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March 11, 2016

TO: Calvin C. Remington
Interim Chief Probation Officer

FROM: John Naimo 
Auditor-Controller

SUBJECT: **PROBATION DEPARTMENT – FISCAL YEAR 2014-15 BUDGET,
REVENUE ACCRUALS, AND PRIOR YEAR REVENUES AND
EXPENDITURES REVIEW**

We have completed a review of the Probation Department's (Probation or Department) Fiscal Year (FY) 2014-15 budget, revenue accruals, and prior year revenues and expenditures. As discussed during our August 2015 meeting with Probation's executive management, the Auditor-Controller (A-C) and Chief Executive Office (CEO) identified significant revenue and expenditure variances between Probation's FY 2014-15 budget and its actual financial results, resulting in a current year Net County Cost (NCC) deficit of \$21.2 million. NCC is the cost of departmental operation expenditures funded by County of Los Angeles general purpose revenues, such as property taxes.

Scope of Review

We reviewed the Department's FY 2014-15 budget, and worked with Probation to identify the FY 2014-15 revenue and expenditure budget variances. We identified the reasons for the FY 2014-15 current year revenue shortfalls and expenditure savings, and their effect on the FY 2014-15 current year budget. We also worked jointly with Probation and the CEO to identify potential revenue sources and expenditures that Probation may not receive and expend, respectively, in future years, and developed a revised budget representing a more accurate NCC for FY 2015-16. In addition, we reviewed the Department's revenue accruals, prior year revenues and expenditures, and related accrual procedures that Probation and the A-C's Accounting Division (A-C Accounting) follow to identify the reasons for Probation's excessive amounts of FY 2014-15 "prior year" revenues, i.e., revenues recognized in FY 2014-15 that are associated with prior fiscal years.

Results of Review

Probation operated within its overall NCC for FY 2014-15. However, we noted that this was a result of an over-realization of prior year revenues. Specifically, our review noted that Probation:

- Reported a \$21.2 million FY 2014-15 current year NCC deficit, which was primarily due to a \$16.4 million shortfall of current year revenues. Probation indicated that they will work with the CEO to reevaluate such revenues in their FY 2016-17 budget.
- Reported \$37.9 million in prior year revenues in FY 2014-15. We noted that this was primarily due to issues with Probation establishing revenue accruals at year-end, including the untimely submission of claims throughout the fiscal year by the Department, and a miscommunication of accrual procedures between Probation and A-C Accounting. However, it should be noted that the Department will report prior year revenues annually, since some funding is collected after A-C Accounting's accrual submission deadline, which is out of the Department's control. Probation indicated that they plan to submit claims timely throughout the fiscal year, and will work closely with A-C Accounting to ensure revenue accruals are appropriately established and accrual submission deadline extensions are requested, when appropriate.
- Retained Public Safety Realignment 2011 (2011 Realignment) one-time allocations, resulting from State of California (State) sales tax adjustments or growth (i.e., additional prior year funding made available by the State), in FYs 2013-14 and 2014-15, which totaled \$8.9 million as of December 2015, instead of utilizing the funds for unbilled program expenditures that are paid for by NCC. Probation indicated that they intend to use the \$8.9 million to fund one-time purchases for 2011 Realignment program enhancements (separate from unbilled program expenditures), and 2011 Realignment program deferred maintenance issues at the Probation halls and camps.
- Does not use the \$10.0 million budgeted from the Criminal Justice Facilities Temporary Construction (CJFTC) Fund in accordance with California Government Code Section 76101 (Government Code), which requires funds to be used to assist any county in the construction, reconstruction, expansion, improvement, operation, or maintenance of criminal justice and court facilities, and for the improvement of criminal justice automated information systems. Probation currently uses the funds for Department of Justice (DOJ) settlement agreement costs (i.e., costs for contract monitoring, litigation services and supplies, pharmaceuticals, and staff to provide mental health care and services). Probation and the CEO are aware of the issues in the use of the CJFTC Fund.

