

NACOGDOCHES COUNTY
DISTRICT PROBATION DEPARTMENT
AUGUST 31, 2010

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

TABLE OF CONTENTS

	Page No.
<u>Financial Section</u>	
Independent Auditor's Report	1-2
Combined Statement of Financial Position - Regulatory Basis	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Regulatory Basis	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Regulatory Basis - Budget and Actual:	
Supervision Program	5
Community Corrections Programs:	
Community Service Restitution	6
Substance Abuse	7
Sex Offender Counseling	8
Notes to Financial Statements	9-11
<u>Supplemental Schedules</u>	
Combining Statement of Revenue, Expenditures and Changes in Fund Balance - Community Corrections Programs	12
Schedule of Differences Between Audit Report and CSCD Quarterly Reports	
Supervision Program	13
Community Corrections Programs:	
Community Service Restitution	14
Substance Abuse	15
Sex Offender Counseling	16
<u>Compliance Section</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	17-18
Compliance Requirements	19-20
Schedule of Findings and Questioned Costs	21
Schedule of Status of Prior Audit Findings	22
Corrective Action Plan	23

Financial Section



Independent Auditor's Report

Nacogdoches County District Probation Department
Nacogdoches, Texas

We have audited the accompanying combined financial statements - regulatory basis of the Nacogdoches County District Probation Department (Department), and the combining and individual fund statements of the Department as of and for the year ended August 31, 2010 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes, the financial statements are prepared using the prescribed basis of accounting that demonstrates compliance with the Texas Department of Criminal Justice - Community Justice Assistance Division (TDCJ-CJAD) financial reporting requirements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in the notes, the financial statements present only the Nacogdoches County District Probation Department, and are not intended to present fairly the financial position of Nacogdoches County, Texas and the results of its operations in conformity with U.S. generally accepted accounting principles.

In our opinion, the combined financial statements, the combining financial statements and the individual fund statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Nacogdoches County District Probation Department as of August 31, 2010, and the results of its operations for the year then ended, on the basis of accounting described in the notes.

Independent Auditor's Report

Nacogdoches County District Probation Department

March 2, 2011

Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the Nacogdoches County District Probation Department and the Texas Department of Criminal Justice - Community Justice Assistance Division and is not intended to be and should not be used by anyone other than these specified parties.

Pipes & Associates

PIPES & ASSOCIATES

Certified Public Accountants

March 2, 2011

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
 COMBINED STATEMENT OF FINANCIAL POSITION - REGULATORY BASIS
 AUGUST 31, 2010**

ASSETS	Supervision	Community Corrections	Total
Cash			
Cash and bank balances	525,535	10,750	536,285
Total cash	525,535	10,750	536,285
Other Assets			
Receivables	50,118	-	50,118
Prepaid expenses	7,507	-	7,507
Total other assets	57,625	-	57,625
Total assets	583,160	10,750	593,910
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	19,065	1,693	20,758
Accrued liabilities	25,899	2,332	28,231
Due to others	45,781	-	45,781
Total liabilities	90,745	4,025	94,770
Fund Balance	492,415	6,725	499,140
Total liabilities and fund balance	583,160	10,750	593,910

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
 COMBINED STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE - REGULATORY BASIS
 FOR THE YEAR ENDED AUGUST 31, 2010**

	Supervision	Community Corrections	Total
Revenue			
State aid	332,210	115,732	447,942
SAFPF	5,882	-	5,882
Rider 80	21,855	1,208	23,063
Probation fees	623,044	-	623,044
Payments by program participants	520	-	520
Interest	4,248	-	4,248
Other	3,307	-	3,307
Total revenue	991,066	116,940	1,108,006
Expenditures			
Salaries and fringe benefits	901,850	84,265	986,115
Rider 80	21,855	1,208	23,063
Travel and furnished transportation	22,541	-	22,541
Contract services for offenders	12,910	20,143	33,053
Professional fees	18,865	877	19,742
Supplies and operating	49,949	1,651	51,600
Facilities	-	-	-
Utilities	4,892	-	4,892
Equipment	10,387	2,293	12,680
Total expenditures	1,043,249	110,437	1,153,686
Excess revenue over (under) expenditures	(52,183)	6,503	(45,680)
Fund balance, September 1	679,993	-	679,993
Prior year adjustment - refund	(135,173)	-	(135,173)
Interfund transfer in (out)	(222)	222	-
Fund balance prior to refund to CJAD	492,415	6,725	499,140
Refund due to TDCJ-CJAD	-	-	-
Fund balance, August 31	492,415	6,725	499,140

