

Court Services and Offender Supervision Agency FY 2009 Agency Financial Report

Management's Discussion and Analysis

A. Background

The Court Services and Offender Supervision Agency (CSOSA) for the District of Columbia was established within the Executive Branch of the Federal Government by the National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act). On August 4, 2000, CSOSA was certified as an independent Federal agency.

The Revitalization Act relieved the District of Columbia of "state-level" financial responsibilities and restructured a number of criminal justice functions, including pretrial services, parole, and adult probation. Following passage of the Revitalization Act, under the direction of a Trustee appointed by the U.S. Attorney General, three separate entities within the District of Columbia government were reorganized into one federal agency. CSOSA assumed its probation function from the D.C. Superior Court and its parole function from the D.C. Board of Parole. The Revitalization Act transferred the parole supervision functions to CSOSA and the parole decision-making functions to the U.S. Parole Commission (USPC). On August 5, 1998, the parole determination function was transferred to the USPC, and on August 4, 2000, the USPC assumed responsibility for parole revocation and modification with respect to felons.

The CSOSA appropriation is composed of two components: The Community Supervision Program (CSP) and the District of Columbia Pretrial Services Agency (PSA). CSP is responsible for supervision of offenders on probation, parole or supervised release, as well as monitoring Civil Protection Orders and deferred sentence agreements; PSA is responsible for supervising pretrial defendants.

The CSP provides a range of offender supervision case management and related support services. These diverse services support CSOSA's commitment to public safety and crime reduction through the provision of timely and accurate information to judicial and paroling authorities and through the close supervision of probationers, supervised releasees and parolees released to the community. On September 30, 2009, CSP monitored or supervised a total of 16,101 offenders. CSP probationers are typically supervised for an average of two years; CSP supervised releasees, three years; and parolees, seven to eleven years. CSP offenders face many challenges:

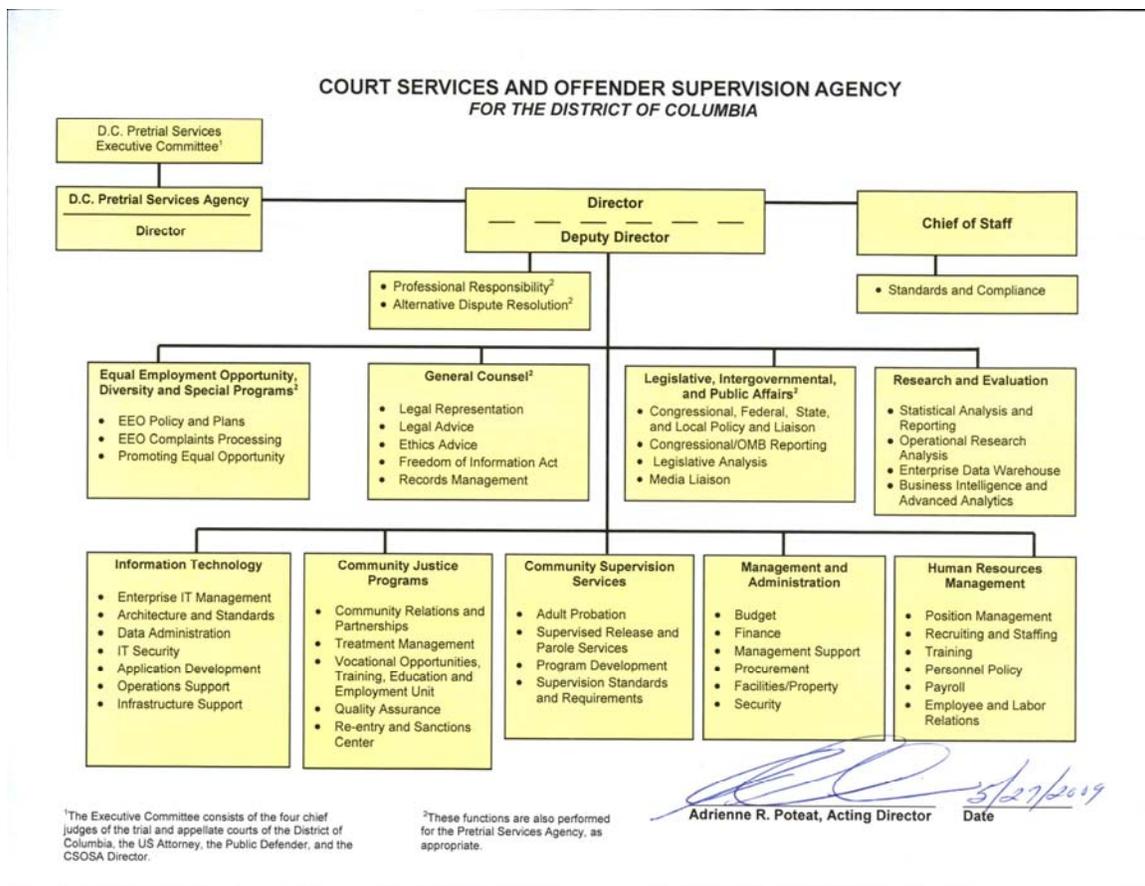
- 80 percent have a history of illicit drug use;
- 19 percent have a formally diagnosed mental illness (many others have undiagnosed mental health conditions);
- 38 percent do not possess a high school diploma or GED;
- Only 50 percent of our population is employed; and
- On an average day, nearly 800 of our offenders reside in DC homeless shelters or have housing situations that are considered unstable.