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The CEO, who is responsible for managing the funds, will determine whether Probation should budget, and receive, these funds in future fiscal years.

Details of these and other findings and recommendations are included in the Attachment.

Review of Report

We have discussed our report with Probation, CEO, and A-C Accounting management. They are in agreement with our report, have taken action, and are committed to working together to ensure these issues are corrected and appropriately addressed moving forward.

We thank Probation and CEO management and staff for their cooperation and assistance during our review. If you have any questions, please contact me, or your staff may contact Arlene Barrera at (213) 974-0729.

JN:AB:PH:JU

Attachment

c: Sachi A. Hamai, Chief Executive Officer
Connie Yee, Chief, Auditor-Controller Accounting Division

**PROBATION DEPARTMENT
FISCAL YEAR 2014-15 BUDGET, REVENUE ACCRUALS,
AND PRIOR YEAR REVENUES AND EXPENDITURES REVIEW**

Background

As discussed during our August 2015 meeting with Probation Department's (Probation or Department) executive management, the Auditor-Controller (A-C) and Chief Executive Office (CEO) identified significant revenue and expenditure variances between Probation's Fiscal Year (FY) 2014-15 budget and its actual financial results, resulting in a FY 2014-15 current year Net County Cost (NCC) deficit of \$21.2 million. NCC is the cost of departmental operation expenditures funded by County of Los Angeles (County) general purpose revenues, such as property taxes. As a result, we have completed a review of Probation's FY 2014-15 budget, revenue accruals, and prior year revenues and expenditures.

Budget to Actual Financial Comparison

The Department operated within its budgeted NCC for FY 2014-15. However, this was due to a significant over-realization of prior year revenues. In reviewing the Department's adherence to its County General Fund budget, we compared Probation's FY 2014-15 final budget to its actual financial results, and noted that the Department had an overall positive (under budget) NCC variance of \$21.8 million. However, we noted that Probation reported a current year NCC deficit of \$21.2 million while prior year revenues and expenditures reported a surplus of \$43 million. The results are summarized in Table 1, below.

Table 1			
Budget to Actual Financial Comparison - Total Net County Cost (in thousands)			
Fiscal Year 2014-15			
	Budget	Actual	Variance
Current Year Revenues	\$ 340,634	\$ 279,269	\$ (61,365)
Current Year Expenditures	862,033	821,876	40,157
Current Year Net County Cost	\$ (521,399)	\$ (542,607)	\$ (21,208)
	Accrued/ Encumbered	Collected/ Expended	Variance
Prior Year Revenues	\$ 3,927	\$ 41,874	\$ 37,947
Prior Year Expenditures	17,101	12,048	5,053
Total Net County Cost			\$ 21,792

Source: electronic Countywide Accounting and Purchasing System (eCAPS)

The Department recognized considerably less current year revenues than budgeted, and also underspent total current year budgeted expenditures. Specifically, Probation received \$61.4 million (18%) less in revenues than budgeted, and spent \$40.2 million (5%) less in expenditures than budgeted. We further separated Probation's FY 2014-15 budgeted and actual current year revenues and expenditures by categories and budget

units, and discussed the variances with Probation. Details of the FY 2014-15 variances by categories and budget units are shown in Table 2, below.

