

# Audit Report Highlights

Juvenile Court – Ancillary Services and Grants Audit

December 2019

Total Potential Recoveries<sup>1</sup> = None

Total Cost Savings<sup>2</sup> = None

Average Annual JC Budget<sup>3</sup> = \$55.8 million

County Annual Budget<sup>3</sup> = \$1.4 billion

## Why DIA Did This Audit

As part of the 2018 audit plan, DIA selected Ancillary Services and grant administration procedures based on a request from the JC administration. This report provides the Department of Internal Audit's results and recommendations related to internal controls and operational procedures for the Juvenile Court's (JC) Ancillary Services and grant administration during the audit period of January 1, 2018 through December 31, 2018. The purpose of this audit was to ensure:



- 1) Federal funds are maximized;
- 2) Adequate controls are in place to monitor spending and inventory;
- 3) Spending on ancillary services is appropriate and necessary;
- 4) Compliance with federal regulations, specifically for the School Lunch Program, Title IV-E funds, forfeited funds and all grants; and
- 5) Reporting information was timely, accurate, and in accordance with all governing laws and regulations.

## What DIA Found

Recommendations have been rated by priority: High, Moderate or Low.  
The report contains 17 recommendations:

2 **High** – 30 days to complete  
10 **Moderate** – 90 days to complete  
5 **Low** – 180 days to complete

DIA identified a number of control weaknesses associated with grant management. Some of those important findings are summarized below.

- There was no grant coordinator position to monitor and oversee state and federal grants or clear process to do so.
- Juvenile Court did not have written procedures regarding managing Federal awards as required by Uniform Guidance (2 CFR § 200.303), risking noncompliance.
- Stated amounts on the County's Schedule of Expenditures of Federal Awards (SEFA) were under-reported for Foster Care Title IV-E. The total variance was -\$846,851; [(\$789,345 -Administration, (-\$57,506) - Maintenance].
- SEFA reported amounts were understated by reporting at net instead of gross receipts, creating inaccurate reporting.
- There was a lack of authorization for cash transfers.

<sup>1</sup> Total amount that could potentially be recovered from overpayments or other revenue sources.

<sup>2</sup> The amount the County could potentially save annually by implementing recommendations. Cost savings may not be identified.

<sup>3</sup> JC's annual budget was taken from the updated 2019 budget approved by Council in December 2018. The County Annual Budget includes operating appropriations from all County funds.

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## Background

The Mission of Cuyahoga County Juvenile Court is to Administer justice, rehabilitate juveniles, support and strengthen families, and promote public safety.

The Juvenile Court Fiscal Resources Division is responsible for overseeing the grants, purchasing activities, and the management of contracts for the Juvenile Court.

The Court is awarded approximately \$5.8 million a year in state and federal funding. This includes awards such as Title IV-E reimbursement, Victims of Crime Act (VOCA), and Reasonable and Equitable Community and Local Alternatives to the Incarceration of Minors (RECLAIM).



DIA commends the Juvenile Court for recognizing possible deficiencies relating to grant and inventory management and being proactive in embracing many process improvements.

## What DIA Recommended

During bi-weekly meetings DIA provided Juvenile Court management with recommendations for improving internal controls. We gave these recommendations during the meetings to lessen potential risks related to the grant management and inventory. Doing so upfront allows a chance to remedy things immediately and have no surprises in the end.

JC has already implemented many of the recommendations made during the audit. They are working to address the remaining issues noted in this report. Based on their responses, we believe corrective action will be taken to mitigate the risks identified. Management responses follow each recommendation in the report. We made the following recommendations:

- Create a grant coordinator position to oversee all federal and state grants. This would include ensuring that grants are reported accurately, work with OBM to ensure grant funds are set up correctly in the County accounting system, and verifying that all costs are incurred and paid during the grant period of availability.
- Create and implement written procedures regarding managing Federal awards as required by Uniform Guidance.
- Correct any errors on the federal schedule and incorporate guidance from Ohio Dept. of Jobs and Family Services into the procedures.
- Properly report revenue receipts at the gross, not net amount, as posted to the financial system.
- Ensure proper controls are created and followed to monitor and reconcile grant funds, and document the reconciliation process.



# Internal Audit Report

Cuyahoga County, Ohio  
Department of Internal Auditing



**Ancillary Services and Grants**

**Cuyahoga County Court of Common Pleas –  
Juvenile Division**

**Audit Period: January 1, 2018 – December 31, 2018**

**Director of Internal Auditing: Monica Houston, CPA,  
CGMA, CFE, CIDA**

**Audit Manager: Rose Karam, CFE, CIA**

**Staff Auditors: Tim Verba**

**Tom Schneider, CPA**

**Joe Balbier, Esq.**

**Dawn Meredith**

**INTERNAL AUDIT REPORT**  
**Cuyahoga County Juvenile Court Ancillary Services and Grants**  
**Cover Letter**

December 2, 2019

To: Court Administrator Terease Neff, Legal Counsel Mark Majer and current officials of Cuyahoga County Juvenile Court:

In December 2018, Juvenile Court's Director of the Clerk of Court and Legal Counsel requested the Department of Internal Audit's (DIA) services to conduct an audit of the financial operations and general internal controls of Cuyahoga County Juvenile Court Ancillary Services and Grants. The audit period was set for January 1, 2018 through December 31, 2018.