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - REGULATORY BASIS - BUDGET AND ACTUAL**

SUPERVISION PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Revenue				
State aid	332,210	332,210	-	407,056
SAFPF	3,269	5,882	2,613	11,965
Rider 80	22,614	21,855	(759)	-
Probation fees	580,000	623,044	43,044	679,689
Payments by program participants	1,000	520	(480)	-
Interest	2,500	4,248	1,748	7,443
Other	1,701	3,307	1,606	2,822
Total revenue	943,294	991,066	47,772	1,108,975
Expenditures				
Salaries and fringe benefits	1,020,110	901,850	118,260	846,433
Rider 80	22,614	21,855	759	-
Travel and furnished transportation	34,050	22,541	11,509	53,723
Contract services for offenders	23,217	12,910	10,307	4,471
Professional fees	41,191	18,865	22,326	27,051
Supplies and operating	326,401	49,949	276,452	59,560
Facilities	-	-	-	823
Utilities	6,780	4,892	1,888	4,900
Equipment	12,916	10,387	2,529	11,668
Total expenditures	1,487,279	1,043,249	444,030	1,008,629
Excess revenue over (under) expenditures	(543,985)	(52,183)	491,802	100,346
Fund balance, September 1	679,993	679,993	-	579,647
Prior year adjustment - refund	(135,173)	(135,173)	-	-
Interfund transfer in (out)	(835)	(222)	613	-
Fund balance prior to refund to CJAD	-	492,415	492,415	679,993
Refund due to TDCJ-CJAD	-	-	-	-
Fund balance, August 31	-	492,415	492,415	679,993

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - REGULATORY BASIS - BUDGET AND ACTUAL**

COMMUNITY SERVICE RESTITUTION PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Revenue				
State aid	47,685	47,685	-	42,931
Rider 80	1,209	1,208	1	-
Total revenue	48,894	48,893	1	42,931
Expenditures				
Salaries and fringe benefits	41,004	36,649	4,355	39,907
Rider 80	1,210	1,208	2	-
Travel and furnished transportation	-	-	-	-
Contract services for offenders	-	-	-	-
Professional fees	357	367	(10)	322
Supplies and operating	3,598	1,651	1,947	2,465
Utilities	-	-	-	-
Equipment	2,725	2,293	432	4,372
Total expenditures	48,894	42,168	6,726	47,066
Excess revenue over (under) expenditures	-	6,725	(6,725)	(4,135)
Fund balance, September 1	-	-	-	6,947
Fund balance prior to refund to CJAD	-	6,725	(6,725)	2,812
Refund due to CJAD	-	-	-	(2,812)
Fund balance, August 31	-	6,725	(6,725)	-

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - REGULATORY BASIS - BUDGET AND ACTUAL**

SUBSTANCE ABUSE PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Revenue				
State aid	57,166	57,166	-	64,012
<hr/>				
Total revenue	57,166	57,166	-	64,012
Expenditures				
Salaries and fringe benefits	47,650	47,616	34	45,433
Travel and furnished transportation	-	-	-	-
Contract services for offenders	9,916	9,343	573	8,315
Professional fees	428	429	(1)	480
Supplies and operating	7	-	7	3,287
Utilities	-	-	-	-
Equipment	-	-	-	-
<hr/>				
Total expenditures	58,001	57,388	613	57,515
Excess revenue over (under) expenditures	(835)	(222)	(613)	6,497
Fund balance, September 1	-	-	-	16,201
Interfund transfer in (out)	835	222	613	-
<hr/>				
Fund balance prior to refund to CJAD	-	-	-	22,698
Refund due to CJAD	-	-	-	(22,698)
<hr/>				
Fund balance, August 31	-	-	-	-