Table 2 Current Year Revenues & Expenditures - Budget to Actual Variances (In thousands) Fiscal Year 2014-15						
	Field Services	Support Services	Juvenile Institution Services	Special Services	Care of Juvenile Court Wards	All Budget Units
Revenues						
Charges for Services - Other	\$ (564)	\$ (79)	\$ (29)	\$ (1,458)	\$ -	\$ (2,130)
Court Fees & Costs	(1,322)	-	-	-	-	(1,322)
Federal Aid - Mental Health	(1,328)	-	(430)	-	-	(1,758)
Federal - Other	(29)	-	10	(847)	-	(866)
Federal - Public Assistance	(20,756)	(423)	(1,037)	(2,856)	-	(25,072)
Forfeitures & Penalties	(200)	-	-	-	-	(200)
Institutional Care & Services	(3,680)	(557)	(61)	(216)	-	(4,514)
Interest	-	-	-	(174)	-	(174)
Miscellaneous	(57)	485	(2)	-	9	435
Other Court Fines	670	159	48	-	-	877
Recording Fees	-	-	-	-	-	-
Rents & Concessions	-	-	(69)	-	-	(69)
Royalties	-	-	(5)	-	-	(5)
Sale of Capital Assets	-	47	-	-	-	47
State - Other	400	206	(5,230)	(3,268)	-	(7,892)
State - Public Assistance	-	-	-	2,638	-	2,638
State - Public Safety Realignment 2011	946	(1,107)	(224)	(2,757)	-	(3,142)
Transfers In	(8,172)	(10,046)	-	-	-	(18,218)
Total Revenue Variances	\$ (34,092)	\$ (11,315)	\$ (7,029)	\$ (8,938)	\$ 9	\$ (61,365)
Expenditures						
Salaries & Employee Benefits	\$ 22,931	\$ 1,289	\$ 13,471	\$ 4,593	\$ -	\$ 42,284
Services & Supplies	1,265	1,274	1,340	2,615	-	6,494
Other Charges	159	1,309	185	-	126	1,779
Capital Assets	270	64	660	-	-	994
Gross Total	\$ 24,625	\$ 3,936	\$ 15,656	\$ 7,208	\$ 126	\$ 51,551
Intrafund Transfers	(100)	23	(11,571)	254	-	(11,394)
Total Expenditure Variances	\$ 24,525	\$ 3,959	\$ 4,085	\$ 7,462	\$ 126	\$ 40,157
Total Current Year Net County Cost	\$ (9,567)	\$ (7,356)	\$ (2,944)	\$ (1,476)	\$ 135	\$ (21,208)

Source: eCAPS

The \$61.4 million shortfall in budgeted revenue in FY 2014-15 was mainly due to the following:

- Federal - Public Assistance** - Actual revenues received were \$25.1 million less than budgeted for federal Title IV-E funding, which provides out-of-home care for juvenile probationers until they are returned home, placed permanently with adoptive families, or placed in other planned arrangements for permanent residency/care. The Department indicated that this was due to changes in the types of allowable reimbursable activities, and the federal and State of California (State) Title IV-E reimbursement ratios. In addition, the Department's overhead

rate decreased, which resulted in lower claimable amounts. As indicated later in the report, the Department plans to hire an outside consultant to assist Probation in maximizing Title IV-E revenues.

- **Transfers In** - Actual revenues received were \$18.2 million less than budgeted. We noted that the Department did not receive their budgeted \$10.0 million transfer from the Criminal Justice Facilities Temporary Construction (CJFTC) Fund from the CEO. In addition, the Department received \$8.2 million less than budgeted from the California Community Corrections Performance Incentives (CCPI) Special Revenue Fund. Probation indicated that they expended and claimed only \$12.5 million from the CCPI Fund for Senate Bill (SB) 678 program costs due to vacancies and continued development of SB 678 programs.
- **State - Other** - Actual net revenues received were \$7.9 million less than budgeted, and were primarily related to the School Breakfast Program and National School Lunch Program (School Breakfast & Lunch Program) and Schiff Cardenas Juvenile Justice Crime Prevention Act (JJCPA) revenues. The Department received \$5.2 million less than budgeted for the School Breakfast & Lunch Program. The Department indicated that they discontinued participation in the School Breakfast & Lunch Program in November 2014, and do not plan on reinstating their participation in these programs, since the needs of Probation's juveniles are not met by the program's stringent requirements. In addition, the Department received \$3.3 million less than budgeted in JJCPA revenues. Probation indicated that this was due to Probation's contracted Community Based Organizations (CBO) receiving less referrals of youth to their programs, and youth not meeting certain program outcomes, which are the basis for the CBOs' program revenues.
- **Institutional Care & Services** - Actual net revenues received were \$4.5 million less than budgeted, which was primarily related to Cost of Probation Supervision/Investigation revenues. The Department received \$3.9 million less than budgeted, since collection of these revenues depends on the payment ability of adult probationers. California Penal Code 1203.1b indicates that an adult probationer may be required to reimburse Probation for all or a reasonable portion of the probation services provided, depending on an assessment of their ability to pay.
- **State - Public Safety Realignment 2011** - Actual revenues received were \$3.1 million less than budgeted for Public Safety Realignment 2011 (2011 Realignment) revenues, which we noted was due to the variability of funding received from the State, and the Department not receiving final fiscal year funding until after fiscal year-end. 2011 Realignment programs include, but are not limited to, the Juvenile Reentry Grant program, which addresses local supervision of youth offenders discharged from the custody of the State, and the Juvenile Probation Activities/Funding program, which support Probation services