PSA honors the constitutional presumption of innocence and enhances public safety by formulating recommendations that support the least restrictive and most effective non-financial release determinations, and by providing community supervision for defendants that promotes court appearance and public safety and addresses social issues that contribute to crime. PSA plays a critical supporting role within CSOSA to achieve its two strategic goals: supporting the fair administration of justice by providing accurate information to decision makers, and establishing strict accountability of defendants/offenders to prevent criminal activity.

For FY 2009, CSOSA has chosen to produce an alternative to the consolidated Performance and Accountability Report (PAR) called an Agency Financial Report (AFR). CSOSA will include its FY 2009 Annual Performance Report with its FY 2011 Congressional Budget Justification and will post it on the CSOSA web site, located at WWW.CSOSA.GOV.

B. Organizational Structure

CSOSA's organization structure is shown below:



C. Performance Goals, Objectives and Results

The mission of CSOSA is to increase public safety, prevent crime, reduce recidivism, and support the fair administration of justice in close collaboration with the community we serve. The agency will enhance decision-making and provide effective community supervision, thereby ensuring public confidence in the criminal justice system. Although the Community Supervision Program (CSP) and the Pretrial Services Agency (PSA) have two distinct mandates, they share common strategic goals that guide the Agency's management and operations:

I. Establish strict accountability and prevent the population supervised by CSOSA from engaging in criminal activity.

If CSOSA's strategies are successful, offenders and defendants under our supervision will commit fewer crimes. CSOSA's programs would have a significant impact on public safety by reducing crime.

II. Support the fair administration of justice by providing accurate information and meaningful recommendations to criminal justice decision-makers.

In addition to offender supervision, CSOSA has an important responsibility to provide information and recommendations to the court, the U.S. Parole Commission, and other criminal justice agencies. This information should be timely, complete, and of the highest quality. In that way, CSOSA can increase public confidence in the justice system.

CSOSA measures progress towards these goals by monitoring key outcomes. The outcomes that best express progress toward these goals are explained below. Information is reported separately for CSP and PSA.

CSP seeks to achieve a significant reduction in recidivism for violent and drug-related crime among the supervised offender population. Historically, local recidivism trends have not been available; however, in FY 2008 CSP completed a three-year baseline recidivism study and will continue to track recidivism annually. Achieving this outcome requires the development of operational approaches and case management strategies and models that encompass all components of community-based supervision. Our approach to supervising individuals on pretrial release and offenders under probation, parole and supervised release is based on evidence based practices and includes an effective system of immediate graduated sanctions. These sanctions provide prompt, uniform responses to non-compliant offender/defendant behavior. Sanctions-based supervision has proven effective in reducing recidivism and significantly decreasing drug use. To implement this intensive model, CSP has developed an offender risk and needs assessment process and has reduced supervision caseloads to achieve optimal case management, which includes adhering to CSP's stringent contact standards for individuals under supervision.