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - REGULATORY BASIS - BUDGET AND ACTUAL**

SEX OFFENDER COUNSELING PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Revenue				
State aid	10,881	10,881	-	9,431
<hr/>				
Total revenue	10,881	10,881	-	9,431
Expenditures				
Salaries and fringe benefits	-	-	-	-
Travel and furnished transportation	-	-	-	-
Contract services for offenders	10,800	10,800	-	8,640
Professional fees	81	81	-	71
Supplies and operating	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
<hr/>				
Total expenditures	10,881	10,881	-	8,711
Excess revenue over (under) expenditures	-	-	-	720
Fund balance, September 1	-	-	-	720
<hr/>				
Fund balance prior to refund to CJAD	-	-	-	1,440
Refund due to CJAD	-	-	-	(1,440)
<hr/>				
Fund balance, August 31	-	-	-	-

The accompanying notes are an integral part of this financial statement

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements include only the revenue of the Nacogdoches County District Probation Department (Department) related to the receipt of funds administered by the Community Justice Assistance Division of the Texas Department of Criminal from state appropriations for the Basic Supervision Fund , Community Corrections Program Funds, Diversion Program Grant Funds, Treatment Alternative to Incarceration Grant Funds, local fees collected for the use of the Department, and the expenditure of those funds. The Department is a Community Supervision and Corrections Department that supervises adults who have been placed on community supervision by the courts.

Basis of Accounting

The financial statements of the Department have been prepared in conformity with the requirements of TDCJ-CJAD. TDCJ-CJAD requires that all disbursements from the state to the funding recipient be reported as revenues, deobligated funds be reported as decreases to revenues, balances due to the state be reported as reductions in fund balances, and accruals be cut off as of October 31. This differs from generally accepted accounting principles in which revenues are recognized when they become measurable and available as net assets and expenditures are generally recognized when they are incurred.

The Department is accounted for in the governmental fund category as separate special revenue funds. The accounting period used in the preparation of financial statements for all funds of Nacogdoches County is October 1 through September 30. The accounting period used in preparing financial statements required by the TDCJ-CJAD is September 1 through August 31.

FUNDING SOURCES - STATE AID

The Department receives the following state aid:

Basic Supervision

This state funding is a per capita allocation based on statistics from the previous full calendar year. The per capita formula includes felony and misdemeanor direct cases as well as pre-trial cases. These funds are received at the beginning of each quarter. Funds are used to provide basic supervision to offenders whose sentences have been suspended and who have been placed under community

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

supervision.

SAFPF

Substance Abuse Felony Punishment Facility Funding (SAFPF) is for aftercare caseloads and is funded on a per case basis. Funding for SAFPF aftercare caseloads is allocated by TDCJ-CJAD through the Diversion Program line item, but is budgeted and reported under Basic Supervision.

Rider 80 Funds

Rider 80 funds were appropriated by the 81st Legislature specifically for community supervision offices and direct care staff salary increases of 3.5% of salaries as of August 31, 2009. These are Diversion Program funds that are accounted for as a line item in the Basic Supervision and Community Corrections Program funds.

Community Corrections Program Funds

The Department receives Community Corrections Program funding based on the percentage of the state's population residing in Nacogdoches County and the percentage of all felony defendants in the state under the direct supervision of the Department. Community Corrections Program Funds were received for Community Service Restitution, Substance Abuse Caseload, and Sex Offender Counseling programs.

