

Tennessee Board of Probation and Parole

June 2003

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

State Capitol
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John G. Morgan
Comptroller

June 5, 2003

The Honorable Phil Bredesen, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Charles M. Traughber, 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 period July 1, 2000, through February 28, 2003.

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/th
03/038



**STATE OF TENNESSEE
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March 14, 2003

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 period July 1, 2000, through February 28, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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/th

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 Period July 1, 2000, Through February 28, 2003

AUDIT SCOPE

We have audited the Tennessee Board of Probation and Parole for the period July 1, 2000, through February 28, 2003. 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, computer system security, and compliance with the Financial Integrity Act. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDING

The Board of Probation and Parole Did Not Always Enforce Payment of Assessed Fees or Properly Maintain Probationer Files

The Board of Probation and Parole did not always take the necessary steps to enforce collection of probationer/parolee fees. In addition, board staff could not locate five probationer case files.

"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 Period July 1, 2000, Through February 28, 2003

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Tennessee Board of Probation and Parole For the Period July 1, 2000, Through February 28, 2003

INTRODUCTION

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

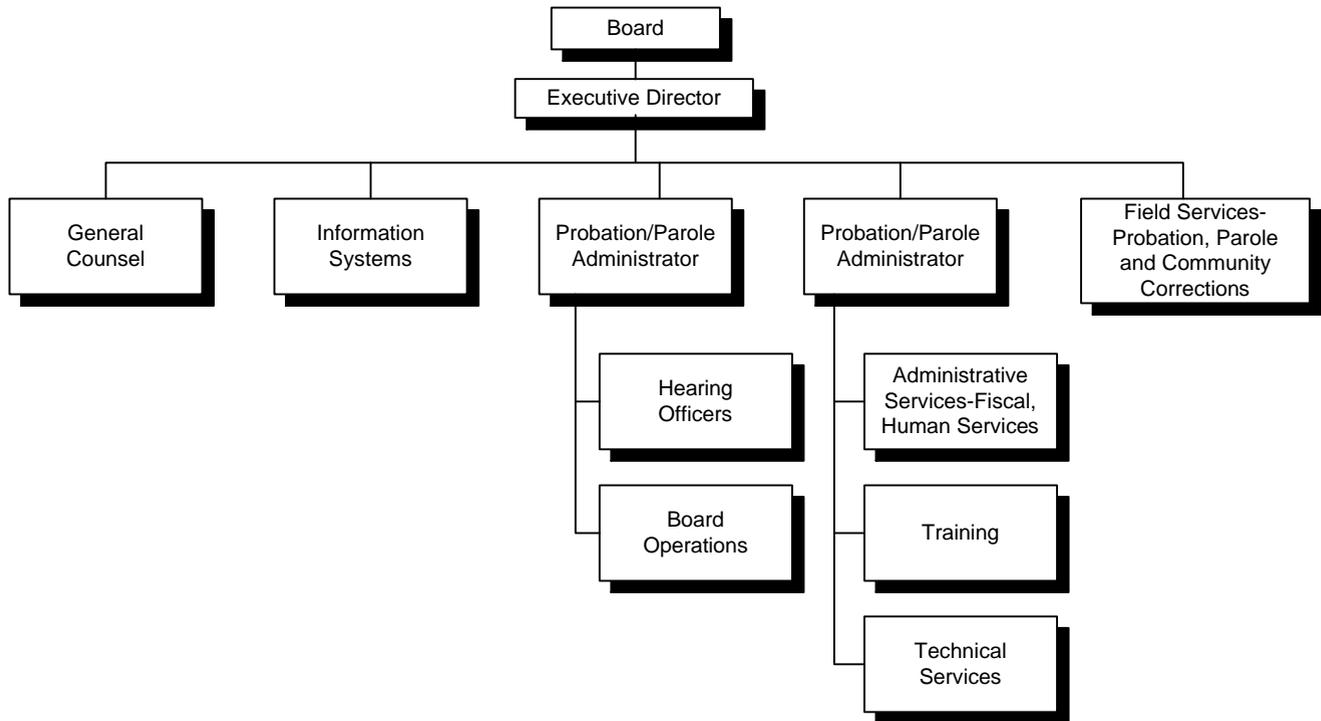
The Tennessee Board of Probation and Parole is an independent state commission composed of seven full-time board members appointed by the Governor. The board is charged with the responsibility for deciding which felony offenders will be granted parole and released from incarceration to community-based supervision. Along with the supervision of those granted parole, the board is also responsible for supervising felony offenders who are placed on probation by criminal courts. 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.”

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

AUDIT SCOPE

We have audited the Tennessee Board of Probation and Parole for the period July 1, 2000, through February 28, 2003. 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, computer system security, and compliance with the Financial Integrity Act. The audit was conducted in accordance with auditing standards generally

Tennessee Board of Probation and Parole Organization Chart



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.