targeting youth who are habitual truants, runaways at risk of being wards of the court, or are under juvenile court or Probation supervision.

The \$40.2 million savings in budgeted operating expenditures in FY 2014-15 were mainly due to the following:

- **Salaries & Employee Benefits (S&EB)** - Actual expenditures were \$42.3 million less than budgeted. Probation indicated that savings were due to challenges in filling positions in the Field and Juvenile Institutions Services Budget Units. At the end of FY 2014-15, Probation indicated that they had an approximately 17% vacancy rate, which has generally remained unchanged compared to the prior fiscal year, given their attrition rates.
- **Intrafund Transfers** - Intrafund transfers were \$11.4 million less than budgeted, which was primarily related to the Department of Mental Health - Short Doyle Dorothy Kirby Center (DKC) program. Probation set aside a one-time amount of \$8.4 million in a liability account for DKC program claims, since the California Department of Health Care Services (DHCS) determined that DKC should not have been qualified as a Medi-Cal facility. This also caused Probation to have an additional \$3.0 million shortfall, since they can no longer claim expenditures for Medi-Cal Specialty Mental Health Services at DKC.

Budget Adjustments

As previously indicated, Probation had a \$21.2 million current year NCC deficit in FY 2014-15. Based on our discussions with Probation and the CEO, this deficit was primarily due to \$16.4 million in current year revenue shortfalls.

Revenue Adjustments

The majority of the \$16.4 million in unrecognized revenues primarily involves the following five revenue categories that should be adjusted:

- **State - Other** - \$5.2 million for the School Breakfast & Lunch Program. As previously indicated, Probation discontinued participation in November 2014, and does not plan on reinstating participation in the program, since the needs of Probation's juveniles are not met by the program's stringent requirements.
- **Institutional Care & Services** - \$4.0 million for Juvenile Work Crew and Cost of Probation Supervision/Investigation. Probation indicated that the reduction in budgeted Juvenile Work Crew revenues is due to a decrease in juvenile participation, as the population at the juvenile camps has decreased over the years, and the Department not having contracts with cities for work crew services. In addition, Probation is adjusting their Cost of Probation Supervision/Investigation budgeted revenues to properly reflect actual revenues received.

- **Intrafund Transfers** - \$3.0 million for the DKC program. As previously indicated, DHCS determined that DKC should not have been qualified as a Medi-Cal facility. Therefore, they can no longer claim expenditures for Medi-Cal Specialty Mental Health Services at DKC.
- **Charges for Services - Other** - \$1.8 million for Contract Services and Reimbursement of Costs-Charges for Services. The Department indicated that the reduction in Contract Services revenues is due to fewer contracts with school districts and cities. In addition, the reduction in Reimbursement of Costs-Charges for Services revenues is to eliminate collections from the Superior Court for the maintenance of the Juvenile Automated Index system, since Probation no longer maintains the system. Probation also indicated the reduction is due to the DNA Identification Fund-Local Share for DNA sample collections being posted under another revenue category.
- **Court Fees & Costs** - \$1.3 million for Miscellaneous and Criminalistics Lab. The Department is adjusting the revenues to properly reflect actual revenues received.