CSOSA has developed operational strategies, or Critical Success Factors, encompassing all components of community-based supervision. The four Critical Success Factors are:

1. Establish and implement (a) an effective **Risk and Needs Assessment** and case management process to help officials determine whom it is appropriate to release and at what level of supervision, and (b) an ongoing evaluation process that assesses a defendant's compliance with release conditions and an offender's progress in reforming his/her behavior.
2. Provide **Close Supervision** of high-risk defendants and offenders, with intermediate graduated sanctions for violations of release conditions.
3. Provide appropriate **Treatment and Support Services**, as determined by the needs assessment, to assist defendants in complying with release conditions and offenders in reintegrating into the community.
4. Establish **Partnerships** with other criminal justice agencies and community.

The Critical Success Factors are the foundation for CSOSA's structure and operations, including the Agency's allocation of resources and performance measurement. In terms of both day-to-day operations and long-term goals, these four principles guide what CSOSA does. They unite CSP's and PSA's strategic plans, operations, and budgets.

D. Key Performance Information

Community Supervision Program

CSOSA's Community Supervision Program (CSP) has defined offender ***Rearrest*** and offender ***Drug Use*** as the two intermediate outcome performance indicators most closely linked to our public safety mission. The Agency implemented our case management system, Supervision Management Automated Records Tracking (SMART), in FY 2002. Prior to that, the Agency operated with unreliable and outdated computer systems.

Strategies and Resources

CSP employs a number of strategies, consistent with its program model, to achieve its performance outcomes. The strategies can be organized under the four **Critical Success Factors (CSF)** that support the Agency's mission and drive the allocation of resources.

CSF 1: Risk and Needs Assessment. Effective supervision begins with comprehensive knowledge of the offender. An individual offender's risk to public safety is measurable based on particular attributes that are predictive of future behavior while the offender is under supervision. The risk factors are either static or dynamic in nature. Static factors are fixed conditions (e.g., age, number of prior convictions). While static factors can, to some extent, predict recidivism, they cannot be changed. However, dynamic factors can be influenced by interventions and are, therefore, connected to the offender's level of need. These factors include substance abuse, educational status, employability, patterns of thinking about criminality and authority, and the offender's attitudes and associations. If positive changes occur in these areas, the likelihood of recidivism is reduced.

CSP's classification system consists of risk assessment, needs assessment, and clinical referrals to link the offender with programs and services that will address identified needs. CSP has completed a major initiative to update and improve our automated offender screening and assessment process. CSP's screening instrument, the Auto Screener, combines risk and needs assessment into a single automated process. The result is the offender's assignment to an appropriate level of supervision, given the offender's criminal history, social stability, and other factors, and a Prescriptive Supervision Plan which identifies interventions based on the offender's risk and needs profile. Offenders are initially assessed at intake and reassessed every 180 days and following a re-arrest, significant life event or before a change in the offender's supervision level.

In addition, dedicated CSP Community Supervision Officers (CSO) perform diagnostic and investigative functions used to enhance knowledge of the offender and support our criminal justice partners. CSOs prepare and electronically submit pre-sentence investigation reports (PSIs) electronically to DC Superior Court judges and the United States Attorney's Office. These reports assist the judiciary in improving the efficiency and timeliness of sentencing hearings. In addition, CSOs complete Release Plans for offenders transitioning directly to the community from prison and Transition Plans for offenders transitioning to the community through a Bureau of Prisons (BOP) Residential Reentry Center.

CSF 2: Close Supervision. Close supervision in the community is the basis of effective offender management. Offenders must know that the system is serious about enforcing compliance with the conditions of their release, and that violating those conditions will bring swift and certain consequences.