FUNDS COLLECTED FROM SOURCES OTHER THAN TDCJ-CJAD

The following schedule details the funds collected by the Nacogdoches County District Probation Department which are required to be reported on the quarterly financial reports. The following funds are recorded in other income in the Supervision fund and are subject to the expenditure restrictions applicable to TDCJ-CJAD funds:

<u>Source of Funds</u>	<u>Amount</u>
Transaction fees	6
Angelina County TAIP reimbursement for drug assessments	1,761
Urinalysis fee reimbursement from Nacogdoches County	231
Payment by program participant (services in prior year)	190
Collection fee on HHSC restitution	1,119
Included in other income	<u>3,307</u>

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2010

The following expenditures are recorded in the Nacogdoches County general fund and represent funding from the County for copier costs and furniture and equipment:

Copier costs	1,502
Furniture and equipment	<u>3,456</u>
Total	<u><u>4,958</u></u>

The Department did not have any funds which are not required to be reported on the quarterly financial reports.

EXCESS OF EXPENDITURES OVER BUDGETS IN INDIVIDUAL PROGRAMS

There were no excess of expenditures over budgets in individual programs.

INTERFUND TRANSFERS RECEIVABLE AND PAYABLE

The Basic Supervision Program transferred \$222 to the Substance Abuse Program during the year.

VENDOR CONTRACTS FOR OFFENDER SERVICES

There were no vendor contracts for offender services or payments in excess of \$100,000.

Included in these financial statements are the following payments for vendor services to individual vendors in excess of \$5,000:

Type	Amount	Funding Source
Drug Screening fees	9,343	Substance Abuse
Counseling	<u>10,800</u>	Sex Offender Counseling
Total	<u><u>20,143</u></u>	

These vendors did not have a contract; however, payments and services were monitored by the District Probation Director.

Supplemental Schedules

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL COMMUNITY CORRECTIONS PROGRAMS**

FOR THE YEAR ENDED AUGUST 31, 2010

	Community Service Restitution	Substance Abuse Caseload	Sex Offender Counseling	Total
Revenue				
State aid	47,685	57,166	10,881	115,732
Rider 80	1,208	-	-	1,208
Total revenue	48,893	57,166	10,881	116,940
Expenditures				
Salaries and fringe benefits	36,649	47,616	-	84,265
Rider 80	1,208	-	-	1,208
Travel and furnished transp.	-	-	-	-
Contract services for offenders	-	9,343	10,800	20,143
Professional fees	367	429	81	877
Supplies and operating	1,651	-	-	1,651
Utilities	-	-	-	-
Equipment	2,293	-	-	2,293
Total expenditures	42,168	57,388	10,881	110,437
Excess revenue over (under) expenditures	6,725	(222)	-	6,503
Fund balance, September 1	-	-	-	-
Interfund transfer in (out)	-	222	-	222
Fund balance prior to refund	6,725	-	-	6,725
Refund due to CJAD	-	-	-	-
Fund balance, August 31	6,725	-	-	6,725

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
SCHEDULE OF DIFFERENCES BETWEEN
AUDIT REPORT AND CSCD REPORTS**

SUPERVISION PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Audit	CSCD Report	Difference
Revenue			
State aid	332,210	332,210	-
Rider 80	5,882	5,882	-
SAFPF	21,855	21,855	-
Probation fees	623,044	623,044	-
Payments by program participants	520	520	-
Interest	4,248	4,248	-
Other	3,307	3,307	-
Total revenue	991,066	991,066	-
Expenditures			
Salaries and fringe benefits	901,850	901,850	-
Rider 80	21,855	21,855	-
Travel and furnished transportation	22,541	22,541	-
Contract services for offenders	12,910	12,910	-
Professional fees	18,865	18,865	-
Supplies and operating	49,949	49,949	-
Facilities	-	-	-
Utilities	4,892	4,892	-
Equipment	10,387	10,387	-
Total expenditures	1,043,249	1,043,249	-
Excess revenue over (under) expenditures	(52,183)	(52,183)	-
Fund balance, September 1	679,993	679,993	-
Prior year adjustment - refund	(135,173)	(135,173)	-
Interfund transfer in (out)	(222)	(222)	-
Fund balance prior to refund to CJAD	492,415	492,415	-
Refund due to TDCJ-CJAD	-	-	-
Fund balance, August 31	492,415	492,415	-