Our main objectives were to review financial transactions and perform data analytics on Juvenile Court's transactions to identify areas that should be further reviewed. Also, to ensure that spending on ancillary services is appropriate and necessary, and adequate controls are in place to monitor spending and inventory. Finally, to confirm that federal funds are maximized and adequate controls are in place to monitor spending in accordance with federal regulations, specifically with the School Lunch Program, Title IV-E funds, all grants, and forfeited funds.

To accomplish our objectives, DIA conducted interviews with administrators and counsel. We will be performing general walkthroughs and inquires related to processes and controls in place for Ancillary Services and federal programs, including the School Lunch Program. We reviewed and assessed the systems utilized, as well as, the efficiency of operations and documented policies and procedures. In addition, DIA conducted control and substantive testing and reviewed internal controls.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions or the degree of compliance with the procedures may weaken.

Internal Audit would like to express our appreciation to the Juvenile Court management and staff, administrators, and counsel, and interrelated departments that assisted throughout the process for their courtesy and collaboration during this audit. A draft report was provided to Juvenile Court's administrators and counsel for review. Management responses are included within the audit report.

Respectfully,

A handwritten signature in cursive script that reads "Rose M. Karam".

Rose M. Karam, CFE, CIA  
Interim Director

Cc: Cuyahoga County Council  
Bill Mason, Chief of Staff  
Greg Huth, Law Director  
Michael C. O'Malley, Cuyahoga County Prosecutor

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# Report Details

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## Purpose

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The purpose of this audit was to conduct a comprehensive examination of Juvenile Court Ancillary Services expenses and grants. Juvenile Court requested DIA examine its grants process

The Audit Committee approved the Department of Internal Audit’s (DIA) 2019 audit plan to include Juvenile Court Ancillary Services. Based on DIA’s annual risk assessment Juvenile Court’s score was high for both total inherent risks and combined operational/financial and compliance risks. We conducted our review through inquiry, observation, data analysis, and testing expenditures. DIA evaluated processes for compliance with existing policies and state and federal regulations.

The audit included review and evaluation of procedures, practices and controls as deemed necessary.

## Audit Objectives

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The objectives of Juvenile Court’s audit were to determine whether:

- There are areas requiring further review;
- Spending on ancillary services is appropriate and necessary;
- Adequate controls are in place to monitor spending and inventory;
- Ensure federal funds are maximized;
- Adequate controls are in place to ensure spending complies with federal regulations for the School Lunch Program, Title IV-E funds, forfeited funds, and all grants.
- Reporting information was timely accomplished, accurate and in accordance with all governing laws and regulations.

Control-conscious environment  
Adequate level of internal control awareness; proper separation of duties; existence of a proper monitoring system; appropriate authorization/approval of expenditures; and adequate safeguarding of financial, physical, and information assets.

## Scope

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To accomplish our objectives, we focused on Juvenile Court’s financial transactions during the audit period January 1, 2018 through December 31, 2018. DIA also focused on ancillary services spending and verified the Court had the correct controls in place to monitor the spending and inventory. We tested to ensure federal funds were maximized and controls were in place in compliance with federal regulations for the School Lunch Program, forfeited funds, and Title IV-E. DIA interviewed administrators, counsel and staff and conducted walk-throughs to gain an understanding of the Court, to document the controls in place, and determine whether those controls were operating effectively.

## Methodology

DIA made inquiries and observations to gain a general understanding of Juvenile Court’s processes. DIA performed control and substantive testing on spending for services, inventory, and grants. We tested for effectiveness, accuracy and compliance. Testing methods included analytical procedures and sampling methods. To analyze and test expenditures during the audit period, DIA imported financial data from FAMIS into our data analytics software and filtered by index code.

DIA’s audit of Juvenile Court Ancillary Services and Grants resulted in the findings detailed in the following report. Each finding has recommendation(s) intended to resolve or alleviate the issue that contributed to the finding. Recommendations have been assigned priorities to help the department focus on resolving the most pressing issues first.

### Recommendations Priority Level Criteria

<b>High (P1)</b>	<p><b>Highest-Ranking Officer’s immediate attention</b> is required. Corrective action is strongly recommended (<u>30 days</u>).</p> <ul style="list-style-type: none"> <li>• Financially material loss or potential loss</li> <li>• Lack of or failure of internal controls requiring considerable time and resources to correct</li> <li>• Non-compliance with laws, regulations, and policies resulting in significant loss of funds, fines, or restrictions</li> <li>• Significantly negative effect on the County’s reputation or public perception</li> </ul>
<b>Moderate (P2)</b>	<p><b>Senior Management’s attention</b> is required. Corrective action is recommended (<u>90 days</u>).</p> <ul style="list-style-type: none"> <li>• Financial loss or potential loss</li> <li>• Internal controls exist but they are not effective, or they are not consistently applied</li> <li>• Non-compliance with laws, regulations, and policies resulting in loss of funds, fines, or restrictions</li> <li>• Negative effect on the County’s reputation or public perception</li> </ul>
<b>Low (P3)</b>	<p><b>Management’s attention</b> is required. Corrective action is recommended (<u>180 days</u>).</p> <ul style="list-style-type: none"> <li>• Financial loss or potential loss is minimal</li> <li>• Internal controls exist, but could be improved</li> <li>• Non-compliance with laws, regulations, and policies is a minimal risk</li> <li>• No effect on the County’s reputation or public perception</li> </ul>



## Background

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The Mission of Cuyahoga County Juvenile Court is to administer justice, rehabilitate juveniles, support and strengthen families, and promote public safety. Cuyahoga County Juvenile Court is comprised of three divisions: Detention, Court Administration, and Legal.