The most important component of effective Close Supervision is **Caseload Size**. Prior to the Revitalization Act, caseload ratios were over 100 offenders for each officer, far in excess of those recommended by nationally recognized standards and best practices. Caseload ratios of this magnitude made it impossible for CSOs to acquire thorough knowledge of the offender's behavior and associations in the community and apply supervision interventions. With resources received in prior fiscal years, CSP has made great progress in reducing offender caseloads to appropriate levels. As of September 30, 2009, the average number of supervision cases per supervision CSO was 56 offenders. CSOSA has also established a number of special supervision teams with even lower caseloads to manage high-risk or special needs offenders.

A second important component of Close Supervision is CSOSA's strategy to implement a **community-based approach to supervision**, taking proven best practices and making them a reality in the District of Columbia. The Agency has adopted a new deployment structure for its officers, collapsing the old designations of Probation and Parole Officers into the single position of CSO and housing the CSOs in six field sites located throughout high-risk areas of the community. This structure also facilitates assigning cases to CSOs by Police Service Area, rather than by releasing authority (U.S. Parole Commission or D.C. Superior Court). CSOs supervise a mixed probation and parole caseload and perform home and employment verifications and visits.

The third focus of Close Supervision is the implementation of **Graduated Sanctions** to respond to violations of conditions of release. The capability to detect a violation, such as drug use, is of little use without the authority and capacity to respond to it. A swift response by the CSO can make the difference between correcting an offender's behavior and allowing time for that offender to commit another crime. Typical sanctions can include more frequent drug testing, more frequent reporting to the supervision CSO, assignment to community service or the CSP Day Reporting Center, placement in a residential sanctions program (including the Re-entry and Sanctions Center and the Halfway Back program), placement on Global Positioning System (GPS) monitoring, or placement into the new Secure Residential Treatment Program (SRTP) pilot. From the beginning of the supervision period, both the offender and the CSO know what the consequences will be if the conditions of release are violated. If sanctions do not restore compliance, or the non-compliant behavior escalates, the CSO will inform the releasing authority by filing an alleged Violation Report (AVR). An AVR is automatically filed in response to any new arrest.

Routine **drug testing** is an essential element of supervision and sanctions. Given that 80 percent of the supervised population has a history of illicit drug use, an aggressive drug testing program is necessary to detect drug use and interrupt the cycle of criminal activity related to use. All offenders are placed on a drug testing schedule, with frequency of testing dependent upon prior substance abuse history, supervision risk level, and length of time under CSP

supervision. Since Agency inception, CSP has been able to achieve significant increases in the number and frequency of offender drug tests.

CSF 3: Treatment and Support Services. The connection between substance abuse and crime has been well established. Long-term success in reducing recidivism among drug-abusing offenders, who constitute the majority of individuals under supervision, depends upon two key factors:

1. Identifying and treating drug use and other social problems among the defendant and offender population; and
2. Establishing swift and certain consequences for violations of release conditions.

CSP is committed to providing a range of treatment options to offenders under supervision. Addressing each individual's substance abuse problem through drug testing and appropriate sanction-based treatment will provide him or her with the support necessary to establish a productive, crime-free life. CSP also provides in-house adult literacy, vocational and employment counseling, anger management, and life skills training to help offenders develop the skills necessary to sustain themselves in the community.

CSP contracts with service providers for a range of residential and outpatient substance abuse treatment, transitional housing, and sex offender treatment services using appropriated and grant resources. Contractual treatment also encompasses drug testing and ancillary services, such as mental health screening and assessments, to address the multiple needs of the population. CSP is also committed to helping offenders build skills and support systems to improve their chances for success in the community. Nowhere is this more evident than in our Learning Labs, which provide literacy training and job development services.

One of CSOSA's most important accomplishments was the implementation of the Re-entry and Sanctions Center (RSC) at Karrick Hall in February 2006. The RSC provides intensive assessment and reintegration programming for high risk offenders/defendants who violate conditions of their release. The RSC program is specifically tailored for offenders/defendants with long histories of crime and substance abuse coupled with long periods of incarceration and little outside support. These individuals are particularly vulnerable to both criminal and drug relapse. The RSC has the capacity to serve 102 male offenders/defendants in six units, or 1,200 offenders/defendants annually. Two of the six units are dedicated to meeting the needs of dually diagnosed (mental health and substance abuse) offenders/defendants.

