

Tennessee Board of Paroles

**For the Years Ended
June 30, 1997, and June 30, 1996**

Arthur A. Hayes, Jr., CPA
Director

Charles K. Bridges, CPA
Assistant Director

Elizabeth M. Birchett, CPA
Audit Manager

Sharon R. Matheny
In-Charge Auditor

Brian Derrick
Katrina Roberson
Staff Auditors

Jane Russ
Editor

April 26, 1999

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Charles M. Traughber, Chairman
Tennessee Board of Paroles
404 James Robertson Parkway
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Board of Paroles for the years ended June 30, 1997, and June 30, 1996.

We conducted our audit in accordance with generally accepted government auditing standards 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 board's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Tennessee Board of Paroles is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

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

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

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/sk
98/057

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Board of Paroles
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT SCOPE

We have audited the Tennessee Board of Paroles for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of fee assessment, equipment, annual report to the Governor, cash receipts and deposits, training, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

Lack of Proper Assessment and Collection of Fees*

The Tennessee Board of Parolees did not assess and collect from parolees all of the fees they were required to pay (page 4).

Lack of Proper Controls Over Equipment

Board personnel do not always follow the Department of General Services' equipment policies and procedures. Management has not monitored controls over equipment to ensure all procedures are followed (page 6).

Late Submission of Annual Reports

The board did not prepare and submit its annual report to the Governor as required by statute (page 7).

*This finding is repeated from prior audits.

"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

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Tennessee Board of Paroles
For the Years Ended June 30, 1997, and June 30, 1996

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Tennessee Board of Paroles

For the Years Ended June 30, 1997, and June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee Board of Paroles. 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 mission of the Tennessee Board of Paroles is to protect society by the orderly release of adult felons and to supervise those offenders in such a manner as to promote lawful behavior and to minimize risk to the general public.

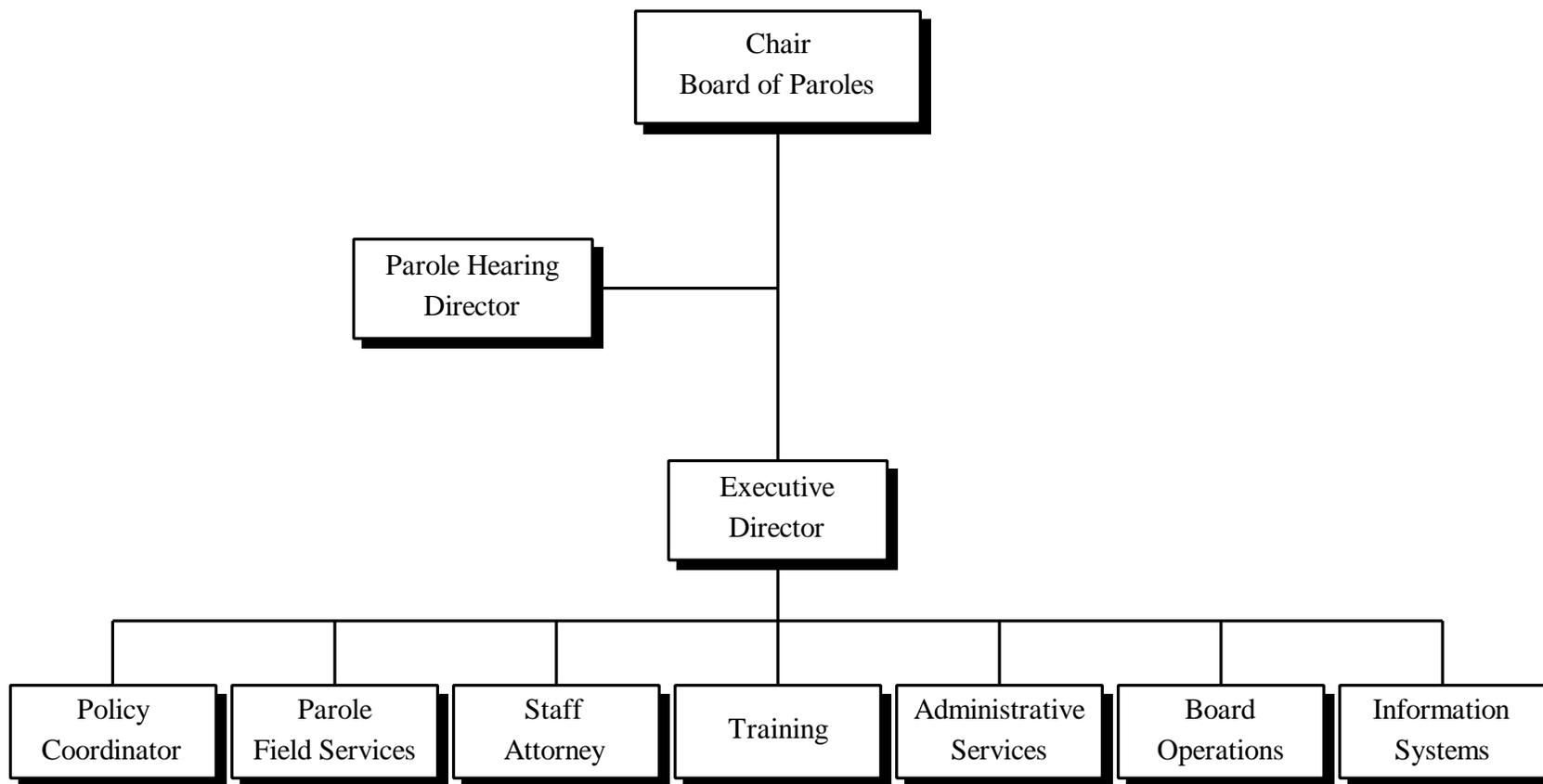
Section 40-28-117 (a) of *Tennessee Code Annotated* declares that parole is a privilege, not a right, and consequently,