### Detention Services

Detention Services is responsible for the care of all juveniles in the secure detention continuum. During 2018 the Detention Center had an annual daily population of 125 juveniles. The Detention Center continuum consists of Secure Detention, Shelter Care and Home Detention. Shelter Care had an average daily population of 22 juveniles, and Home Detention monitored an average caseload of 98 juveniles. During the 2017/2018 school year the Cleveland Metropolitan School District served 1,120 un-duplicated students.

### Court Administration Division

The Court Administration Division consists of Probation Services, Operations, Programming, the Training & Quality Assurance Unit and the Diagnostic Clinic. Cuyahoga County Juvenile Court has five probation supervision units. Supervisory Probation Officers are responsible for the ongoing monitoring of youth in the community. The essential purpose of probation support services is to provide support to families and youth being placed on probation.

### Legal Division

The Legal Division is responsible for all legal and clerking functions and other activities necessary to ensure that court hearing processes are executed in a timely, economical, and all-inclusive manner.

## Commendable Practices

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With a desire to improve the department's processes and dedicate resources to foster an effective working environment, Juvenile Court took it upon itself to request this review from DIA. During the audit, Juvenile Court's staff, administrators, and counsel worked with DIA to address findings and recommendations as they were identified. We commend Juvenile Court for the work done during our audit to address the issues found and for using this opportunity to improve processes. We also commend and thank Juvenile Court for their cooperation during the course of this audit.



## Findings and Recommendations

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### Ancillary

#### **FINDING** Inventory Management Needs Review

Cuyahoga County Juvenile Court Detention Services Department Policy & Procedure, Policy No. 2.4, Inventory Control requires that accountability for all property and supplies be provided through the use of a regular inventory. However, the policy is not detailed enough in describing the inventory process. The policy was last revised on February 8, 2012.

In 2002, the United States Government Accountability Office (GAO) published an *Executive Guide on Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property* (Executive Guide) to provide a framework to improve the accuracy and reliability of the government's inventory data. The Executive Guide is also applicable to any governmental and nongovernmental entity holding inventory or property and equipment.

In developing the Executive Guide, the GAO conducted a study of the processes and procedures used by seven "leading-edge" companies and identified 12 key factors essential to achieving consistent and accurate counts of physical inventory. Juvenile Court has already adopted one-third of the key factors, partially adopted another third, and has not yet complied with the remaining one-third. The factors not adopted include ensuring the inventory counter is not the same person assigned custody over the assets, requiring training for the counters, including blind counts (counting without knowing what the result should be), and does not set accuracy goals to be used for reporting.

#### **Risk to the County if Not Corrected**

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Unclear policies and disorganized accounting operations can lead to poor inventory control. Physical controls and accountability reduce the risk of:

- Undetected theft and loss,
- Unexpected shortages of essential or critical items,
- Unnecessary purchases of items already on hand.
- Reduced visibility and accountability over the inventory,
- Decreased productivity,
- Failure to monitor vendors
- Emergency buying at higher prices

- Lack of control over excess or obsolete stock.

## Recommendation

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1. (P2) Juvenile Court should update and enforce inventory count policies and procedures to help ensure consistent and accurate inventory records. The update should at minimum require accountability, segregation of duties, adequate supervision, blind inventory counts and evaluation of count results. Juvenile Court should consider implementing controls included in the GAO Executive Guide.

**Management's Response: Agree. The Deputy Court Administrator of Detention Services, Superintendent, Assistant Superintendent, and Facility Manager shall review the existing Cuyahoga County Juvenile Detention Center Policy 2.4: Inventory Control. This administrative group shall conduct meetings to discuss the guidance provided within the United States Accountability Office (GAO) Executive Guide on Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property. Policies shall be updated to include a greater level of detail in describing the inventory process. Specific attention shall be provided to addressing areas of inventory control in which the JDC is currently not aligned with the recommendations of the GAO's Executive Guide. Minimally, the policy revisions shall address areas of accountability, segregation of duties, adequate supervision, blind inventory counts, and evaluation of count results. Proposed policy changes shall be submitted to the Juvenile Court's Fiscal Director for review and to obtain feedback and ensure proposed policy changes do not conflict with policies and procedures adopted by the Juvenile Court's Fiscal Department.**

**Implementation Date: Corrective action to be implemented by September 1, 2020**

## FINDING Receiving Record Not Complete for All Shipments

Internal controls over the inventory system and processes should be effective in providing reliable information for conducting the physical count. An important internal control is the ability to research discrepancies between the physical count and on-hand balance. Research may include reviewing (1) transaction histories, (2) shipping and receiving records, and (3) production usage records. For Juvenile Court's inventory system, this requires complete and accurate shipping and receiving records.

