

OFFICE OF AUDITS & ADVISORY SERVICES



PROBATION DEPARTMENT GRANT ADMINISTRATION AUDIT

FINAL REPORT

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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

October 23, 2014

TO: Mack Jenkins, Chief Probation Officer
Probation Department

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: PROBATION DEPARTMENT GRANT ADMINISTRATION AUDIT

Enclosed is our report on the Probation Department Grant Administration Audit. We have reviewed your response to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Tatiana Foster at (858) 495-5667.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:TF:aps

Enclosure

c: Ronald J. Lane, Deputy Chief Administrative Officer, Public Safety Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Eunice C. Ramos, Group Finance Director, Public Safety Group

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) completed a Grant Administration Audit at the Probation Department. The objective of the audit was to determine whether adequate controls for the effective administration and oversight of grant funds have been established.

Background The Probation Department (Department) provides detention for delinquent juveniles in two Juvenile Halls, treatment and custody for juvenile wards in three minimum-security facilities, investigation and supervision services for juvenile and adult offenders as ordered by the San Diego Superior Court, as well as victim assistance through notification and restitution. The Department manages juvenile and adult offenders through the Probation Case Management System (PCMS).

The Department has developed a wide variety of community outreach prevention programs to strengthen families, suppress gang activity, and address alcohol and drug abuse as these behaviors contribute to criminal activity. These programs were created in collaboration with the courts, law enforcement, health agencies, schools, social services, and other community-based organizations

During FY 2012-13, the Department managed a \$207,109,589 budget, from which approximately \$79,763,121 consisted of intergovernmental revenues. Intergovernmental revenues are used to fund programs established by the Department and include funds received from Federal, State, and other Local government sources in the form of grants, entitlement, and shared revenue.¹

Audit Scope & Limitations

The scope of the audit focused on grant activities conducted during FY 2012-13 to current. OAAS did not assess the efficiency or effectiveness of the program operations. OAAS conducted test of controls and transactions details on the programs and selected grants in Table 1.

Table 1. Grants Selected for Audit Testing

Grant Name	Grant Source	Program Name	FY 2012-13 Budget
Juvenile Justice Crime Prevention Act (JJCPA)	Board of State and Community Corrections (BSCC)	Breaking Cycles	\$3,472,602
		Comm. Assessment Teams (CAT)	\$3,677,954
		Drug Court/Substance Abuse Svc.	\$1,424,864
		Forensic Assistance for Stabilization and Treatment of Juvenile Offenders (JFAST)	\$114,313
		Truancy Supervision	\$26,500
Positive Youth Justice Initiative (PYJI)	Sierra Health Foundation	Positive Youth Justice Initiative	\$75,000

¹ Grant is a contribution or gift of cash or other asset from another governmental agency to be applied to a specific purpose or use. Entitlement is the amount of payment to which a county is entitled as determined by the agency providing the resource. Shared revenue is revenue levied by one government but shared on a predetermined basis, often in proportion to the amount collected, with another level of government. Throughout the report, references to “grant” include entitlement, shared revenue, and grant in its definition.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Interviewed staff responsible for grant administration and program management.
- Examined County policies and procedures governing the administration of grants.
- Reviewed the Department's processes for grant administration, monitoring, and reporting of grant activities.
- On a sample basis, reviewed a number of grant expenditures to determine whether funds were spent in accordance with the grant requirements.
- Utilized data analytics to determine whether the Department established adequate controls to eliminate duplicate payments for the performance based contracts.
- Reviewed PCMS' user accounts authorization to determine appropriateness.

AUDIT RESULTS

Summary

Within the scope of the audit, there is reasonable assurance that adequate controls for the effective administration and oversight of grant funds have been established. However, to further strengthen current controls and improve their effectiveness, OAAS has the following findings and related recommendations.

Finding I:

Allocation of Indirect Cost

Best practices established by the Office of Management and Budget (OMB) in the OMB Circular A-87, states that indirect cost should be distributed to benefiting activities on the bases that will produce an equitable result in consideration of the benefits derived.