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 if such prisoner is released he will live and remain at liberty without violating the law, and that his release is not incompatible with the welfare of society.

The duties of the Tennessee Board of Paroles are to determine whether to grant parole to felons and to supervise the parolees upon their release.

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

TENNESSEE BOARD OF PAROLES
ORGANIZATION CHART



AUDIT SCOPE

We have audited the Tennessee Board of Paroles for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of fee assessment, equipment, annual report to the Governor, cash receipts and deposits, training, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

FEE ASSESSMENT

The objectives of our review of controls over and procedures for assessing parolees' supervision and criminal injuries and compensation fund fees were to determine whether

- fee assessments were accurate and valid,
- monthly reporting forms were properly completed and located in the parolee file,
- documentation was available to support parolee fee waivers, if applicable,
- documentation of unemployment was in the parolee file, if applicable, and
- all fee collection efforts were documented in the parolee file.

We interviewed key board personnel to gain an understanding of the board's procedures for and controls over fee assessments. In addition, we tested a sample of parolee files from each of the regional offices to ensure that the monthly reporting and Criteria for Assessment of Fees forms were completed properly and timely, that documentation for fee waivers and unemployment was available, that a copy of the cash receipt was in the file and agreed with the amount posted, that fees were properly posted to the parolee's account, and that documentation was available to support payments that were not made or were less than the assessed amount. Testwork revealed several discrepancies which are discussed further in finding 1.

1. The board did not ensure all fees were properly assessed and collected

Finding

As noted in prior audits covering the period July 1, 1985, through June 30, 1995, the board has not ensured that all fees from parolees are properly assessed and collected. Management has concurred with the prior findings and has implemented a system to audit parolee files focusing on fee assessment and collection. However, this system has not corrected the problem.

Section 40-28-201, *Tennessee Code Annotated*, requires any person placed on parole to contribute up to \$30 per month to the Criminal Injuries Compensation Fund and \$5 per month toward the cost of his or her supervision and rehabilitation, based on ability to pay. This section further requires the Tennessee Board of Paroles to investigate the financial and other circumstances of any person placed on parole to determine the person's ability to pay. Section 703.04, Tennessee Board of Paroles' *Administrative Policies and Procedures*, requires the parole officer to complete a fee assessment form within 15 days of the parolee's release and again at six-month intervals. If fees remain the same, the parole officer is to update the current form. Section 707.10, Tennessee Board of Paroles' *Administrative Policies and Procedures*, requires the parole officer to obtain proof of income and expenses from the parolee, and to request a partial or total fee exemption if 10% of the parolee's monthly net income is less than \$10. This section further requires a parolee who claims to be unemployed to provide written documentation, from the Tennessee Department of Employment Security, about efforts to obtain a job. Furthermore, if the parolee fails to remit the assessed fees, Section 703.10, Tennessee Board of Paroles' *Administrative Policies and Procedures*, states, "The parole officer shall take the action necessary to enforce the payment of assessed fees."

Two of 150 parolee files selected for testing could not be located. Both of these parolees were assigned to the Memphis Regional Parole Office. Without the files it could not be determined if the fees were properly assessed within the required time period, if any exemptions were adequately documented, or if payments were properly collected and recorded.

