



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Mandated Compliance Audit

Adult Probation Accounting Review

*Limited Scope Audits of the
Following Field Locations:*

Black Canyon	Garfield
Mesa PSC	Northport
Scottsdale	Southport
West Court Building	Glendale WRC
Work Furlough	

February ■ 2007

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The **County Auditor** is appointed by the Board of Supervisors. The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens.

The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

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www.maricopa.gov/internal_audit



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Fulton Brock, Chairman, Board of Supervisors
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed our review of Adult Probation for compliance with applicable Minimum Accounting Standards (MAS). This audit, approved by the Board of Supervisors, was conducted to satisfy requirements established by the Administrative Office of the Arizona Supreme Court (AOC).

Our examination of Adult Probation's financial procedures and practices shows that the department is in compliance with most MAS requirements, as adopted by the AOC. We found some exceptions to the MAS Compliance Checklist during our review, and these are summarized on the following pages.

We have reviewed the information in this report with appropriate court personnel, and would like to thank the courts' staff for their excellent cooperation. If you have any questions or wish to discuss anything presented in the report, please contact Eve Murillo at 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

The Maricopa County Adult Probation Department (APD) is located at 111 South 3rd Avenue, Phoenix, with eight field offices in various County locations. As part of its service to the community, Adult Probation receives payments, disburses funds to its clients, and posts payments to the Court's financial system. Our office conducted a Minimum Accounting Standards review between October 26 and December 4, 2006. The table below summarizes exceptions we noted.

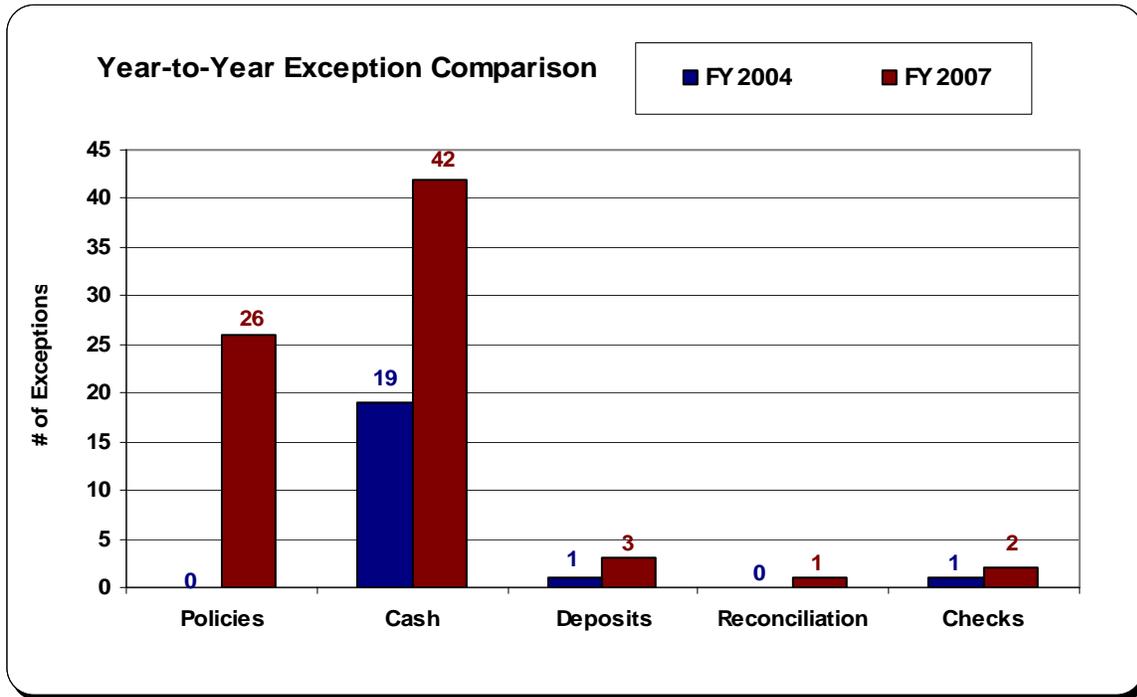
Minimum Accounting Standard	Number of Exceptions	Number of Field Offices
Safeguard records	26	7
Restrictive endorsement of checks	12	5
Secure cash and checks from unauthorized access	2	2
Account for all manual receipts issued	28	5
Maintain record of receipts in deposits	1	1
Segregate duties	2	2
Reconcile and balance monthly	1	1
Outstanding Checks	2	2

FY 2007 Safeguarding of Asset exceptions include the following:

- APD field offices do not consistently track and secure manual receipt books. Receipt books are considered an asset and should be secured accordingly
- Probation Officers and support staff do not consistently secure collected receipts
- Field office key assignments are not adequately reviewed, overlap badge access, and are not accurately documented by support staff

Exceptions to the Manual Receipts Standard increased for the field offices under review because Probation Officers do not consistently ensure that receipts are fully completed and that checks are endorsed.