OAAS found that indirect costs related to JJCPA and PYJI programs are not reported in accordance to OMB guidance. Specifically, we noted the following issues:

JJCPA Grant – OAAS' test of 31 expenditures related to the Breaking Cycle and the CAT programs identified \$183,304 of indirect cost entirely allocated to these programs instead of properly distributing the

cost among all benefitting programs.² As a result, the Breaking Cycle and the CAT program were over allocated \$66,067 of indirect cost, as presented in Table 2.

Table 2. Indirect Cost Allocation

Program	Indirect Cost Allocation – Identified by the Department	Indirect Cost Allocation – Identified by OAAS	Over Allocated Indirect Cost
Breaking Cycles	\$74,830	\$51,811	\$23,020
CAT	\$108,474	\$65,426	\$43,047
Total	\$183,304	\$117,237	\$66,067

The majority of the over allocated indirect cost pertained to other programs funded by JJCPA monies. However, further work found that out of the \$66,067 over allocated cost, \$1,281 pertained to juvenile programs that were not included in the JJCPA funding proposal submitted to the BSCC.³ Therefore, these programs were not formally authorized to receive JJCPA funds.

Consequently, indirect cost allocated to a single program instead of allocating the cost to each benefitting program does not accurately reflect the annual expenditures reported to the BSCC. BSCC guidelines require grant recipients to report actual program expenditures for the prior fiscal year.

According to Department's staff, indirect cost was allocated to a single program due to complexity of calculating the allocation basis for labor and service costs applicable to multiple JJCPA programs.⁴

PYJI Grant – For the grant period of October 15, 2012 to October 14, 2013, the Department claimed total grant expenses of \$75,000. This amount included the maximum allowable indirect cost of \$11,250 (or 15%) instead of the indirect cost approved by the Auditor and Controller's Projects, Revenue and Grants Accounting Division. According to the Department's management, based on the increasing trend of the department's approved indirect rate (14.80% and 11.45% approved indirect rate in fiscal years 2013-14 and 2012-13, respectively), the claim is reasonable.

Per the PYJI grant agreement, the final report must include a complete accounting of all grant funds received and expended. Inability to accurately account for indirect cost claimed increases the risk of loss of funds and could prevent the Department from getting future funding.

² Identified incorrect distribution includes immaterial amount of direct expenditures.

³ Programs proposed for JJCPA funding should be included in the Comprehensive Multi-agency Juvenile Justice Plan in accordance with Government Code Section 30061 b (4). These programs should meet specific criteria and must be approved by the Board of Supervisors and submitted to BSCC on an annual basis.

⁴ JJCPA money funds multiple Juvenile Field Service programs; Breaking Cycles being the overarching program.

- Recommendation:**
1. The Department should enhance current grant expenditure allocation procedures to improve accountability and distribution of indirect cost. The revised procedures should ensure that:
 - a. Indirect cost is properly distributed among the benefiting programs based on approved allocation basis.
 - b. Indirect cost is allocated based on the approved rates.
 2. Provide sufficient training to staff responsible for allocating indirect cost and preparing cost reports to ensure that they are aware of indirect cost allocation requirements.
 3. If feasible, submit a revised actual program expenditures report to the BSCC for the prior year.

Finding II:

Recording Oracle Program Expenditures by Project

The Department did not process adjusting journal entries in the Oracle System (Oracle) to reallocate the following JJCPA expenditures:

- Indirect expenditures that were initially recorded under the default and administration projects.
- Direct expenditures erroneously recorded under the wrong project.

Details on these expenditures are summarized in Table 3.

Table 3. Expenditures Adjustments

Expenditure Type	Description	Amount
Indirect	HP network and desktop services for CAT program recorded under the default project	\$6,444
Indirect	Juvenile assessment tool for multiple JJCPA programs recorded under the administration project	\$104,328
Direct	Community based organization services for JFAST program erroneously recorded under Breaking Cycles program	\$54,517

Department staff believed that adjustments made directly on the cost reports submitted to the BSCC were sufficient to adequately account for program expenditures. However, according to Oracle policies and procedures, all expenditures must be recorded under the project number assigned to the specific program in order to properly identify the program cost. Project cost adjustment should include necessary modification in Oracle to ensure that program costs reported to the funding authority are properly recorded and supported in the system of record.