Juvenile Court utilizes Receiving Record Reports for all shipments received at the Quincy Avenue facility. This form is filled out by the Dock Master who accepts the delivery and notes the date, and the department that requested and receives the delivery.

DIA reviewed 39 completed Receiving Record forms for 2018. DIA tested each field on the form for completeness and accuracy, as well as legibility for the Print Name and Sign Name fields. Since Juvenile Court did not have a list of authorized names and

signatures, DIA considered it a success if both were present and either one was legible. Our results are summarized in the following table:

The fields on the Receiving Records forms for Delivered By, Delivered To, Tracking Number, Checked in By and Comments sections all were 100% complete. Information was missing for the Print Name and Signed Name for both the Dockmaster and the receiving department representative. The Dockmaster's Print Name was present only 23% of the forms and Sign Name (0%). The department's Print Name was present on 46% of the forms and the Signed Named was on 51%.

Based on its results, DIA noted that the Dock Master was not providing a signature, and in some instances not even a printed name. DIA noted the departments were inconsistent in providing both a legible printed and signed name. Additionally, the form used for all 39 Receiving Records did not ask for the name of the shipping vendor.

### **Risk to the County if Findings Not Corrected**

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Incomplete Receiving Record Reports may lead to shipments received by the Juvenile Court not being properly accounted for nor being received by the proper department. Not having a legible name or signature contributes to a lack of accountability for receivables. It is possible for items not received properly to easily be misplaced, lost, or stolen.

### **Recommendation**

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1. **(P2)** DIA recommends all information the Receiving Record Report be complete and legible. The name of the shipping vendor could go into the Comments section. When feasible a new Receiving Record Report should be created that includes a space for vendor information. A list of authorized names and signatures should be considered.

**Management's Response:** *This is a process controlled by Cuyahoga County's Department of Public Works. The Juvenile Court has reached out to the Department of Public Works in an attempt to resolve this finding, but at the time of this response no communication has been received.*

**Implementation Date:** *Unknown*

### **FINDING Expenses Not Properly Classified**

The County's accounting system is designed to report revenues and expenses in categories by the nature of the revenue or expense. During testing of Housekeeping Supplies expenses an invoice in the amount of \$1,819 was paid and all the expense was reported under 0224-Housekeeping Supplies when \$1,284 was for food purchases and should have been reported under 0226-Food Supplies. During testing of Food Supplies

expenses, an invoice in the amount of \$1,977 was paid and all the expense was misreported under 0226-Food Supplies when \$994 was for Housekeeping Supplies.

### **Risk to the County if Findings Not Corrected**

Improper classification of disbursements results in inaccurate reporting which impacts management's decision making. Inaccurate reporting results in uninformed budgeting decisions that would prevent the Juvenile Court from maximizing its resources.

### **Recommendation**

1. (P3) DIA recommends a review of all invoices when preparing the voucher for payment to verify the expense is allocated to the proper account. This review should be evidenced by a signature or initials.

**Management's Response: Agree**

**Implementation Date: May 1, 2020**

## **Grants**

### **FINDING Departmental Roles and Supervision Not Clearly Defined**

Every department should have clearly defined departmental roles and supervision through an approved organizational chart and formal job descriptions. Organizational charts are essential for defining reporting relationships within the department. Formal job descriptions outline an employee's duties and requirements of the position. Such descriptions are essential for balancing work levels and defining the responsibilities of all employees. Employees should receive training on an ongoing basis to ensure they stay abreast of new requirements and are able to fulfill their duties and responsibilities.

Juvenile Court receives millions of dollars in state and federal grants annually. However, the Court does not have the position of an accounting grant coordinator to monitor and oversee the grants, resulting in noncompliance with several grant requirements. In some



cases, the grant administrators were not aware of all the requirements which resulted in the noncompliance. DIA determined this was due to Juvenile Court not having clearly defined departmental job descriptions and roles and supervision.

The Chief Staff Attorney has supervisory authority over the Fiscal Resources Division; however, work performed by the Director of Fiscal Resources was not formally reviewed or approved by the Chief

Staff Attorney. Regular meetings with the Director of Fiscal Resources and staff to discuss the status of daily operations, assigned projects, deadlines, and budgets are not held by the Chief Staff Attorney. The Chief Staff Attorney also has supervisory authority over several other divisions but does not hold formal interdepartmental meetings with directors.

Fiscal Resources does not have written job descriptions outlining the essential duties and responsibilities, knowledge, qualifications, skills, and abilities for all its staff. Although the formal job description for the Business Manager vacant position, posted on May 20, 2019, was complete, there was not a formal job description for the Business Manager's supervisor (Director of Fiscal Resources).

Not all Fiscal Resources Division staff received adequate formal training related to general grant management or specific Federal and State grants. Although the Contracts & Purchasing Manager (Fiscal Resources Division) and Grants & Quality Improvement Specialist (Programming, Training and QA Division) both attended a general grant management seminar in April 2019, the remaining Fiscal Resources Division staff involved in grant management (Director of Fiscal Resources, Business Manager, and Program Planner) have not received similar training.

