

**Tennessee Board of Probation and Parole**

**For the Years Ended  
June 30, 2000, and June 30, 1999**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

**John G. Morgan**  
Comptroller

August 6, 2001

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Charles M. Traugher, Chairman  
Tennessee Board of Probation and Parole  
404 James Robertson Parkway  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Probation and Parole for the years ended June 30, 2000, and June 30, 1999.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/mb  
01/089



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
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August 6, 2001

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Board of Probation and Parole for the years ended June 30, 2000, and June 30, 1999.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Tennessee Board of Probation and Parole's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Tennessee Board of Probation and Parole is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report. The board's administration has responded to the audit finding; we have included the response following the finding. We will follow up the audit to examine the application of the procedures instituted because of the audit finding.

We have reported other less significant matters involving the board's internal controls and/or instances of noncompliance to the Tennessee Board of Probation and Parole's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA  
Director

AAH/mb

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Tennessee Board of Probation and Parole**  
For the Years Ended June 30, 2000, and June 30, 1999

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## AUDIT SCOPE

We have audited the Tennessee Board of Probation and Parole for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of equipment, expenditures, fee assessment and collection, and compliance with the Financial Integrity Act. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

## AUDIT FINDING

### **The Board Needs to Strengthen Controls Over Equipment \*\***

The Tennessee Board of Probation and Parole had numerous discrepancies relating to the proper recording of required equipment information on the Property of the State of Tennessee (POST) system (page 5).

\*\* This finding is repeated from prior audits.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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**Audit Report**  
**Tennessee Board of Probation and Parole**  
**For the Years Ended June 30, 2000, and June 30, 1999**

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# **Tennessee Board of Probation and Parole For the Years Ended June 30, 2000, and June 30, 1999**

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## **INTRODUCTION**

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### **POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of the Tennessee Board of Probation and Parole. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

### **BACKGROUND**

On July 1, 1999, the Community Corrections Division (formerly part of the Department of Correction) merged with the Tennessee Board of Paroles and became the Tennessee Board of Probation and Parole. The authority for this merger was Public Chapter 1049 of the 100<sup>th</sup> Tennessee General Assembly.

The mission of the Tennessee Board of Probation and Parole is “to minimize public risk and promote lawful behavior by the prudent, orderly release and community supervision of adult offenders.”

Section 40-28-117(a), *Tennessee Code Annotated*, declares that parole is a privilege, not a right, and consequently,

No prisoner shall be released on parole merely as a reward for good conduct or efficient performance of duties assigned in prison, but only if the board is of the opinion that there is reasonable probability that such prisoner, if released, will live and remain at liberty without violating the law, and that the prisoner’s release is not incompatible with the welfare of society.

Likewise, probation is a sentence passed by a court of law. As indicated in Section 40-35-303(b), *Tennessee Code Annotated*,

A court shall have authority to impose probation as part of its sentencing determination at the conclusion of the sentencing hearing. There shall be no “petition for probation” filed by the defendant, and probation shall be automatically considered by the court as a sentencing alternative for eligible defendants.

The duties of the Tennessee Board of Probation and Parole are to determine whether to grant parole to felons, to supervise the parolees upon their release, and to supervise those individuals placed on probation by the court system.

An organization chart of the board is on the following page.

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## AUDIT SCOPE

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We have audited the Tennessee Board of Probation and Parole for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of equipment, expenditures, fee assessment and collection, and compliance with the Financial Integrity Act. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