PRIOR AUDIT FINDING

RESOLVED AUDIT FINDING

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. The Tennessee Board of Probation and Parole filed its report with the Department of Audit on February 1, 2002. A follow-up of the prior audit finding was conducted as part of the current audit. The current audit disclosed that the Tennessee Board of Probation and Parole has substantially improved the controls over equipment; therefore, the finding was not repeated.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

EQUIPMENT

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

- 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;
- equipment purchased during the audit period was properly recorded in POST;
- proper procedures were followed concerning lost, stolen, or surplus items;
- information on the billings for equipment leased from the Office for Information Resources (OIR) is accurate; and
- equipment was adequately safeguarded.

We interviewed key board personnel and reviewed supporting documentation to gain an understanding of the board's equipment procedures and controls. We tested a nonstatistical sample of equipment in POST on January 15, 2003, and a nonstatistical sample of equipment purchased from July 1, 2000, through November 30, 2002. Equipment items were located or

confirmed, and description, tag number, serial number, and location were traced to POST. For the items tested that were purchased during the audit period, the cost recorded in POST was traced to supporting documentation. We also reviewed the procedures over lost, stolen, or surplused items. In addition, we selected a nonstatistical sample of equipment leased from the Office for Information Resources during December 2002 to determine if the information on the billing was accurate. Finally, we observed physical security over equipment at the central office.

We determined that the board's policies and procedures related to equipment were adequate. We determined that the information on the board's equipment listed in POST was generally accurate and complete. We also determined that equipment purchased during the audit period was properly recorded in POST with minor exceptions. In addition, we determined that proper procedures were followed for lost, stolen, or surplused equipment. We determined that information on the billings from OIR was accurate with minor exceptions. Finally, we determined that physical security over equipment at the central office was adequate. Although we had no findings related to equipment, minor weaknesses were reported to management in a separate letter.

EXPENDITURES

Our objectives for reviewing controls and procedures related to expenditures 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 made in accordance with applicable policies and regulations;
- expenditures were paid within 45 days of the receipt of the invoice;
- contract expenditures were in compliance with contract terms;
- accounting records were reconciled to STARS; and
- voucher registers were properly approved.

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 Tennessee 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, properly recorded, and properly approved and that purchases complied with state and board policies and procedures.

We determined that expenditures were supported by adequate documentation, were properly recorded in STARS, were properly approved, and were made in accordance with applicable policies and regulations. Expenditures were paid within 45 days of the receipt of the invoice, and contract expenditures were in compliance with contract terms. Accounting records were being reconciled to STARS, and voucher registers were properly approved. Although we had no findings related to expenditures, a minor weakness was reported to management in a separate letter.

FEE ASSESSMENT AND COLLECTION

The Tennessee Board of Probation and Parole supervises and facilitates the reintegration of probationers and parolees into the community. The division also collects fees from eligible probationers and parolees. State statutes require any person placed on probation or parole to contribute up to \$30 per month to the Criminal Injuries Compensation Fund and \$15 per month toward the cost of his or her supervision and rehabilitation, based on ability to pay.

The objectives of our review of the procedures and controls over probation and parole fee assessment and collection were to determine whether

- the probationer/parolee was assessed the appropriate fee;
- probationer/parolee income was verified by the probation/parole officer or an exemption form was completed and approved by the officer's supervisor;
- documentation was available to support fee waivers, if applicable;
- appropriate fee collection efforts were made for outstanding fees, if applicable;
- monthly reporting forms were properly completed and located in the probationer/parolee files; and
- written documentation of probationer/parolee efforts to obtain a job were in the files, if applicable.

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*. We also reviewed a nonstatistical sample of probationer/parolee case files.

We determined that appropriate fees were assessed or fee waivers were properly documented. We determined that probationer/parolee income was verified by the probation/parole officer or an exemption form was completed and approved by the officer's supervisor. In addition, we determined that monthly reporting forms were properly completed and located in the probationer/parolee files and that written documentation of unemployed probationer/parolee efforts to obtain a job was in the files. However, we concluded that fee collection efforts were not always made for outstanding fees, as discussed in the following

finding. In addition, five of the probationer files selected for testwork could not be located by board staff, as discussed in the finding.

The Board of Probation and Parole did not always enforce payment of assessed fees or properly maintain probationer files

Finding

The Board of Probation and Parole did not always take the necessary steps to enforce collection of probationer/parolee fees. In addition, board staff could not locate five probationer case files.