### **Risk to the County if Findings Not Corrected**

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Failure to have clearly defined departmental roles and supervision can result in inconsistency in the operations. A lack of training and a requirement to stay current on grant requirements may result in confusion and unintended noncompliance. This failure may lead to action and discipline that does not coincide with managerial intentions. Not complying with grant requirements may lead to a loss of grant funds, programs, fines, and possible suspension/debarment.

### **Recommendations**

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1. **(P1)** We recommend the Court consider creating the position of an accounting Grant Coordinator to oversee all state and federal grants. As necessary, Juvenile should consult with Human Resources for resources and guidance on the process for creating this position. The coordinator would be responsible for the following:
  - Develops and coordinates grant-funded programs for the Court.
  - Reviews literature dealing with funds available through grants from governmental agencies and private foundations to determine feasibility of developing programs to supplement local annual budget allocations.
  - Discusses program requirements and sources of funds available with administrative personnel.
  - Confers with personnel affected by proposed program to develop program goals and objectives, outline how funds are to be used, and explain procedures necessary to obtain funding.

- Submits proposal to officials for approval.
- Writes grant application, according to format required, and submits to officials for approval and application to funding agency or foundation.
- Meets with funding representatives to work out final details of proposal.
- Directs and coordinates evaluation and monitoring of grant-funded programs or writes specifications for evaluation or monitoring of program by outside agency.
- Assists department personnel in writing periodic reports to comply with grant requirements.
- Maintains master files on grants.
- Ensures compliance with applicable grant requirements.
- Monitors grant revenues and expenditures for compliance.
- Assists in the preparation of the County's SEFA for Federal Programs received by Juvenile Court.

**Management's Response: Agree – Partially Implemented. The Court is in the process of modifying the job title and job description of the Grants and Quality Improvement Specialist who will be responsible for all of the above job duties. The Court is also in the process of hiring a Grant Fiscal Monitor in order to assist with these activities. The Court is in the process of developing a Grant Management and Administration Policies and Procedures Manual, which will be utilized to clearly define departmental roles and supervision.**

**Implementation Date: The Grant Fiscal Monitor interviews were conducted on 5/27/20. A draft of the Grant Management and Administration Policies and Procedures Manual was reviewed on 4/30/2020. The final version is expected to be completed and staff should be hired by 7/15/2020; however, this may be delayed due to the active COVID-19 health crisis and the closure of County and Court services.**

2. (P1) Create a checklist of items to be included for the Chief Staff Attorney to review regarding grant reports for all current grants. Ensure the Director of Fiscal Resources submits grant reports by the due dates and provides all the supporting documentation required by the grant to facilitate the Chief Staff Attorney's review.

**Management's Response: Modify Recommendation – Partially Implemented. The Court is in the process of developing a Grant Management and Administration Policies and Procedures Manual. This manual will establish the roles and responsibilities regarding the submission and approval of all grant reports. The Court will ensure all responsible parties have the necessary knowledge required to complete and approve these reports.**

**Implementation Date: A draft of the Grant Management and Administration Policies and Procedures Manual was reviewed on 4/30/2020. The final version is expected to be**

*completed by 7/15/2020; however, this may be delayed due to the active COVID-19 health crisis and the closure of County and Court services.*

3. (P2) The Director of Fiscal Resources should hold regular meetings with the Chief Staff Attorney to discuss the status of daily operations, assigned projects, deadlines, and budgets. The Chief Staff Attorney should also hold regular formal interdepartmental meetings with all department directors to discuss the status of operations, projects, and concerns that affect each department individually as well as interdepartmentally.

**Management's Response: *Modify Recommendation – The Director of Fiscal Resources no longer reports to the Chief Staff Attorney but reports directly to the Court Administrator. The Director of Fiscal Resources regularly communicates with the Court Administrator about any relevant department issues. The Chief Staff Attorney is responsible for regularly communicating with other department directors regarding each department's operations.***

**Implementation Date: *May 1, 2020***

4. (P2) The Court's Fiscal Resources Division should draft formal job descriptions outlining the essential duties and responsibilities, knowledge, qualifications, skills, and abilities for all its staff. Once they are drafted, they should be reviewed and approved by the Court's Human Resources Department.

**Management's Response: *Modify Recommendation – Updated position descriptions exist for all positions within the Fiscal Department. These position descriptions are reviewed by the Court's Human Resources Department.***

**Implementation Date: *May 1, 2020***

5. (P3) The Department Director of Fiscal Resources should create a training plan to ensure all staff receives adequate training necessary to perform required duties.

**Management's Response: *Agree***

**Implementation Date: *May 1, 2020. The Fiscal Department engages in training on a weekly basis. This process will continue with additional training tailored to individual employee needs and career objectives.***

## **FINDING Professional Service Agreement Should Be Reviewed**

In 2006 Juvenile Court entered into an Agreement for Professional Services with Justice Benefits, Inc (JBI) for preparation of Title IV-E Quarterly Administrative Claims. A Juvenile Court employee does all the preliminary work before sending it to JBI for further processing. JBI prepares an Enhanced Title IV-E Juvenile Administrative Claim for submission to Ohio Department of Jobs and Family Services (ODJFS). JBI is compensated



fifteen percent (15%) of claims they prepare for all federal reimbursement revenue paid to Juvenile Court, which amounted to \$175,270 in 2018.