Table 3, below, illustrates the Department's FY 2015-16 Final Adopted Budget that we revised to reflect the uncollectible revenues, and to represent a more accurate NCC. Probation indicated that they will work with the CEO to factor in these adjustments in their FY 2016-17 budget. Potential expenditure adjustments are discussed later in this report.

Table 3 Final Adopted Budget with Adjustments (In thousands) Fiscal Year 2015-16			
	All Budget Units-Total	Adjustments	All Budget Units- Adjusted Total
Revenues			
Charges for Services - Other	\$ 4,284	\$ (1,800)	\$ 2,484
Court Fees & Costs	1,545	(1,320)	225
Federal - Other	1,330	(800)	530
Institutional Care & Services	9,430	(3,984)	5,446
Interest	174	(174)	-
Royalties	5	(5)	-
State - Other	7,770	(5,230)	2,540
All Other Revenues - Net	323,078	-	323,078
Net Revenues	\$ 347,616	\$ (13,313)	\$ 334,303
Expenditures			
Salaries & Employee Benefits	\$ 667,155	\$ -	\$ 667,155
Services & Supplies	204,752	-	204,752
Other Charges	9,501	-	9,501
Capital Assets	3,525	-	3,525
Gross Total	\$ 884,933	\$ -	\$ 884,933
Intrafund Transfers	(6,799)	3,045	(3,754)
Net Expenditures	\$ 878,134	\$ 3,045	\$ 881,179
Net County Cost	\$ 530,518	\$ 16,358	\$ 546,876

Source: County of Los Angeles FY 2015-16 Final Budget and Probation Department

CJFTC Fund

Per the California Government Code Section 76101 (Government Code), the purpose of the CJFTC Fund is to assist any county in the construction, reconstruction, expansion, improvement, operation, or maintenance of criminal justice and court facilities, and for improvement of criminal justice automated information systems. The CJFTC Fund is financed by parking violation fines and forfeitures, and penalty assessments on non-parking offenses, and is managed by CEO Capital Projects.

In August 2010, the Board of Supervisors approved the transfer of \$7.9 million from the CJFTC Fund to Probation to assist in the implementation of the October 2008 final settlement agreement between the Department of Justice (DOJ) and the County. The CEO continued to budget \$10.0 million of transfers from the CJFTC Fund to Probation for FYs 2011-12 through 2014-15. However, as previously indicated, the CEO did not allow for the transfer of the \$10.0 million in budgeted revenues from the CJFTC Fund in FY 2014-15. The CEO indicated that this was due to Probation closing FY 2014-15 with a \$21.8 million NCC surplus with prior year revenues and expenditures. The CEO, who is responsible for managing the CJFTC Fund, will determine whether Probation will receive these funds in future fiscal years.

In addition, we noted that the \$10.0 million budgeted from the CJFTC Fund has not been used in accordance with the Government Code, since it is being used for the DOJ settlement agreement costs (i.e., costs for contract monitoring, litigation services and supplies, pharmaceuticals, and staff to provide adequate mental health care and services), instead of the purpose defined in the Government Code. Probation and the CEO are aware of the issues in the use of the CJFTC Fund. Probation management should work with the CEO to ensure the CJFTC Fund is used for allowable expenses, as outlined in the Government Code.

Title IV-E Waiver

In FY 2014-15, Probation received approximately \$53.6 million of the \$76.0 million budgeted in Title IV-E revenues. However, we noted that the California Title IV-E Child Welfare Waiver Demonstration Project (Title IV-E Waiver) expires in September 2019, unless an extension is granted by the federal Department of Health and Human Services. The Department indicated that the expiration of the Title IV-E Waiver may result in Probation losing at least half of their Title IV-E funding, and that they intend to analyze the effect this will have on future budgets. In addition, although Probation received \$22.4 million (\$25.1 million less in federal and \$2.7 million more in State) less than budgeted for Title IV-E in FY 2014-15, the Department indicated that they do not intend to adjust their budget, since they plan to hire an outside consultant to assist Probation in maximizing Title IV-E revenues by identifying additional reimbursable activities.