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## PRIOR AUDIT FINDINGS

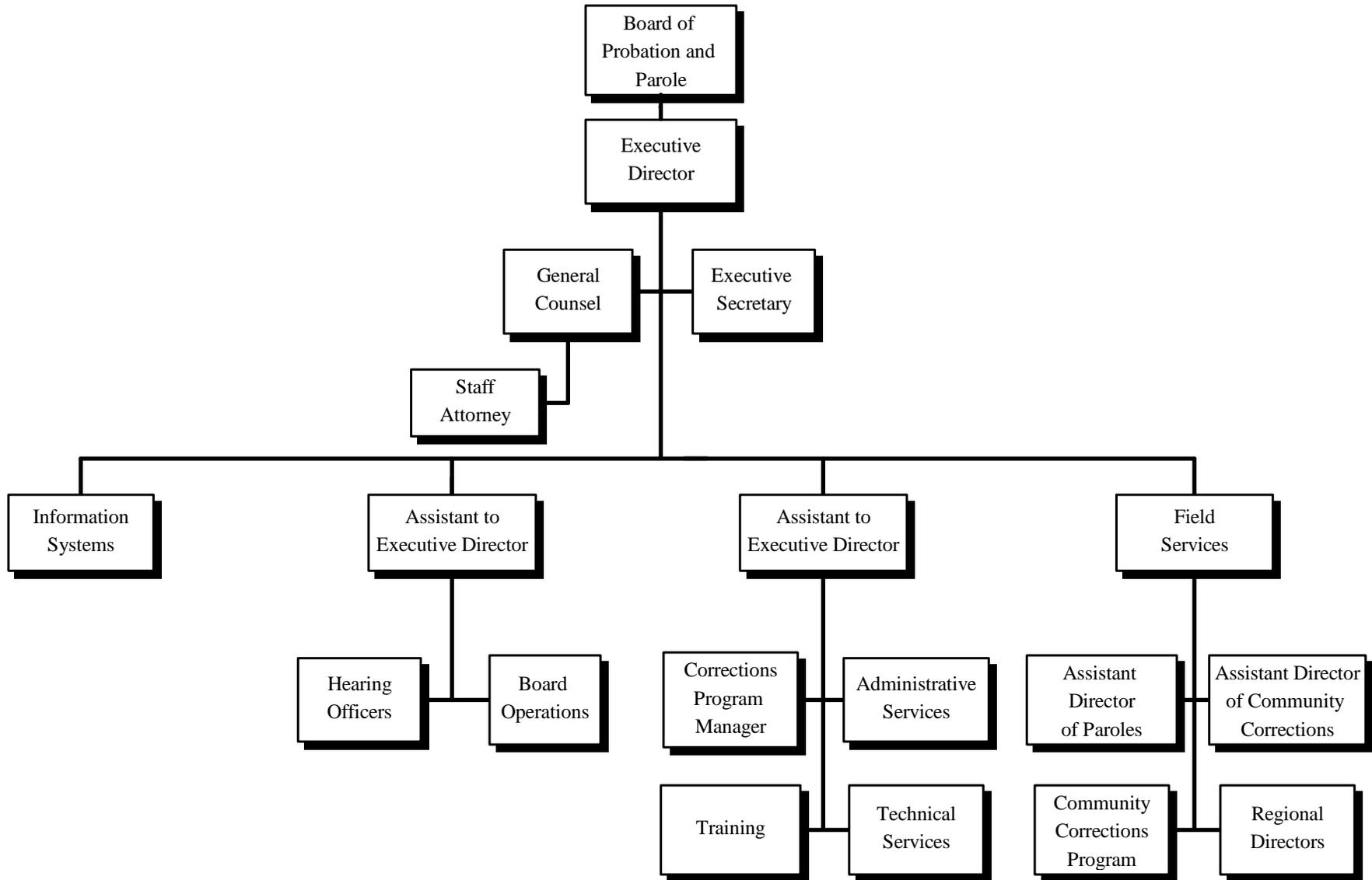
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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. A follow-up of all prior audit findings was conducted as part of the current audit.

## RESOLVED AUDIT FINDING

The current audit disclosed that the Tennessee Board of Probation and Parole has corrected a previous audit finding concerning the failure of the board to submit its annual report to the Governor in a timely manner.

# Tennessee Board of Probation and Parole Organization Chart



## **REPEATED AUDIT FINDING**

The prior audit report also contained a finding concerning the board's need to strengthen controls over equipment. This finding has not been resolved and is repeated in the applicable section of this report.

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## **OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS**

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### **EQUIPMENT**

The objectives of our review of equipment controls and procedures at the Tennessee Board of Probation and Parole were to determine whether

- equipment was adequately safeguarded;
- policies and procedures regarding equipment were adequate;
- the information on the board's equipment listed in the Property of the State of Tennessee (POST) system is accurate and complete;
- lost, stolen, and surplused items were removed from POST;
- equipment purchased during the audit period was properly recorded in POST;
- access to POST is limited to persons whose job duties require it; and
- equipment leased from the Office for Information Resources is being properly maintained.

We interviewed key board personnel and reviewed supporting documentation to gain an understanding of the board's equipment procedures and controls. We compared the board's internal policies and procedures with state requirements to determine the adequacy of the board's equipment policies and procedures. Nonstatistical samples of equipment items were selected for observation or confirmation. The information on the equipment was compared to the information on POST. Equipment items observed in the offices visited were also compared to POST. In addition, we observed physical security at each of the offices visited.

We determined that some items could not be physically located and numerous equipment items were not properly recorded on POST, as discussed in the finding. Some equipment leased from OIR could not be physically located, and several of these items were not properly recorded in POST. We determined that the policies and procedures regarding equipment were adequate; however, personnel were not always following those policies and procedures when dealing with the surplus and transfer of equipment, as discussed in the finding. The surplus or transfer of equipment was not always shown in POST. Access to POST is limited to those individuals

whose job duties require it. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

### **The Board of Probation and Parole needs to strengthen controls over equipment**

#### **Finding**

As stated in the prior two audits, the Board of Probation and Parole needs to strengthen controls over equipment. Management concurred with the prior findings; however, problems remain.