### **Risk to the County if Findings Not Corrected**

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The Court has not performed a cost benefit analysis since entering into the agreement with JBI. The Court has not determined that having JBI prepare the quarterly claims is the most economical way to maximize the reimbursements received, compared to completing the work in-house. It is possible the County is paying for a service not needed.

### **Recommendation**

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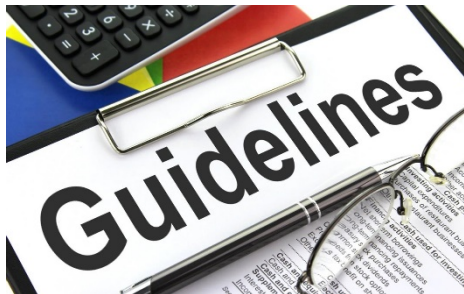
1. (P3) DIA recommends Juvenile Court explore the option of preparing the Title IV-E Quarterly Administrative Claim in-house. A cost benefit analysis should be prepared to determine the cost of a staff member preparing the claim for submission versus the cost of JBI preparing the claim. The staff member could also perform other duties for the Fiscal Department when not working on quarterly claim submissions. The County's Department of Children and Family Services prepares their own reimbursement claims and could be contacted for assistance.

**Management's Response: *Modify Recommendation – In the fall of 2019 the Court previously explored this possibility. After meetings and discussions with the Department of Children and Family Services it was determined at that time not to be the most favorable option. The Court understands that a more thorough cost/benefit analysis should be performed and thus will continue to evaluate the relationship with JBI to ensure that it is the most appropriate to the circumstance.***

**Implementation Date: *Ongoing***

### **FINDING Uniform Guidance Not Being Followed**

As a Federal grant recipient, Cuyahoga County Juvenile Court is required by the Uniform Guidance (2 CFR § 200.303) to “establish and maintain effective internal controls over the



Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” The Uniform Guidance further requires that “these internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government.” (also known as the Green Book).

Some of the areas that the Uniform Guidance requires written policies and procedures include:

- Procurement (2 CFR § 200.320)
- Conflict of Interest (2 CFR § 200.112 & 200.318)
- Financial Management (2 CFR § 200.302)
- Determination of Allowable Costs (2 CFR § 200.302(b)(7))
- Payment (2 CFR § 200.305)

Juvenile Court has not established all written policies and procedures to comply with the Uniform Guidance. Effective December 2018, the Court established Policy Number 1.3 "Management and Monitoring of Federal Subrecipients".

### **Risk to the County if Findings Not Corrected**

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Not following Uniform Guidance may result in insufficient controls over program requirements and result in noncompliance with the Uniform Guidance requirements. Noncompliance could lead to some of the following consequences: loss of grant funds, impact on programs, fines, and suspension/debarment.

### **Recommendation**

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1. **(P2)** Juvenile Court should determine which policies and procedures are required under the Uniform Guidance and need to be established. Written policies should be maintained along with other policies and procedures Juvenile Court uses to ensure grant requirements are met (for Federal, State and Local grants). After the policies and procedures are finalized, they should be reviewed and approved by management.

**Management's Response: Agree – Partially Implemented. The Court is in the process of developing a Grant Management and Administration Policies and Procedures Manual. These policies and procedures will comply with the Uniform Guidance and will include procurement, conflict of interest, financial management, determination of allowable costs, and payment.**

**Implementation Date: A draft of the Grant Management and Administration Policies and Procedures Manual was reviewed on 4/30/2020. The final version is expected to be completed by 7/15/2020; however, this may be delayed due to the active COVID-19 health crisis and the closure of County and Court services.**

## **FINDING Foster Care: Errors in Federal Schedule**

*Adjustments to the Schedule of Federal Expenditures of Federal Awards (SEFA)*  
Title 2 of the Code of Federal Regulations Subtitle A Chapter 2 Part 200 Subpart F (§200.508) includes auditee responsibilities on the following page.

- Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements

Title 2 Subtitle A Chapter 2 Part 200 Subpart F (§200.510) includes the following auditee responsibilities.

- The auditee must also prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. At a minimum, the schedule must:
  - List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name.
  - For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
  - Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
  - Include the total amount provided to subrecipients from each Federal program.
  - For loan or loan guarantee programs described in §200.502 Basis for Determining Federal Awards Expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
  - Include notes that describe the significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

Management is responsible for developing internal control procedures which provide reasonable assurance the County's Schedule of Expenditures of Federal Awards (SEFA) is complete and accurate. Sound internal controls require a review of the SEFA be performed and documented to verify the information reported is complete and accurate before finalizing it.

While the County has adopted written policies and procedures on the preparation of the SEFA, we noted instances when the amounts reported did not agree to the accounting system, grant agreements and other support documentation for Foster Care - Title IV-E CFDA 93.658. These are noted in Table 1 on the following page.

**Table 1 – Federal Schedule (SEFA) Discrepancies**

Federal Program Foster Care - Title IV-E	Amount Reported on SEFA	Correct Amount to Report on SEFA	Difference
2018 – Administration (Draft)	237,708	1,027,053	(789,345)
2018 – Maintenance (Draft)	706,203	763,709	(57,506)
2017 – Administration	144,208	764,814	(620,606)
2017 – Maintenance	1,079,863	1,101,005	(21,142)
2016 – Administration	248,201	269,221	(21,020)
2016 – Maintenance	1,542,058	1,536,600	5,458

The Auditor of State audited the SEFA as part of the County’s annual financial audit, and management made the necessary adjustments. (2016 and 2017 were immaterial; therefore, neither year needed adjustment.) The 2019 figures were corrected during the audit.