CSF 4: Partnerships. Establishing effective partnerships with other criminal justice agencies and community organizations facilitates close supervision of offenders in the community and enhances the delivery of treatment and support services. CSP's Community Relations Specialists are mobilizing the community, identifying needs and resources, building support for our programs, and establishing relationships with local law enforcement and human service agencies, as well as the faith-based community, businesses, and non-profit organizations. These efforts, formalized in Community Justice Partnerships, Community Justice Advisory Networks, and the CSP/Faith Community Partnership, enhance offender supervision, increase

community awareness and acceptance of CSP's work, and increase the number of jobs and services available to offenders.

In September 2009, CSP launched the new Secure Residential Treatment Program (SRTP) pilot at the Correctional Treatment Facility, a local contract facility of the DC Government that houses inmates detained in the DC Jail. The SRTP will serve as an alternative placement for eligible DC Code offenders on parole or supervised release who face revocation for technical violations (including substance abuse) and, in some cases, new criminal violations. We are partnering in this endeavor with the US Parole Commission (USPC), DC Department of Corrections and the Public Defender Service.

CSP CSOs and DC Metropolitan Police Department Officers partner to conduct scheduled or unscheduled (unannounced) Accountability Tours to the homes of high-risk offenders. Accountability Tours are a visible means to heighten the awareness of law enforcement presence to the offenders and to the citizens in the community.

Starting in FY 2004, CSP assumed fiscal agent responsibilities for two Department of Justice grant programs (Weed and Seed & Project Safe Neighborhood) with the purposes of increasing public safety and accountability within the District.

Planned and Actual Performance

Considering the importance of maintaining accurate records of all offenders under the supervision of CSOSA, the design and deployment of the SMART offender case management system has been one of the Agency's top priorities since the Agency was established by Congress. Designed primarily by CSOs, who worked collaboratively with the Agency's Information Technology staff and consultants, SMART was first deployed in January 2002. Enhancements have been developed and successfully implemented, with the first major upgrade of SMART (Version 3.0) occurring in March 2006. Improvements continue and, today, the Agency is using Version 4.0.

SMARTStat: CSP implemented the SMARTStat performance management and accountability initiative in FY 2007. Modeled after New York City's CompStat and Baltimore City's CitiStat, SMARTStat allows the agency to review performance from the highest level of the agency down to the individual employee. SMARTStat uses data contained in the agency's Enterprise Data Warehouse to generate multidimensional, relational views of caseload activity according to key performance indicators. CSP executive and program staff meet regularly to review SMARTStat results and plan operational strategies to improve supervision outcomes. SMARTStat results are used to determine resource allocation, operational, program and policy decisions based on the most effective practices for reducing recidivism and improving offender outcomes

CSP Performance Indicator - Rearrest: Rearrest is a commonly used indicator of criminal activity among offenders on probation, parole, and supervised release, though it does not in itself constitute recidivism (or return to incarceration).

Since the deployment of SMART, the capture and reporting of rearrest data for all supervision types can be generated more reliably. Between FY 2004 and FY 2008, the rearrest rates for CSP's Total Supervised Population fluctuated between 18 and 20 percent (DC rearrests only). The FY 2009 rearrest rate of the CSP Total Supervised Population was 22 percent, an increase of 3 percent over the FY 2008 rate.

Percentage of Supervised Population Rearrested, FY 2004– FY 2009*

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009**
Probation	13%	17%	18%	16%	16%	21% (26%)
Parole	20%	22%	23%	19%	19%	18% (21%)
Supervised Release	NA	31%	30%	28%	29%	31% (36%)
Total Supervised Population	18%	19%	20%	18%	19%	22% (26%)

* Computed as the number of unique offenders arrested in reporting period as a function of total number of unique offenders supervised (active, monitored and warrant supervision status) in the reporting period.