The probation/parole officers did not make any collection efforts for outstanding fees from 3 of 21 probationers/parolees tested (15%). Section 40-28-201, *Tennessee Code Annotated*, requires any person placed on probation or parole to contribute up to \$30 per month to the Criminal Injuries Compensation Fund and \$15 per month toward the cost of his or her supervision and rehabilitation, based on ability to pay. In these three cases, the probation/parole officer had determined that the probationer/parolee had the ability to pay and assessed them a fee.

Section 40-28-201, *Tennessee Code Annotated*, states that “in the event of over two (2) months’ arrearage or delinquency in making either or both of such contributions, such arrearage or delinquency shall constitute sufficient ground for revocation of the parole, probation or other release program of the person in arrears.” The board’s fee manual states that “a violation report shall be presented to the court/board for ninety (90) days arrearage before 120 days have elapsed.” The three probationers/parolees were from 3 to 36 months late in paying their monthly assessed fees; however, there was no documentation of collection efforts or of a violation report being filed.

In addition, the Board of Probation and Parole staff could not locate 5 of 75 probationer files selected for fee assessment testwork (7%). According to management, these files may have been prematurely destroyed. These case files have been closed; however, they were active at some point during the audit period. In the field office where these files should have been located, the filing system for closed files was disorganized. Some files were stored in unmarked boxes in several different places, and there were also files stacked on tables. Board policy T706.01, paragraph VI.G., states, “Records of discharged offenders shall be destroyed after a three (3) year period.”

Recommendation

Board of Probation and Parole management should ensure that all probation/parole officers follow the board’s fee manual and take the necessary steps to enforce fee collections. In addition, management should ensure that all probationer/parolee files are maintained and filed systematically so they are easily and immediately accessible.

Management's Comment

We concur. Offender fees are now included as a part of the overall compliance scores for staff standards of supervision compliance in an electronic report (BI01MJT) that is generated monthly and reviewed by management. Each officer's caseload is now monitored monthly in this report. High noncompliance scores will alert the supervisory staff of potential problems. Additionally, the Tennessee Offender Management Information System (TOMIS) will now automatically notify the officer of offenders who are in arrears and generate a letter to those offenders who are noncompliant with fee policy. The management information regarding staff compliance was implemented in March 2003. The three cases with fee findings were not subject to this new process. We believe this new system will help us avoid these types of findings in the future.

The five probationer files that could not be located were not active supervision case files but had been active at some time during the audit period. In other words, the supervision period and our jurisdiction had expired, but the files had not yet been subject to audit. This finding was made in Nashville where we have had only one location (until August 2002) to store thousands of closed offender files. Storage space is very limited at that location. Further, Nashville has one of the highest concentrations of offenders in the state (8,000 offenders). Imaging of files is cost prohibitive but has been considered by the agency. However, since the audit, the file room has been better organized and files stored more properly. In September 2003, we will move to a second location with more storage space available for closed files. We believe this will help us to better address the situation.

COMPUTER SYSTEM SECURITY

The board uses the State of Tennessee Accounting and Reporting System (STARS) to account for its financial activities, the Tennessee On-line Purchasing System (TOPS) to handle purchases of goods and services, the State Employee Information System (SEIS) to record payroll and personnel activity, and the Property of the State of Tennessee (POST) system to maintain accountability over its equipment. Our objectives in reviewing this area were to determine whether

- access to these applications was revoked timely when employees were terminated;
- access is limited to those employees whose job duties require it; and
- the level of access creates an adequate segregation of duties.

To accomplish these objectives, we interviewed key employees to gain an understanding of internal controls. We obtained from our information systems staff listings of all persons who had access to Tennessee Board of Probation and Parole allotment codes in STARS, TOPS, SEIS, and POST and their level of access. We tested a nonstatistical sample of users who had active access to STARS and TOPS. In addition, we tested all active users who had access to SEIS and POST. We tested the selected persons to determine if they were active employees as of the date

of the listings, if the level of access was limited to those employees whose job duties required it, and if the level of access created an adequate segregation of duties.

As a result of these interviews and testwork, we concluded the following:

- access to these applications was revoked timely when employees were terminated, with some exceptions;
- access was limited to those employees whose job duties required it; and
- the level of access did create an adequate segregation of duties.

Although we had no findings related to computer system security, minor weaknesses were reported to management in a separate letter.

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 each year.

Our objective was to determine whether the board's June 30, 2002, and June 30, 2001, responsibility letters were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*.

We reviewed the June 30, 2002, and June 30, 2001, responsibility letters submitted to the Comptroller of the Treasury and to the Department of Finance and Administration to determine adherence to the submission deadline. We determined that the Financial Integrity Act responsibility letters were submitted on time.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30 each year. The Tennessee Board of Probation and Parole filed its compliance reports and implementation plans on June 29, 2001, and June 27, 2002.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds. The Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI. A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

ALLOTMENT CODES

- 324.02 Probation and Parole Services
- 324.04 Community Correction