Per guidance from the Ohio Department of Jobs and Family Services’ Federal Schedule Tools, Title IV-E Foster Care Maintenance and Administration Receipts, the gross amount is the basis for properly reporting Foster Care - Title IV expenditures on the SEFA. We noted a couple processes resulting in an underreporting of receipts in the County’s financial system, which resulted in underreporting on the SEFA:

1. The Foster Care - Title IV-E Administration receipts were reported at 95% of the gross amount, net of the State’s 5% fee. The revenue should be reported at the gross amount.
2. 25% of Foster Care - Title IV-E Administration receipts were transferred into Juvenile Court's General Fund, resulting in receipts being reported at 75% of the gross amount. The revenue should be reported at the gross amount.

### **Risk to the County if Findings Not Corrected**

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These errors may result in federal schedule findings and questioned costs in the County’s annual financial audit by the Auditor of State. This could result in additional costs for the County.

### **Recommendations**

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1. (P2) Each adjustment should be analyzed and procedures developed to ensure the errors are corrected for the federal program. Also, the guidance provided by ODJFS (<http://jfs.ohio.gov/ofs/bcfta/TOOLS/tools1.stm>) should be incorporated into the policies and procedures performed.

**Management’s Response: Agree – Partially Implemented. The Court is in the process of developing a Grant Management and Administration Policies and Procedures Manual. These policies and procedures will develop internal control procedures to provide**

*reasonable assurance the County's Schedule of Expenditures of Federal Awards (SEFA) is complete and accurate.*

**Implementation Date:** *A draft of the Grant Management and Administration Policies and Procedures Manual was reviewed on 4/30/2020. The final version is expected to be completed by 7/15/2020; however, this may be delayed due to the active COVID-19 health crisis and the closure of County and Court services.*

2. (P2) Juvenile Court should revise the Title IV-E Administration revenue receipts to include 100% of revenue on the first line and 5% State fee as an expenditure on the second line, 95% net cash receipt, to ensure that gross receipts are reported as revenue and Title IV-E Administration is properly reported on the SEFA each year. In addition, we recommend Juvenile Court monitor the deposit for completion and posting of the revenue receipt to the County's financial system.

**Management's Response:** *Agree – The Juvenile Court's Fiscal Department will work with the County's Grant's Coordinator to properly report the revenue receipts on the SEFA report.*

**Implementation Date:** *June 30, 2020*

3. (P2) DIA recommends Juvenile Court meet with the Office of Budget Management (OBM) to revise the process over the 25% of Title IV-E Administration Receipts fee transfer to ensure that gross receipts are reported as revenue and Title IV-E Administration is properly reported on the SEFA each year. Juvenile Court should initiate the request for the 25% of Title IV-E Administration Receipts fee transfer after confirming the deposit of Title IV-E administration check is completed and revenue receipt posted to the County's financial system.

**Management's Response:** *Management's Response: Agree - The Juvenile Court's Fiscal Department will work with the County's Grant's Coordinator and OBM to properly report the revenue receipts on the SEFA report.*

**Implementation Date:** *June 30, 2020*

## **FINDING Not Reporting USDA Donated Foods on the SEFA**

The United States Department of Agriculture (USDA) Food Distribution Program distributes donated USDA foods to sponsors participating in the Child and Adult Care Food Program (CACFP), National School Lunch Program (NSLP) and/or the Summer Food Service Program (SFSP). Juvenile Court Detention Center participates in the NSLP and receives donated foods under this program.

USDA food staples such as meats, cheese, fruits and vegetables are distributed to eligible nutrition program sponsors. These foods are intended to account for no more than approximately 20% of a sponsor's total food budget. The recipient agency must consider the value of USDA donated foods as part of the Nutrition cluster grants. There are two steps in accomplishing this:

- Determining the quantity of each USDA donated food "expended".
- Assigning value to the quantity of USDA donated food "expended".

Juvenile Court Detention Center did not value USDA donated foods, nor was this reported as part of the Nutrition Cluster grants on the County's SEFA.

### **Risk to the County if Findings Not Corrected**

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The County could receive a finding from the Auditor of State related to the financial statements required to be reported in accordance with GAGAS on the Schedule of Findings and Questioned Costs during the annual Single Audit. Also, not reporting all federal program expenditures on the County's Schedule of Federal Awards could affect the testing of federal programs during the County's annual Single Audit.

### **Recommendation**

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1. (P2) The Court should include all federal program expenditures that are required to be reported on the SEFA in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Uniform Guidance). Additional guidance can be located through.