Expenditure Adjustments

Probation indicated they plan to request additional NCC to offset the \$16.4 million reductions in net revenues. However, we noted that Probation had an average S&EB savings of \$47.7 million from FYs 2012-13 through 2014-15. Probation indicated that they do not want to reduce their S&EB budget because there is a continuing effort to fill the vacant sworn positions, and that S&EB savings help offset any over expenditures in other areas. However, Probation should consider reducing their budgeted S&EB budget, or identify other budget saving areas, to offset the reductions in revenues before requesting additional NCC.

Recommendations**Probation Department management:**

- 1. Work with the Chief Executive Office to adjust the Department's Fiscal Year 2016-17 budget to reflect any unrealizable revenues, and consider reducing the Department's Salaries and Employee Benefits budget, or identify other budget saving areas, to offset the reductions in revenues before requesting additional Net County Cost.**
- 2. Work with the Chief Executive Office to ensure the Criminal Justice Facilities Temporary Construction Fund is used for allowable expenses, as outlined in California Government Code Section 76101.**

Revenue Accruals, and Prior Year Revenues and Expenditures

We reviewed the Department's revenue accruals, prior year revenues and expenditures, and related accrual procedures that Probation and A-C Accounting follow to identify the reasons for Probation's significantly high FY 2014-15 reported prior year revenues. Table 4, below, illustrates that the \$21.2 million FY 2014-15 current year NCC deficit was offset by \$37.9 million in prior year revenues and \$5.1 million in prior year expenditures.

Table A Prior Year Revenues & Expenditures - Budget to Actual Variances (in thousands) Fiscal Year 2014-15						
	Field Services	Support Services	Juvenile Institution Services	Special Services	Care of Juvenile Court Wards	All Budget Units-Total
Current Year Net County Cost Variances	\$ (9,567)	\$ (7,356)	\$ (2,944)	\$ (1,476)	135	\$ (21,208)
Prior Year Revenues						
Federal - Other	\$ 3,557	\$ -	\$ 1,807	\$ 8,363	\$ -	\$ 13,727
State - Public Safety Realignment 2011	-	-	19,447	3,212	-	22,659
All Other Revenue Variances	790	2	-	769	-	1,561
Net Revenue Variances	\$ 4,347	\$ 2	\$ 21,254	\$ 12,344	\$ -	\$ 37,947
Prior Year Expenditures						
Services & Supplies	\$ 586	\$ 377	\$ 500	\$ 3,337	\$ -	\$ 4,800
Other Charges	-	-	-	-	125	125
Capital Assets	128	-	-	-	-	128
Net Expenditures Variances	\$ 714	\$ 377	\$ 500	\$ 3,337	\$ 125	\$ 6,053
Total Net County Cost Variances	\$ (4,506)	\$ (6,977)	\$ 18,810	\$ 14,205	\$ 260	\$ 21,792

Source: eCAPS

Revenue Accruals and Prior Year Revenues

Probation reported \$37.9 million in prior year revenues in FY 2014-15 that were not properly accrued in FY 2013-14, which primarily include \$22.7 million in 2011 Realignment and \$14.3 million (\$13.7 million in federal and \$551,000 in State) in Title IV-E funding. We reviewed supporting documentation for each revenue accrual and prior year revenue amount to verify that revenues were recognized in the appropriate year, claims were paid with the appropriate fiscal year's funding, and that the proper revenue accrual procedures were followed. We also discussed the revenue accrual procedures with A-C Accounting, who is responsible for reviewing and aiding County departments in establishing certain revenue accruals, including 2011 Realignment and Title IV-E revenues. A-C Accounting indicated that revenues must be measurable and collectible in order to be accrued. We noted that if Probation appropriately accrued revenues at FY 2013-14 year-end, prior year revenues would have been reduced by \$32.0 million in FY 2014-15, resulting in a far more reasonable outcome.