During the current audit, 38 of 120 equipment items tested (31.7%) could not be located. Of those 38 items, six had supposedly been surplused; however, no documentation of this could be located by the auditee. Seventy of 112 items tested (62.5%) were not in the location specified in the Property of the State of Tennessee (POST) system. In addition, the serial numbers in POST did not agree with the actual equipment item for 23 of 112 items tested (20.5%). Also, 7 of the 112 items tested (6.3%) did not match the description of each item given in POST.

The board leases computer equipment from the Office for Information Resources (OIR). Of the 60 selected equipment items tested leased from OIR, 9 (15%) could not be located. Three of the 51 items tested (5.9%) were not in the location specified in the OIR billing system within POST. Also, the serial numbers in the OIR billing system did not agree with the actual equipment for 7 of the 51 items tested (13.7%). For 2 of the 51 items tested (3.9%), a state tag was not affixed to the equipment.

The Department of General Services' *Annual Inventory Memorandum* stipulates that each agency must identify and tag property assigned to it and prepare the necessary information to establish and update the property records. Failure to properly record equipment weakens accountability for equipment and may result in the loss of equipment.

In response to the prior audit finding, management commented that a new position, the Agency Lease Management and Property Officer, had been received in order to facilitate the strengthening of controls over equipment. One of his duties would be to make an on-site inspection of all offices to verify the description, serial number, tag number, and location of all equipment. Since March 1999, the date that the position was filled, only a few inspections have been made.

Management also stated that staff would be trained on the importance of submitting documentation when equipment was transferred within the agency. Training is given annually to an individual responsible for equipment in the regional offices. However, there are many field offices whose employees do not receive this training on procedures for equipment. During the audit, the following instances were noted of deficiencies in internal controls due to lack of training:

- One employee in a regional office stated that her procedures for transferring equipment within the board were to remove the item from her own inventory and inform the receiving office to include the new item on its inventory listing. This procedure does not follow state guidelines to document the transfer and enter the new location into POST.
- One employee in the central office completed 457 transfer forms. However, none of these forms were given to the property officer for entering into POST.
- One hundred computer terminals purchased through OIR were not added to POST. These terminals are purchased by OIR through a restricted state contract. OIR's procedures indicate that OIR will purchase these items and bill the various agencies throughout the state that buy these terminals. After the board is billed for the terminals, the property officer should enter these items into POST as either sensitive equipment or capitalizable equipment as applicable. These procedures were not followed in this instance.

### **Recommendation**

Management should assign specific responsibility and provide appropriate training to an employee within each office for equipment accountability. These responsibilities should include conducting a physical inventory of the equipment annually, transferring and surplus equipment, reporting lost or stolen items to ensure that proper procedures are followed, and maintaining the board's equipment listing. Employees assigned this responsibility should promptly notify the property officer when changes occur. The property officer should enter any changes into POST as soon as he is made aware of those changes. Upper management should monitor controls over equipment to ensure that all applicable regulations and procedures are followed.

### **Management's Comment**

We concur. Of the six items that could not be located and were supposedly surplus, four have been located. One item, a fax machine, is in our Johnson City Office; the other three are thin client computers located in the Knoxville Office.

The merger of Probation and the Board of Paroles occurred during the audit period. In part, due to the large influx of staff and equipment, physical office changes, and the lack of an accurate and inclusive inventory of equipment being transferred to the Board of Probation and Parole, some equipment did not get inventoried properly. Also, during the audit period the agency embarked on a large office automation and Local Area Network (LAN) project. This project requires replacing equipment currently issued to agency staff with LAN-ready equipment.

Currently owned equipment that can be upgraded to LAN-ready status is then reassigned to a different staff member as part of the project. Equipment that is usable, but not able to be

made LAN-ready, is issued to staff at offices that have not yet been included in the LAN project. All other agency-owned equipment that cannot be used is surplus. Equipment leased from OIR is returned and the lease is canceled. While this saves the agency (and the state) a considerable amount of money and lowers the total cost of the project, a side effect is the constant churning of inventory.

The Information Systems Division (ISD) is currently implementing a new inventory tracking system to keep up with equipment transfers. ISD is working closely with the agency's fiscal group to make sure all equipment transfers are reported in a timely manner.