**Management's Response: Agree. The Deputy Court Administrator of Detention Services, Superintendent, Assistant Superintendent, and Facility Manager shall review all available pertinent information within the Ohio Department of Education Office for Child Nutrition Commodity Allocation Tracking System (CATS). For any USDA donated food that has been "expended" but does not have an ODE assigned value, reasonable efforts shall be made to assign accurate values. Available information that may be utilized for determining the quantity and value of each USDA donated food that has been "expended" shall be shared with the Juvenile Court's Fiscal Department to ensure proper reporting as part of the Nutrition Cluster grants on the County's SEFA. The Fiscal Department will in turn communicate this information to the County's Grant Coordinator for SEFA reporting.**

**Implementation Date: Corrective action to be implemented by September 1, 2020**

### **FINDING Lack of Authorization and Support for Cash Transfers**

Cash transfers should only occur with written authorization and supporting documentation. During its preliminary analytics review, DIA identified a significant amount in cash transfers by Juvenile Court in 2018. On the journal entry request forms

used to initiate the cash transfers with the OBM, both the “Requested By” and “Approved By” signature lines were blank, and therefore did not provide evidence of written authorization from either the Juvenile Court or OBM. Also, OBM did not obtain supporting documentation (approval letter, grant agreement, grant financial reports, etc.) and relied on Juvenile Court to maintain the documentation. DIA requested documentation from Juvenile Court to determine the reason for the transfers.

The cash transfers were needed to close out fund balances and deficits in the County’s financial system for Juvenile Court’s grants with expired period of availability, ranging from 2006 to 2017. DIA determined this was a result of improper accounting, because these were reimbursement basis grants. The grantors approved the expenditures substantiated by supporting documentation prior to Juvenile Court receiving payment. At the end of the grant period the funds received and expended should net to zero for reimbursement basis grants, if accounted for properly.

Based on the information available to DIA, Juvenile Court will not need to repay any funds to the grantors for the reimbursement grants resulting from its improper accounting in the County’s financial system, because the expenditures were approved by the grantors. The reason for the improper accounting was a misallocation of expenditures between the grants and Juvenile Court’s general fund. This was not corrected because Juvenile Court’s fund activity was not reconciled to the County’s financial system.

### **Risk to the County if Findings Not Corrected**

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Inaccurate accounting impairs sound decision making by management. Failure to have a process in place to obtain the necessary authorization or support to ensure the transfers are legal and allowable increases the risk of recovery or loss of future grant funding. This could result in additional cost to the County.

### **Recommendations**

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1. (P2) Juvenile Court's Deputy Director for Grants and Contracts should ensure the following internal controls over grant fund administration:
  - All grant activity reported in the grant reports should be posted to the proper grant fund and reconciled to the County's financial system.
  - All supporting documentation should be maintained as evidence of this reconciliation (e.g. grant reports, printout from County's financial system, reconciliation spreadsheet).
  - Due dates should be monitored for all grant reports as well as the end date for the grant's period of availability, to ensure that the entire grant award is fully utilized.

- If the grant agreement allows, or the grantor approves an exception for an unspent grant fund balance (e.g. advance of funds, extension to the period of availability, a carryover to a new grant award, transfer to different grant, budget change, transfer to the general fund), supporting documentation should be maintained.

**Management’s Response: Agree – Partially Implemented. The Court is in the process of developing a Grant Management and Administration Policies and Procedures Manual. These policies and procedures will establish clearly defined roles and internal controls over grant fund administration.**

**Implementation Date: A draft of the Grant Management and Administration Policies and Procedures Manual was reviewed on 4/30/2020. The final version is expected to be completed by 7/15/2020; however, this may be delayed due to the active COVID-19 health crisis and the closure of County and Court services.**

2. (P3) We recommend the following to ensure proper internal controls over the cash transfer process:
  - Juvenile Court’s Deputy Director for Grants and Contracts should provide OBM with written authorization of cash transfers by signing the “Requested By” signature line on the cash transfer request forms and provide supporting documentation sufficient to verify the accuracy and allowability of the cash transfer request.
  - When a cash transfer is made to match an allowable cost paid out of the incorrect fund, Juvenile Court should request an expenditure adjustment form from OBM to complete and submit to ensure the expenditure is reflected in the proper fund.

**Management’s Response: Agree – The Juvenile Court’s Fiscal Department will work with OBM to ensure that proper protocol is followed with the cash transfer process.**

**Implementation Date: May 1, 2020**

3. (P3) The Fiscal Office should ensure the Grants Coordinator perform the following procedures relating to the County’s cash transfer process:
  - Review the supporting documentation for cash transfer and expense adjustment requests relating to grant funds. One responsibility of the Grants Coordinator is to ensure the accuracy and timeliness of reporting for the County’s grants.
  - Coordinate with OBM to receive grant award documentation that the granting agency submits to OBM to set up a fund in the County's accounting system. Ensure the fund is set up with the correct attributes according to the type of grant award for effective monitoring.



- Verify the County's grant awards are charged all the costs incurred and paid during the period of availability, as required in the grant agreements. Ensure agencies request and submit written permission from the granting agency for any exceptions (e.g. extension to period of availability, carry over the remaining grant awards to a new grant, transfer remaining grant awards to the General Fund).

***Management's Response: Agree – Partially Implemented. The Court is in the process of developing a Grant Management and Administration Policies and Procedures Manual. These policies and procedures will establish clearly defined roles and internal controls over the cash transfer process.***

***Implementation Date: 9/20/2020 – This may be delayed due to the active COVID-19 health crisis and closure of County ad Court services.***