The following graph compares FY 2004 MAS review exceptions with FY 2007 and shows that the number of exceptions to the Safeguarding of Assets (part of General Policies and Procedures) and Manual Receipts (part of Cash Receipts) standards have increased.



Introduction

Mandated Review

The Minimum Accounting Standards (MAS) review is an agreed-upon procedures engagement. The Administrative Office of the Arizona Supreme Court (AOC) sets forth standard audit procedures to be conducted by an independent accountant every three years. The purpose of the engagement is to ensure that Maricopa County courts maintain effective internal control procedures over financial accounting and reporting systems.

In 1998, audit function was transferred from the Arizona Office of the Auditor General to the Maricopa County Internal Audit Department.

ACCOUNTING STANDARDS EXCEPTION DETAIL

General Policies and Procedures

MAS requires Adult Probation Department (APD) to safeguard records, such as receipts, checks, and monies received by APD.

Exceptions: During our review, we noted the following:

- Deposits awaiting armored transport pickup are kept in unlocked cabinets
- Unused deposit slip books are kept in unlocked drawers
- Copies of prepared deposits are kept in unlocked drawers
- Cashiers/clerks keep monies in unlocked drawers
- Refund checks awaiting pickup by probationers are not secured during business hours
- Documentation regarding the return of keys assigned to terminated employees is inadequate
- Portable fireproof safes are unlocked and kept in public view
- Drop box and file cabinet keys are kept in the unlocked portable fireproof safe
- Keys are not secured after hours
- Cashiers do not ensure that system-generated user IDs are accurate by logging off their computers with each change in cashier. User IDs are used to trace individual transactions processed back to a specific cashier.
- The copy of the manual receipt that accompanies the standard payment is discarded as waste. The manual receipt should be attached to the RFR system-generated receipt and given back to the probation officer to be placed in the probationer's file. Staff needs to account for all receipts issued.
- Probation Officers are not properly safeguarding manual receipt books
- During business hours, Probation Officers are not placing payments in secured lockboxes
- Key assignment lists are not adequately maintained
- Login ID and password information was posted to the cashier window in view of all APD employees. Login IDs and passwords should be kept confidential at all times.
- The assignment of an excessive number of exterior door keys to employees at two field offices is an unnecessary duplication. The implementation of badge access at all field offices was intended to eliminate the need for exterior keys to be issued to every employee. Keys should be assigned to as few employees as possible.

Cash Receipts

MAS requires APD to immediately place a restrictive endorsement (i.e., “For Deposit Only”) on all APD checks.

Exceptions: During our review, we noted the following:

- Intensive Probation Services probationers did not endorse their payroll checks
- Probation Officers did not endorse checks or money orders before placing them in the lockboxes
- A prepared deposit awaiting armored-car pickup contained five payroll checks without endorsement
- Money orders did not have “pay to” information when received

MAS requires that APD secure all cash and checks received in a location that is out of public view and only accessible to authorized personnel.

Exception: During our review, we noted that during business hours the fireproof safe was not kept in a locked cabinet and remained in public view.

MAS requires that APD account for all manual receipts issued.

Exceptions: During our review, we noted the following:

- Receipts issued were incomplete (i.e. missing case numbers, check or money order numbers, check amounts)
- Employees that received payments did not sign the receipts
- One Probation Officer did not sign any of the receipts issued
- Probation Officers loaned their receipt books to other officers
- Standard receipt copies that should have accompanied the deposits remained in the receipt book
- Probation Officers could not account for their receipt books, or were not issued receipt books
- Probation Officers left receipt books in their vehicles
- Original receipts that were supposed to be given to the probationer were left in the receipt book
- Voided receipts did not have all copies retained in the receipt book
- Standard receipt copies that should have accompanied the receipt remained in the receipt book

- Intensive Probation Services (IPS) receipt copies that should have accompanied the deposit remained in the receipt book
- One IPS receipt contained the probationer's Social Security Number instead of the trust account number. We were unable to trace this payment to the case financial record

Deposits and Bank Accounts

MAS requires APD to maintain a record of the individual receipts included in each deposit.

Exception: During our review we noted that two IPS deposits did not have copies of the deposit slips attached to the deposit report.

MAS requires APD to segregate the responsibilities of reviewing documentation supporting the deposits and making the deposits, to the extent possible.

Exception: During our review, we noted that support staff verifying deposits did not verify the supporting documentation to the deposit. Failure to adequately perform deposit verification results in an inadequate segregation process over bank deposit duties.

Reconciliation

MAS requires APD to reconcile and balance all court accounting records at least monthly to verify that all receipts and disbursements are accounted for properly.

Exception: During our review, we noted that due to a computer malfunction that was never fixed, the administrative office has been carrying forward an outstanding deposit from October 1999

Outstanding Items (No MAS Standard)

Exception: One field office had IPS refund checks that were 1 to 4 months old.