We plan to visit and inspect all site locations during the on-site office property inspection. Serial numbers will be checked against POST information as well as tag numbers and location. After changes are made in POST, the information will be verified in Fiscal Services by a comparison of the inventory records with POST records. The description of the seven items have been changed in POST to reflect the actual item.

The on-site property inspections will include OIR property as well as agency-owned property. This information will also be verified in Fiscal Services.

During the past two calendar years, the agency's property officer has been on extended medical leave on three separate occasions.

Starting this fiscal year, site visits will be made to each office and each community service contractor by the property officer or by technical service staff.

This fiscal year everyone will be trained on property procedures as well as having videotapes available as new people come on board. Local procedures will be developed in order to maintain continuity in inventory control. Staff will be trained on these procedures. The procedures and training records will be reviewed as part of the on-site inspections.

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## **EXPENDITURES**

The objectives of our review of equipment controls and procedures at the Tennessee Board of Probation and Parole were to determine whether

- expenditures were supported by adequate documentation;
- expenditures were recorded in the State of Tennessee Accounting and Reporting System (STARS) properly;
- expenditures were properly approved and in accordance with applicable policies and regulations;
- expenditures were paid within 45 days of the receipt of the invoice;
- accounting records were reconciled to STARS;

- contract expenditures were in compliance with contract terms as well as purchasing guidelines;
- voucher registers were only approved by authorized persons; and
- access to the state's computer applications was properly restricted.

We interviewed key board personnel to gain an understanding of the board's procedures and controls over expenditures. We obtained and reviewed applicable sections of the Board of Probation and Parole's *Policies and Procedures Manual*. Testwork was performed on a nonstatistical sample of expenditures to ensure that purchases were adequately documented and approved and complied with state and board policies and procedures. Testwork was also performed to determine that access to the state's computer applications is restricted to those individuals who need the access to perform their day-to-day job duties.

We determined that expenditures were supported by adequate documentation and were properly recorded in STARS. Accounting records reconciled to STARS, and contract expenditures were in compliance with contract terms. We also determined that expenditures, for the most part, were properly approved and in accordance with applicable policies and regulations. Expenditures were usually paid within 45 days of the receipt of the invoice. Voucher registers were only approved by authorized personnel. Access to the state's computer applications was properly restricted. Although we had no findings related to expenditures, minor weaknesses were reported to management in a separate letter.

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## **FEE ASSESSMENT AND COLLECTION**

The objective of our review of the procedures and controls over probation and parole fee assessment and collection at the Tennessee Board of Probation and Parole was to determine whether the probation and parole programs have adequate controls in place to ensure the collection of fees mandated under Section 40-28-201, *Tennessee Code Annotated*.

We interviewed key board personnel to gain an understanding of the board's procedures and controls over fee assessment and collection. We obtained and reviewed applicable sections of *Tennessee Code Annotated* and the Board of Probation and Parole's *Policies and Procedures Manual*. Testwork was performed on a nonstatistical sample of probation and parole fee assessments and collections to ensure that fee exemptions were documented and that supervisory and Criminal Injury Compensation Fund fees were collected in a timely manner or that staff took appropriate action to address the offender's arrearage.

We determined that the board has adequate controls in place over the probation and parole programs and that fee exemptions were adequately documented. Supervisory and Criminal Injury Compensation Fund fees were collected in a timely manner, or staff took the appropriate action to address the offender's arrearage in most instances. Although we had no findings related to fee assessment and collection, minor weaknesses were reported to management in a separate letter.

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## FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30, 1999, and each year thereafter. In addition, the head of each executive agency is also required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

Our objectives were to determine whether

- the board's June 30, 2000, and June 30, 1999, responsibility letters and December 31, 1999, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation to support the board's evaluation of its internal accounting and administrative control was properly maintained;
- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*; and
- corrective actions have been implemented for weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the internal accounting and administrative control report to gain an understanding of the board's procedures. We also reviewed the supporting documentation for these procedures. We reviewed the June 30, 2000, and June 30, 1999, responsibility letters and the December 31, 1999, internal accounting and administrative control report submitted to the Comptroller of the Treasury and to the Department of Finance and Administration to determine adherence to submission deadlines. To determine if corrective action plans had been implemented, we interviewed management and reviewed supporting documentation as considered necessary.

We determined that the Financial Integrity Act responsibility letters were not submitted on time, the internal accounting and administrative control report was submitted on time, support for the internal accounting and administrative control report was properly maintained, and procedures used were in compliance with *Tennessee Code Annotated*. Corrective action was being taken on the weaknesses noted.

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## APPENDIX

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### ALLOTMENT CODES

Fiscal year 1999

316.29 Board of Paroles

Fiscal year 2000

324.02 Probation and Parole Services

324.04 Community Correction