

**KAUFMAN COUNTY  
JUVENILE PROBATION  
DEPARTMENT**

**FINANCIAL AND COMPLIANCE AUDIT REPORTS**

**FOR THE YEAR ENDED  
AUGUST 31, 2015**

**GRANT TJJJ A-15-129  
GRANT TJJJ C-15-129  
GRANT TJJJ N-15-129**



**KAUFMAN COUNTY  
JUVENILE PROBATION DEPARTMENT  
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

**YEAR ENDED AUGUST 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

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

Members of the Board:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Texas Juvenile Justice Department Grant Funds of Kaufman County Juvenile Probation Department (Department), which comprise the statement of revenues, expenditures and changes in fund balances – budget and actual-regulatory basis as of and for the year ended August 31, 2015, and the related notes to the financial statements.

### ***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 fraud or error.

### ***Auditors' 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 auditors' 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, 2015, in accordance with the financial reporting provisions of the Texas Juvenile Justice Department as described in Note 1.

### ***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 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kaufman County's internal control over financial reporting and compliance.

***Restriction on Use***

This report is intended solely for the information and use of management, Kaufman County, others within Kaufman 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.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
January 29, 2016

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# **FINANCIAL SECTION**

**KAUFMAN COUNTY  
JUVENILE PROBATION DEPARTMENT  
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

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

**FOR THE YEAR ENDED AUGUST 31, 2015**

|   | A-15-129   |            |  |
|---|------------|------------|--|
|   | Budget     | Actual     | Variance<br>Favorable<br>(Unfavorable) |
| <b>REVENUE</b>  |            |            |  |
| TJJD funds  | \$ 439,992 | \$ 439,992 | \$ -                                   |
| Total Revenue   | 439,992    | 439,992    | -                                      |
| <b>EXPENDITURES</b>   |            |            |  |
| Salaries and fringe benefits  | 439,992    | 439,992    | -                                      |
| Inter-County Contracts  | -          | -          | -                                      |
| External Contracts  | -          | -          | -                                      |
| Total Expenditures  | 439,992    | 439,992    | -                                      |
| <b>EXCESS REVENUE OVER<br/>EXPENDITURES</b>                                 | -          | -          | -                                      |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>                                      | -          | -          | -                                      |
| <b>FUND BALANCE, END OF YEAR</b>  | \$ -       | \$ -       | \$ -                                   |
| <br><b>ADDITIONAL INFORMATION: Refunds paid to TJJD<br/>August 31, 2015</b> |            |            | \$ -                                   |

**The accompanying notes are an integral part of this financial statement.**

| C-15-129      |               |   | N-15-129      |               |   |
|---------------|---------------|---|---------------|---------------|---|
| <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
| \$ 39,794     | \$ 37,350     | \$ ( 2,444)                             | \$ 55,267     | \$ 54,245     | \$ ( 1,022)                             |
| <u>39,794</u> | <u>37,350</u> | <u>( 2,444)</u>                         | <u>55,267</u> | <u>54,245</u> | <u>( 1,022)</u>                         |
| -             | -             | -                                       | -             | -             | -                                       |
| 24,000        | 37,350        | ( 13,350)                               | -             | -             | -                                       |
| <u>15,794</u> | <u>-</u>      | <u>15,794</u>                           | <u>55,267</u> | <u>54,245</u> | <u>1,022</u>                            |
| <u>39,794</u> | <u>37,350</u> | <u>2,444</u>                            | <u>55,267</u> | <u>54,245</u> | <u>1,022</u>                            |
| -             | -             | -                                       | -             | -             | -                                       |
| <u>-</u>      | <u>-</u>      | <u>-</u>                                | <u>-</u>      | <u>-</u>      | <u>-</u>                                |
| <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>                             | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>                             |
|               |               | <u>\$ 2,444</u>                         |               |               | <u>\$ 1,022</u>                         |

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**KAUFMAN COUNTY  
JUVENILE PROBATION DEPARTMENT  
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Entity**

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

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

**Basis of Accounting**

The financial statements were prepared in conformity with the accounting practices prescribed by TJJJ, 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.

**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<br>TJJD Funds<br>Fiscal Year<br>2015 | Interest Earned<br>Title IV-E Funds<br>Fiscal Year<br>2015 | Total        |
|---|--|--|--------------|
|   | <u>2015</u>  | <u>2015</u>  | <u>Total</u> |
| Beginning balance, September 1, 2014  | \$ -   | \$ -   | \$ -         |
| Interest accrued on funds received from TJJD in the period of September 1 - August 31, 2015 | <u>768</u>   | <u>-</u>   | <u>768</u>   |
| Total interest at August 31, 2015   | 768  | -  | 768          |
| Minus interest expenditures in FY 2015  | <u>(768)</u>   | <u>-</u>   | <u>(768)</u> |
| Ending balance, August 31, 2015   | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |

**3. OPERATING COST FOR A SECURE JUVENILE FACILITY**

The Kaufman County Juvenile Probation Department does not operate a secure juvenile facility.

**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 Kaufman County on a cost reimbursement basis. A confirmation of revenue received in the year ending August 31, 2015 is required. This includes receipts for direct and enhanced administrative foster care claims.

The Department received no Title IV-E Program funding in the fiscal year 2015.

**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, 2015 is required and presented below:

Local Funding Expended (less construction and capital outlay)

|         |            |
|---------|------------|
| FY 2015 | \$ 513,113 |
| FY 2006 | 166,995    |

The Juvenile Probation Department certified the financial match requirements were fulfilled in FY 2015.

# **COMPLIANCE SECTION**

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**INDEPENDENT AUDITORS' 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**

Members of the Board  
Kaufman County Juvenile Board  
Kaufman 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 Kaufman County Juvenile Probation Department, and have issued our report thereon dated January 29, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kaufman 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, but not for the purpose of expressing an opinion on the effectiveness of Kaufman County Juvenile Probation Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Kaufman County Juvenile Probation Department's internal control.

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 for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Kaufman 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
January 29, 2016

**KAUFMAN COUNTY  
JUVENILE PROBATION DEPARTMENT  
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED AUGUST 31, 2015**

**Finding No. 2015-1**

Affected Grant: Grant C

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 57%.

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, \$12,150 of Inter-County Contract expenditures are questioned.

Recommendation: The individual responsible for approving grant expenditures should review monthly expenditure reports and current obligations

Questioned Cost: As a result of this finding, \$12,150 of Inter-County Contract expenditures are questioned. As a result of this finding, a refund may be owed to TJJD.

Current Status: The Kaufman County Juvenile Probation Department is currently breaking out expenses into categories which were required prior to the changes made in 2014. In 2014 the State required that expenditures be presented in the following new categories: salaries and fringe benefits, travel and training, operating expenditures, inter-county contracts, and external contracts.

Corrective Action Plan: We have already solved this problem by creating new account numbers to record inter-county contract services (secure) and external contract services (non-secure) separately beginning with FY2016. Each account number has its own budgeted amount, taken from the approved FY2016 budget application. This will help distinguish the two types of expenditures from one another and prevent expenditures in excess of approved budgets.

Person Responsible for Finding Resolution: County Auditor

Target Completion Date: September 2015

**KAUFMAN COUNTY  
JUVENILE PROBATION DEPARTMENT  
TEXAS JUVENILE JUSTICE DEPARTMENT GRANT FUNDS**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**YEAR ENDED AUGUST 31, 2015**

There were no findings in the prior year.