In violation of the board's procedures, 11 of 98 applicable parolee files tested (11.2%) contained no documentation to justify fee waivers or exemptions. Two of five (40.0%) parolee files tested contained no verification of the parolee's unemployment status. The fee assessment forms had not been completed within the required time period for 13 of 132 parolee files tested (9.8%). And 19 of 43 parolee files (44.2%) did not contain documentation of efforts to collect fees in arrears.

Recommendation

The board should ensure that all parolee files are maintained and filed systematically to facilitate retrieval. In addition, the board should ensure that all parole officers properly assess parolee fees and take appropriate action to enforce fee collection. Verification of income and

expenses should be documented in the parolees' files. The parole officers should complete a fee assessment form within 15 days of the parolee's release and again at six-month intervals. One or more persons in the regional offices should be assigned specific responsibility for ensuring that parole officers follow the Tennessee Board of Paroles' *Administrative Policies and Procedures*, and the central office should monitor compliance with the guidelines.

Management's Comment

We concur. The board has made significant improvements in the fee collection and assessment process. We have established an on-going audit process, which is conducted by the supervisor. We will increase our audit function by reallocating resources from supervision to audit. We will also propose to the board that one or more fee office positions be established in each of the regions. This position would assess each parolee at initial reporting and continue to track the parolee for the fee collection process until expiration of sentence. Each parolee will be required to report to this individual for all aspects of the fee process. This position would be responsible for the collection process and would have the authority to seek revocation of parole for nonpayment or noncompliance with fee policy. This specialization of supervision function has worked well in other areas creating more efficiency and productivity. We will apply this same principle to fee collection and documentation. This process will be incorporated into policy 703.04, by a policy change notice to be effective July 1, 1999, if approved by the Board.

EQUIPMENT

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

- the auditee's property listing represented a complete and valid listing of the assets physically on hand,
- property and equipment were adequately safeguarded, and
- policies and procedures regarding equipment were adequate.

We interviewed key board personnel and reviewed supporting documentation to gain an understanding of the board's equipment procedures and controls. In addition, a sample of equipment items in the central and regional offices was located to ensure the information on the property listing agreed with the actual item. An additional sample of items present in the offices was traced to the property listing.

Testwork disclosed certain discrepancies which are described in finding 2. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

2. The board's controls over equipment need strengthening

Finding

The Board of Paroles needs to strengthen controls over equipment. Fifteen of the 118 equipment items tested (12.7%) were not in the location specified on the property listing (one item could not be located at all), and 15 of 19 items tested (78.9%) did not have the proper transfer or surplus form to document the change in location. In addition, the Memphis Regional Parole Office had stacked several items (mostly computer components) in a storage room. Although these items appeared discarded, they had not been surplused and were still on the property listing for that office. The Department of General Services' *Inventory Procedures Manual* states

Departmental Property Officers are responsible for identifying all state personal property, keeping an accurate record of same, including items on the inventory system as well as items of insufficient value to be included, and overseeing prompt and proper disposal of property no longer useful to the department (whether by surplus or deleting with proper documentation).

The manual also states that records should provide a trail for each item from the day the agency receives it until its authorized removal from the agency's inventory.

The serial numbers for 112 equipment items were tested; 11 of these serial numbers (10%) were incorrectly recorded on the property listing. The person tagging the items is responsible for recording the correct serial numbers on the property listing.

Two items were missing for several years before the loss was reported to the Comptroller's Office. One item in the Memphis Regional Parole Office was missing for over five years, and one item in the Chattanooga Regional Parole Office was missing for over three years before these items were removed from the property listing or the Comptroller's Office was notified of the loss. *Tennessee Code Annotated*, Section 8-19-501, states, "It is the duty of any official of any agency of the State of Tennessee having knowledge of shortages of moneys of the state or unauthorized removal of state property...to report the same immediately to the comptroller of the treasury."

Recommendation

Management should assign an individual in each office specific responsibility for equipment. These responsibilities should include inventorying the equipment annually, transferring and surplus equipment, and reporting lost or stolen items to ensure proper procedures are followed. Employees assigned this responsibility should promptly notify the property officer when changes occur. Management should monitor controls over equipment to ensure all applicable regulations and procedures are followed.

Management's Comment

We concur. There was a delay in reporting the loss of two items to the Comptroller's Office. During fiscal year 1998-99, Fiscal Services received an additional position. This position will be used as the Agency Lease Management and Property Officer and will be able to provide closer monitoring of equipment.