For FY 2004 – FY 2008, CSP reports arrest data obtained from MPD for Washington, DC arrests. Beginning in FY 2009, CSOSA was able to obtain access to daily MD and VA state-wide arrest records. **The FY 2009 percentages in parentheses represent the expanded set of arrest data (DC/MD/VA). CSP will continue to report DC-only and expanded (DC/MD/VA) rearrest data separately for comparison purposes.

Performance Trends: Rearrest trends provide a barometer of offender accountability and their level of compliance with all conditions of release. Reasonably, if CSP's program model—which attempts to impose accountability and create opportunity—is “working,” rearrest should decline. Unfortunately, rearrest is a complex outcome that is potentially affected by a number of different conditions. CSP is investigating these conditions, to determine whether new arrests (as opposed to a violation of the terms of release) occurred due to a weakness in supervision practices, a ‘crackdown’ in enforcement by law enforcement agencies (e.g., crime emergencies and other forms of targeted enforcement practices), a circumstantial choice by the individual (that is, he/she had an unforeseen opportunity to engage in criminal activity), or other, larger social forces (lack of economic opportunity, lack of stable housing, drug use, etc.).

While the rearrest rate of the total supervised population in FY 2009 increased over the FY 2008 rate, this is in line with the overall District of Columbia arrest trends reported by the Metropolitan Police Department (MPD). During the time period of January 1, 2009 – September 12, 2009, MPD reported a 3.2 percent increase in the total number of adult (aged 18+) arrests throughout the city over the same period in 2008.

Additional analyses demonstrated that the number of charges filed against offenders rearrested within the District of Columbia increased from 8,493 in FY 2008 to 9,135 in FY 2009. The largest percentage increase in arrest charge category from FY 2008 to FY 2009 occurred with arrested offenders being charged for public order offenses (20.1 percent increase).

**Arrest Charges For Re-arrested Offenders Under CSP Supervision
[FY 2008 vs. FY 2009 (DC Arrests Only)]**

Charge Category*	FY 2008	FY 2009	Percent Change
Public Order Offenses	2,091	2,512	20.1%
Violent Offenses	892	981	10.0%
Property Offenses	1,466	1,583	8.0%
Drug Offenses	498	524	5.2%
Other Offenses	3,546	3,535	-0.3%
TOTAL ARREST CHARGES**	8,493	9,135	7.6%

*Each Charge Category includes the following charges:

Public Order Offenses: Weapons - Carrying/Possessing, DUI/DWI, Disorderly Conduct, Gambling, Prostitution, Traffic, Liquor Laws

Violent Offenses: Murder/Manslaughter, Forcible Rape, Sex Offenses, Robbery, Aggravated Assault, Other Assaults, Offenses Against Family & Children

Property Offenses: Arson, Burglary, Larceny-theft, Fraud, Forgery, Motor Vehicle Theft, Stolen Property, Vandalism

Drug Offenses: Drug Abuse

Other Offenses: Solicitation, Other Offenses

**Arrested offenders may be charged with more than one offense.

Finally, it is important to note that improved data collection and reporting techniques may also account for some of the increase in CSP-reported offender rearrests within the District between FY 2008 and FY 2009. MPD arrest information provided to CSP includes an MPD identification number (PDID). If the CSP offender case management system (SMART) does not contain a PDID for an arrested offender, then CSP is unable to link the MPD-reported arrest to the supervised offender. During the past year, CSP has made significant improvements in obtaining and recording PDIDs in its SMART database for supervised offenders, and matching those PDIDs with CSP offender IDs. In FY 2008, PDIDs were present in SMART for approximately 75 percent of supervised offenders and in FY 2009 PDIDs were captured in SMART for 96 percent of supervised offenders. As a result of the enhanced PDID capacity in SMART, CSP likely captured higher number of arrests in FY 2009 because it was able to more effectively link MPD arrest data with offenders under our supervision.