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
SCHEDULE OF DIFFERENCES BETWEEN
AUDIT REPORT AND CSCD REPORTS**

COMMUNITY SERVICE RESTITUTION PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Audit	CSCD Report	Difference
Revenue			
State aid	47,685	47,685	-
Rider 80	1,208	1,208	-
Total revenue	48,893	48,893	-
Expenditures			
Salaries and fringe benefits	36,649	36,649	-
Rider 80	1,208	1,208	-
Travel and furnished transportation	-	-	-
Contract services for offenders	-	-	-
Professional fees	367	367	-
Supplies and operating	1,651	1,651	-
Utilities	-	-	-
Equipment	2,293	2,293	-
Total expenditures	42,168	42,168	-
Excess revenue over (under) expenditures	6,725	6,725	-
Fund balance, September 1	-	-	-
Fund balance prior to refund to CJAD	6,725	6,725	-
Refund due to CJAD	-	-	-
Fund balance, August 31	6,725	6,725	-

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
SCHEDULE OF DIFFERENCES BETWEEN
AUDIT REPORT AND CSCD REPORTS**

SUBSTANCE ABUSE PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Audit	CSCD Report	Difference
Revenue			
State aid	57,166	57,166	-
Total revenue	57,166	57,166	-
Expenditures			
Salaries and fringe benefits	47,616	47,616	-
Travel and furnished transportation	-	-	-
Contract services for offenders	9,343	9,343	-
Professional fees	429	429	-
Supplies and operating	-	-	-
Utilities	-	-	-
Equipment	-	-	-
Total expenditures	57,388	57,388	-
Excess revenue over (under)			
expenditures	(222)	(222)	-
Fund balance, September 1	-	-	-
Interfund transfer in (out)	222	222	-
Fund balance prior to refund to CJAD	-	-	-
Refund due to CJAD	-	-	-
Fund balance, August 31	-	-	-

The accompanying notes are an integral part of this financial statement

**NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
SCHEDULE OF DIFFERENCES BETWEEN
AUDIT REPORT AND CSCD REPORTS**

SEX OFFENDER COUNSELING PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2010

	Audit	CSCD Report	Difference
Revenue			
State aid	10,881	10,881	-
Total revenue	10,881	10,881	-
Expenditures			
Salaries and fringe benefits	-	-	-
Travel and furnished transportation	-	-	-
Contract services for offenders	10,800	10,800	-
Professional fees	81	81	-
Supplies and operating	-	-	-
Utilities	-	-	-
Equipment	-	-	-
Total expenditures	10,881	10,881	-
Excess revenue over (under) expenditures	-	-	-
Fund balance, September 1	-	-	-
Fund balance prior to refund to CJAD	-	-	-
Refund due to CJAD	-	-	-
-	-	-	-

The accompanying notes are an integral part of this financial statement

Compliance Section



Pipes & Associates

Monte C. Pipes, CPA
Carolyn A. Pipes, CPA

P.O. Box 631468 • Nacogdoches, TX. 75963-1468 • (936) 560-5040 • Fax:(936) 560-5632 • pipescpa@yahoo.com

Certified Public Accountants

**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**

Nacogdoches County District Probation Board
Nacogdoches, Texas

We have audited the combined financial statements of the Nacogdoches County District Probation Department (Department) as of and for the year ended August 31, 2010, and have issued our report thereon dated March 2, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Nacogdoches County District Probation Department

March 2, 2011

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of 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.

This report is intended solely for the information and use of management, others within the Nacogdoches County District Probation Department and the Texas Department of Criminal Justice - Community Justice Assistance Division and is not intended to be and should not be used by anyone other than these specified parties.

Pipes & Associates

PIPES & ASSOCIATES
Certified Public Accountants

March 2, 2011

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

TDCJ-CJAD COMPLIANCE CHECKLIST

AUGUST 31, 2010

The following items represent requirements applicable to accounting for funds received from the Texas Department of Criminal Justice Community Justice Assistance Division (CJAD), with a yes response indicating assurance regarding compliance and a no response indicating non-compliance. An N/A response means the item is not applicable.

