounts that are available to be carried forward to the subsequent year and amounts that were expended from prior year contracts.

	Amount Carried Forward to Fiscal Year August 31, 2018	Amount Brought Forward From Fiscal Year August 31, 2017
<u>Contract Number</u>		
W-15-XXX		\$ 30,000
W-16-XX		\$ 20,000
W-17-XXX	\$ 70,000	

- c. The Texas Juvenile Justice Department provided the County the following funds for the Grant R- Regional Diversion Alternatives (RDA) Program **Reimbursement** Grant funds. A confirmation of revenue receipted in the year ending August 31, 2018 is required and presented below.

<u>Contract Number</u>	Amount Received (Cash Basis)
R-2018-xxx	August 31, 2018
Total	\$ 4,850

Appendix 7

SAMPLE FINDINGS AND QUESTIONED COSTS

County Name Juvenile Probation Department
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2018

FINDING NO. 2018-1

Affected Grant:

A reference to the affected grant is required to be disclosed

Criteria

The State's maximum allowable rate for meal reimbursement is xxxxx.

Condition:

The Department's travel mileage reimbursement rate exceeds the state's maximum allowable rate.

Cause

The individual responsible for approving the reimbursement was not aware of the State's reimbursement rates.

Effect

As a result of this finding, a refund from Grant A, in the amount of \$25, is due to TJJD.

Recommendation:

Training should be provided to individuals responsible for approving travel reimbursements.

Questioned Cost:

As a result of this finding, a refund from Grant A, in the amount of \$50, is due to TJJD.

Corrective Action Plan/Management Response:

The County Name Juvenile Probation Department will use local funds to cover the difference between the maximum allowable rate and the Department's reimbursement rate. A refund in the amount of \$50 will be forwarded to TJJD on or about Date.

Person Responsible for Finding Resolution

Chief Financial Officer

Target Completion Date

February 4, 2019

FINDING NO. 2018-2

Affected Grant:

A reference to the affected grant is required to be disclosed

Criteria

The County's actual expenditures, by category, may not exceed the final approved budget by more than 5% .

Condition:

The County exceeded Inter-County Contract expenditures by 7%.

Cause

The individual responsible for approving the contract expenditures did not submit a request for budget amendment prior to spending State funds.

Effect

As a result of this finding, \$2,500 of Inter-County Contract expenditures are questioned.

Recommendation:

The individual responsible for approving grant expenditures should review monthly expenditure reports and current obligations. The County should adopt an encumbrance system to ensure all obligations are recorded in a timely basis.

Questioned Cost:

As a result of this finding, a refund of \$2,500 may be owed to TJJD

Corrective Action Plan/Management Response:

The Juvenile Probation Department will adopt procedures to ensure that the County does not obligate expenditures in excess of the approved budget in the future. A refund in the amount of \$2,500 will be forwarded to TJJD on or about Date.

Person Responsible for Finding Resolution

Chief Financial Officer

Target Completion Date

February 4, 2019

Note to Auditor: If the Department did not have findings, the schedule of findings and questioned costs schedule should be included, stating the following:

There were no findings or questioned costs in the current year.

Sample County Juvenile Probation Department
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended August 31, 2018

FINDING NO. 2018-1

Affected Grant:

All Grants.

Condition:

One employee is responsible for cash receipting, recording and reconciling the bank account.

Recommendation:

The Department should fill the vacant position as soon as possible and assign this individual the receipting responsibilities. Compensating controls should be implemented for any duties which cannot be segregated.

Current Status:

The Accounting Clerk position was filled on February 18, 2018 and the cash handling activities were segregated from the Business Manager.

Questioned Costs: N/A

Note to Auditor: If the Department did not have prior year findings or questioned costs; the schedule of prior year findings and questioned costs should be included, stating the following:

There were no findings or questioned costs in the prior year.