Recommendation: To strengthen controls over the accountability of project costs, the Department should:

1. Ensure that necessary adjusting journal entries to correct project expenditures are processed in Oracle at fiscal year-end.
2. Provide refresher training to staff responsible for recording project expenditures in Oracle and promote adherence to Oracle policies and procedures.

Office of Audits & Advisory Services

C ompliance R eliability E ffectiveness A ccountability T ransparency E fficiency

VALUE

Department's Response



County of San Diego

MACK JENKINS
CHIEF PROBATION OFFICER

PROBATION DEPARTMENT
POST OFFICE BOX 23597, SAN DIEGO, CALIFORNIA 92193-3597
www.sdcounty.ca.gov/probation

YVETTE D. KLEPIN
ASSISTANT CHIEF PROBATION OFFICER

October 17, 2014

RECEIVED

OCT 23 2014

TO: Juan R. Perez
Chief of Audits

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: Mack Jenkins, Chief Probation Officer
Probation Department

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: PROBATION DEPARTMENT
GRANT ADMINISTRATION AUDIT

Finding I: Allocation of Indirect Cost

OAAS Recommendation: 1. The Department should enhance current grant expenditure allocation procedures to improve accountability and distribution of indirect cost. The revised procedures should ensure that:

- a. Indirect cost is properly distributed among the benefiting programs based on approved allocation basis.
- b. Indirect cost is allocated based on the approved rates.

Action Plan: Probation Department agrees with the audit recommendation and plans to implement the following:

- At the beginning of the fiscal year, when application plan for JJCPA funding is submitted to the State, Evaluation and Assessment Tool will have a standalone page along with the different programs funded by JJCPA. In addition, the Progress Report that is submitted to and approved by Board of State and Community Corrections (BSCC) at the end of the fiscal year will reflect its own total cost. If the progress report is not approved by BSCC, the department will reallocate cost.
- The department's approved ICRP rate will be used as the basis but not to exceed the maximum allowable amount approved by the grantor.

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Planned Completion Date: November 30, 2014

Contact Information for Implementation: Veronica Allen, Finance Officer

OAAS Recommendation: 2. Provide sufficient training to staff responsible for allocating indirect cost and preparing cost reports to ensure that they are aware of indirect cost allocation requirements.

Action Plan: Probation Department agrees with the audit recommendation and plans to provide training to ensure that staff responsible is aware of indirect cost allocation requirements.

Planned Completion Date: November 30, 2014

Contact Information for Implementation: Veronica Allen, Finance Officer

OAAS Recommendation: 3. If feasible, submit a revised actual program expenditures report to the BSCC for the prior year.

Action Plan: Pending response from Board of State and Community Corrections if revision is necessary. If not, no action needed.

Planned Completion Date: November 30, 2014

Contact Information for Implementation: Veronica Allen, Finance Officer

Finding II: Recording Oracle Program Expenditures by Project

OAAS Recommendation: 1. To strengthen controls over the accountability of project costs, the Department should ensure that necessary adjusting journal entries to correct project expenditures are processed in Oracle at fiscal year-end.

Action Plan: Probation Department agrees with the audit recommendation. The Department will ensure that necessary adjusting journal entries to correct project expenditures are processed in Oracle throughout the fiscal year if needed.

Planned Completion Date: November 30, 2014

Contact Information for Implementation: Veronica Allen, Finance Officer

OAAS Recommendation: 2. To strengthen controls over the accountability of project costs, the Department should provide refresher training to staff responsible for recording

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October 17, 2014
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project expenditures in Oracle and promote adherence to Oracle policies and procedures.

Action Plan: Probation Department agrees with audit recommendation and plans to provide refresher training to responsible staff. Also, staff will be directed to LMS for refresher training in Oracle to adhere to Oracle policies and procedures.

Planned Completion Date: November 30, 2014

Contact Information for Implementation: Veronica Allen, Finance Officer

If you have any questions, please contact Veronica Allen at (858) 514-3135.

A handwritten signature in black ink, appearing to read 'Mack Jenkins', with a horizontal line extending to the right. Below the signature, the word 'for' is written in a cursive script.

MACK JENKINS
CHIEF PROBATION OFFICER