CSP Performance Indicator - Drug Use: CSP implemented an agency-wide drug testing policy in September 2000 to both monitor the offender's compliance with the releasing authority's requirement to abstain from drug use (and usually alcohol use as well) and assess the offender's level of need for substance abuse treatment. This policy also defines the schedule under which eligible offenders will be drug tested. Offenders can become ineligible for testing (other than initial testing at intake) for a variety of administrative reasons, including change to warrant status, case transfer to another jurisdiction, rearrest, and admission to substance abuse treatment (at which point testing is done by the treatment provider). The policy was revised in August 2005 to include implementation of spot testing for offenders who do not have histories of drug use and who establish a record of negative tests. It was further revised in 2008 to extend the spot testing schedule to all offenders who are on minimum supervision status.

In FY 2009, CSP tested for drug use an average of 9,037 unique offenders each month. This represents a 6.2 percent increase over the average number of offenders tested per

month in FY 2008 (8,512). In addition, CSP tested an average of 33,458 offender samples per month in FY 2009 versus 31,130 in FY 2008, an increase of 7.5 percent.

From FY 2005 – FY 2008, positive drug testing results were fairly stable, with about half of the active status supervision population reporting at least one positive drug test in the reporting period (fiscal year). In FY 2009, the methodology for computing this statistic was modified (see discussion below the table) and data in future years will be calculated and reported using both new methodologies. However, for comparative purposes, the current discussion on positive drug testing results in FY 2009 will focus on statistics obtained using the older methodology.

Percentage of Tested Population Reporting at Least One Positive Drug Test, FY 2004 – FY 2009

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008*	FY 2009**
Tests including alcohol	55%	52%	51%	51%	52%	59% (49%)
Tests excluding alcohol	51%	48%	46%	46%	47%	53% (43%)

*Computed as the number of unique offenders testing positive at least once in reporting period as a function of total number of unique offenders on active supervision status at some point in the reporting period.

For FY 2004 – FY 2008, CSP reported drug test data on all offenders who had an active supervision status at some point during the year (even if they were not necessarily on active supervision for the entire year). Beginning in FY 2009, the methodology for this measure was changed to include only offenders who were on active status throughout the entire year. This change in methodology will provide a more comparable sample (and, thus, more reliable comparison) from year to year. **The FY 2009 data in parentheses represent the percentages derived using the new methodology. CSP will continue to report data using both methodologies in future years.

Performance Trends. CSP’s Office of Research and Evaluation is focusing on evaluating the effectiveness of our drug testing strategy by identifying populations that are most likely to test positive for illegal substances, identifying which substances these populations are primarily using, and exploring whether “targeted” testing would yield more meaningful performance information.

In FY 2009, 59 percent of the active status supervision population reported at least one positive drug test (including alcohol). There are a number of possible explanations for the increase in the rate of positive offender drug tests in FY 2009:

- As mentioned in the Re-arrest measure, CSP was able to match roughly 96 percent of CSP offenders (in FY 2009) and 75 percent of CSP offenders (in FY 2008) based on identification numbers (PDID) issued by the Metropolitan Police Department. The PDID is also the primary link to the drug testing data maintained by PSA. Due to our increased capacity to capture these data, we are now able to report a more complete and accurate picture of drug usage via toxicology reports.
- CSP tested more offenders more often in FY 2009 versus FY 2008 and prior fiscal years. This increases the possibility of more offenders testing positive in FY 2009 versus prior fiscal years.
- An increasing number of offenders are testing positive for both marijuana and PCP in FY 2009. When compared to FY 2008, there was a 13.5 percent increase in the number of offenders who tested positive for marijuana and an 11.5 percent increase in the number of offenders who tested positive for PCP in FY 2009 (see table below).

- Protocol was changed in 2008 so that offenders on minimum supervision status are primarily tested only when there is reasonable suspicion that they have been using an illegal substance; these spot tests are more likely to yield positive drug test results.