2011 Realignment

In FY 2014-15, Probation reported \$22.7 million in prior year revenues related to 2011 Realignment programs. We noted that this was primarily due to issues with Probation establishing revenue accruals at year-end, including the untimely submission of claims throughout the fiscal year by the Department, and a miscommunication of accrual procedures between Probation and A-C Accounting. These issues resulted in the Department not properly accruing \$16.7 million of the \$22.7 million. We also identified portions of 2011 Realignment revenues that the Department could not accrue at FY 2013-14 year-end because the State allocations were made after A-C Accounting's

revenue accruals submission deadline, which is out of the Department's control, and resulted in the remaining net \$6.0 million of the \$22.7 million not being accrued.

At FY 2014-15 year-end, Probation received an extended revenue accruals submission deadline from A-C Accounting, allowing the Department to accrue \$13.2 million in 2011 Realignment revenues. However, 2011 Realignment revenue accruals should have been \$20.3 million at FY 2014-15 year-end. The Department did not accrue \$7.1 million of the \$20.3 million in 2011 Realignment revenues, which will likely be reported as prior year revenues in FY 2015-16.

One-Time 2011 Realignment Allocations

Various 2011 Realignment programs receive one-time allocations, resulting from State sales tax adjustments or growth (i.e., additional prior year funding made available by the State). We noted that in FYs 2013-14 and 2014-15, the Department retained these one-time allocations, which totaled \$8.9 million as of December 2015, instead of utilizing the one-time allocations to cover unbilled program expenditures that are paid for by NCC. The Department indicated that they intend to use the \$8.9 million to fund one-time purchases for 2011 Realignment program enhancements (separate from unbilled program expenditures), and 2011 Realignment program deferred maintenance issues at the Probation halls and camps.

Title IV-E

In FY 2014-15, Probation reported \$14.3 million in Title IV-E prior year revenues. At FY 2013-14 year-end, Title IV-E revenue accruals should have been \$15.0 million. However, we noted that Probation only established \$700,000 in revenue accruals, which the Department indicated was because their fourth quarter claim had not yet been completed at FY 2013-14 year-end, and they were concerned with over-accruing. The Department also indicated that they did not have sufficient time and resources to complete the fourth quarter claim by the A-C Accounting's revenue accruals submission deadline.

At FY 2014-15 year-end, Title IV-E revenue accruals were \$10.3 million. As previously indicated, Probation received a revenue accruals submission deadline extension from A-C Accounting at FY 2014-15 year-end, allowing the Department to complete their fourth quarter claim, and establish all of the \$10.3 million in Title IV-E revenue accruals.

Probation should ensure claims are prepared and submitted timely throughout the fiscal year, work closely with A-C Accounting to ensure revenue accruals are appropriately established, and request accrual deadline extensions from A-C Accounting, when appropriate. In addition, the Department should consider using 2011 Realignment one-time allocations to cover unbilled program expenditures before utilizing NCC to cover unbilled program costs.

Prior Year Expenditures

Prior year expenditures are comprised of commitments, which departments establish to reserve budgeted funds for goods and services that were ordered or contracted, but not received by the end of the fiscal year. In addition, commitments are not canceled at year-end, but are carried forward to future years until the encumbered amounts are expended, or the Department initiates cancellation of the commitment.

As illustrated in Table 4, above, Probation reported \$5.1 million in prior year expenditure savings in FY 2014-15, which mainly consisted of commitments related to Services and Supplies. We conducted an analysis of outstanding commitments in FY 2014-15, and identified outstanding commitment balances carried forward to FY 2015-16. Our analysis noted that \$543,000 of the \$5.1 million remained open in FY 2015-16. However, the Department indicated that the \$543,000 was still needed, and should be carried forward to FY 2015-16.

Recommendations

Probation Department management:

- 3. Ensure claims are prepared and submitted timely throughout the fiscal year, work closely with the Auditor-Controller's Accounting Division to ensure revenue accruals are appropriately established, and request accrual submission deadline extensions from the Auditor-Controller's Accounting Division, when appropriate.**
- 4. Consider using Public Safety Realignment 2011 program one-time allocation revenue to cover eligible program expenditures before utilizing Net County Cost to cover unbilled program costs.**