COMPLIANCE ITEM	IN COMPLIANCE YES, NO OR N/A
Separate accountability is maintained for TDCJ-CJAD funds.	<u>Yes</u>
Revenues and expenditures reported to TDCJ-CJAD are in agreement with, or reconcilable to, the funding recipient's accounting records and with audited expenditures in each budget category.	<u>Yes</u>
TDCJ-CJAD funds and locally generated revenues are expended in accordance with <u>The Financial Management Manual for TDCJ-CJAD Funding</u> , TDCJ-CJAD Funding and Fiscal Management Updates, TDCJ-CJAD Standards, TDCJ-CJAD Field Correspondence, TDCJ-CJAD Policy Statements, Standard and Special Grant Conditions, and applicable laws.	<u>Yes</u>
Proper cut-off procedures are to be observed at the end of each fiscal period. The cut-off date for revenue recognition and expenditure payments of FY 2010 is October 31, 2010. The modified accrual basis of accounting is used in preparing fourth quarter reports for submission to TDCJ-CJAD.	<u>Yes</u>
If the CSCD serves both juveniles and adults, expenditures that benefit both juveniles and adults are prorated on an equitable basis. Determination of the method of prorating such expenditures must be supported by adequate documentation.	<u>N/A</u>
TDCJ-CJAD funds are not used to pay judges' salaries (unless specifically approved by TDCJ-CJAD in a Program Budget; i.e. DWI Courts), community justice council members' salaries, or other court related expenses.	<u>Yes</u>
Expenditures and revenues are supported by adequate documentation.	<u>Yes</u>
If the CSCD determines that an increase or decrease in revenue or expenditures is required, budget adjustments are submitted to TDCJ-CJAD in accordance with the Financial Management Manual for TDCJ-CJAD Funding.	<u>Yes</u>

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

TDCJ-CJAD COMPLIANCE CHECKLIST

AUGUST 31, 2010

COMPLIANCE ITEM	IN COMPLIANCE YES, NO OR N/A
Idle funds are invested according to <u>Vernon's Texas Codes Annotated Local Government Code Section 140.003(f)</u> .	<u>Yes</u>
All employees with access to funds are covered by a surety bond.	<u>Yes</u>
Locally generated funds, and other collections, are documented with a proper receipt system.	<u>Yes</u>
All non-CJAD funded program fees are expended in accordance with applicable limitations.	<u>Yes</u>
All equipment is physically inventoried and adequately supported with an inventory form. Surplus equipment is disposed of in accordance with TDCJ-CJAD guidelines.	<u>Yes</u>
Victim Restitution funds are accounted for in accordance with <u>Vernon's Texas Codes Annotated Government Code Section 76.013</u> .	<u>Yes</u>
TDCJ-CJAD policies regarding contracts with vendors have been followed, which includes maintaining a Contract Monitoring Plan (policy) to monitor vendor payments and compliance with contracts..	<u>Yes</u>
All leases have received TDCJ-CJAD approval prior to the expenditure of funds.	<u>N/A</u>
The CSCD has a policy regarding eligibility for employee merit increases.	<u>Yes</u>
All purchases adhere to the requirements of <u>Vernon's Texas Codes Annotated Local Government Code, Section 262.023</u> regarding competitive bids.	<u>Yes</u>
CSCD has an existing policy on budget approval, operates by the policy, and the policy has been approved in an open meeting by the judges charged with oversight of the CSCD (Government Code, Section 76.002, and TDCJ-CJAD's Financial Management Manual.)	<u>Yes</u>

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

None

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2010

N/A

NACOGDOCHES COUNTY DISTRICT PROBATION DEPARTMENT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2010

N/A

Jessica -

Here are copies of
the DP audit report for your
files. I mailed 2 to CJAD.
I sent Dorothy 1.

Colin