ANNUAL REPORT TO GOVERNOR

Tennessee Code Annotated requires each state agency to submit an annual written report to the Governor concerning the agency's functions, management, and financial transactions of the agency for the preceding fiscal year. The objective of our review of the board's annual report to the Governor was to determine whether the report had been submitted in compliance with the statute.

We interviewed board personnel to gain an understanding of the board's procedures for the preparation and submission of the annual report to the Governor. Annual reports for the years ended June 30, 1997, June 30, 1996, and June 30, 1995, were not submitted in a timely manner as described in finding 3.

3. The board did not submit its annual report in a timely manner

Finding

The board did not prepare and submit its annual report on or before October 1, as required by law. The board prepared annual reports for the years ended June 30, 1996, and June 30, 1995, but did not submit these reports to the Governor until December 31 of the following years, making both submissions 15 months late. The report for the year ended June 30, 1997, was submitted August 12, 1998, over ten months past its due date. Section 4-4-114(a)(1), *Tennessee Code Annotated*, states:

The head of each administrative department, established by chapter 3 of this title, and the treasurer, the secretary of state, and the adjutant general, unless otherwise provided in this title, shall annually, on or before October 1, report in writing to the governor concerning the functions, management and financial transactions of such person's department or agency for the preceding fiscal year.

When reports are late, the information reported to the Governor concerning the board's functions, management, and financial transactions during the preceding fiscal year loses its significance and becomes irrelevant in decision making.

Recommendation

The board should issue an annual report by October 1 of each year as required by state statute.

Management's Comment

We concur. The Fiscal Year 1997/98 Annual Report is ready to be printed and will be submitted within the next month. The Fiscal Year 1998/99 will be submitted on time.

CASH RECEIPTS AND DEPOSITS

The objectives of our review of controls over and procedures for the receipting and depositing of parolees' supervision and criminal injuries and compensation fund fees were to determine whether

- physical controls over cash were adequate,
- fees had been billed or charged and recorded at the correct amount,
- cash collected during the audit period had been deposited timely and accounted for in the appropriate fiscal year,
- auditee receipt and deposit records were reconciled with Department of Finance and Administration reports, and
- policies and procedures regarding cash receipting and depositing were adequate.

We interviewed key board personnel and reviewed supporting documentation to gain an understanding of the board's cash-receipting and depositing procedures and controls. In addition, testwork was performed on a sample of transactions in each regional office. We had no findings related to cash receipting or depositing; however, several minor weaknesses came to our attention and have been reported to management in a separate letter.

TRAINING

The objectives of our review of the board's training controls and procedures were to determine whether all employees received adequate training and whether training records were properly maintained.

We interviewed key board personnel and reviewed supporting documentation to gain an understanding of the board's procedures and controls regarding training. We tested a sample of employee files to ensure that the number of training hours the employee received complied with the required hours of training based on the employee's classification and reviewed the class sign-

in sheet and/or class roster to determine that the employee attended class. We had no findings related to training.

FINANCIAL INTEGRITY ACT

The Financial Integrity Act of 1983 requires each executive agency to evaluate its systems of internal accounting and administrative control annually and to report the results of its evaluation to the Commissioner of Finance and Administration and the Comptroller of the Treasury by December 31 of each year.

The objectives of our review of the board's compliance with the Financial Integrity Act were to determine whether

- the board's reports were filed in compliance with the Financial Integrity Act of 1983,
- documentation to support the board's evaluation was properly maintained,
- procedures used in compiling information for the reports were adequate, and
- corrective actions have been implemented for weaknesses identified in the reports.

We interviewed key employees responsible for compiling information for the reports to gain an understanding of the procedures. We also reviewed the supporting documentation for these procedures and the reports submitted to the Comptroller of the Treasury and to the Department of Finance and Administration.

We determined that the Financial Integrity Act reports were submitted on time and that support for the reports was adequate.

PRIOR AUDIT FINDINGS

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 Paroles filed its report with the Department of Audit on December 13, 1996. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Tennessee Board of Paroles has corrected previous audit findings concerning the lack of controls over its fee-payment computer system and failure to provide employee training in accordance with board policy.

REPEATED AUDIT FINDING

The prior audit report also contained a finding concerning the failure to assess and collect all parolee fees. This finding has not been resolved and is repeated in the applicable section of this report.

APPENDIX

ALLOTMENT CODE

The Tennessee Board of Paroles is part of the general fund of the State of Tennessee and is responsible for allotment code 316.29.