Number of Offenders Testing Positive At Least Once, By Drug (Excluding Alcohol), FY 2008 vs. FY 2009*

Drug	FY 2008	FY 2009	Percent Change
Marijuana	3,937	4,467	13.5%
PCP	1,255	1,399	11.5%
Opiates	2,730	2,835	3.8%
Methadone	468	481	2.8%
Cocaine	4,310	4,194	-2.7%
Amphetamines	859	233	-72.9%

*The column data are not mutually exclusive. Examples: One offender testing positive for Marijuana and PCP during FY 2008 will appear in the FY 2008 data row/count for both Marijuana and PCP. One offender who tests positive for only Marijuana on multiple occasions throughout FY 2008 will count as a value of one in the FY 2008 data row/count for Marijuana.

CSP continues to hone its operational procedures to ensure that drug testing is only performed on offenders who are likely to test positive on a regular basis and has improved the process to match offender drug testing results provided by PSA to specific offender information in SMART. It is CSP’s belief that FY 2009 drug testing data accurately represents substance abuse activity among the tested active offender population. Therefore, the drug testing results from FY 2009 can be used as a baseline level and activity moving forward can be measured against this baseline.

Relevance and Reliability

CSP obtains performance data for these measures from the primary sources. Rearrest data for the District of Columbia originates from the DC Metropolitan Police Department. Arrest data is downloaded at 30-minute intervals from the police department information system into SMART. Rearrest data from the states of Maryland and Virginia is loaded into SMART on a daily basis.

Drug testing data is provided by PSA, which processes tests for CSP in its laboratory. Test results are immediately available to CSOs via an interface between the PSA lab’s computer system and SMART.

During FY 2009, CSP transitioned from reporting from a copy of the SMART database, to reporting from a fully implemented Enterprise Data Warehouse system, which has presented significant improvements for both data accessing and the quality of the performance measures.

Assessment of Underlying Factors

When considering factors that affect reported performance, it is important to distinguish among factors under CSP control, factors under CSP influence, and factors outside of CSP’s control. Each is discussed briefly below:

- *Factors under CSP control.* These factors include program design, resource allocation, and adherence to Agency policy and operating procedures. Each of these factors can be adjusted to accommodate changes in performance.
- *Factors under CSP influence.* CSP's programmatic activities can influence, but are not determinative of, some components of our performance outcomes. For example, the extent to which we can provide substance abuse treatment and implement surveillance drug testing should influence drug use within the population. Similarly, CSP can recommend conditions of release to the court or paroling authority but cannot impose those conditions. Imposing appropriate conditions of release might limit an offender's chance of rearrest.
- *Factors outside CSP control.* Many aspects of an offender's life, and the world in which he or she lives, are completely outside of CSP's influence or control. The most intensive contact standards require two contacts per week; therefore, the associates, activities, and choices the offender encounters during the rest of his or her time are largely determined by that individual. These factors encompass the larger issues that impact offender reentry following incarceration, such as the availability of suitable housing and employment.

Among the factors CSP can control, such as program design and adherence to policy, it is important to note that CSP has made great progress in using performance data as a management tool. SMART is being designed to measure the extent to which CSOs comply with Agency policy and operating procedures by prompting the officer for complete information and recording when data is entered. CSP has developed a wide variety of management reports focusing on data quality and completeness issues. These reports can disaggregate officer performance by team and even individual caseload, and are regularly distributed to first-line managers for review and, where necessary, corrective action.

CSP will continue to study performance trends as they emerge and modify its program design accordingly; however, it is unlikely that either outcome or impact evaluations will be completed for several years.

Pretrial Services Agency

The D.C. Pretrial Services Agency (PSA) mission is to assess, supervise and provide services for defendants, and collaborate with the justice community, to assist the courts in making pretrial release decisions. Through these efforts, PSA promotes community safety and return to court. Driven by this mission, PSA has established two operational goals: 1) reduction in the rearrest rate for violent and drug crimes during the period of pretrial supervision and 2) reduction in the rate of failures to appear for court.

Strategies and Resources

PSA's two operational goals span the major functions and operations of the agency (assessment, supervision, treatment and partnerships). The strategies employed by PSA to accomplish these goals are summarized below.

Risk and Needs Assessment. PSA provides timely and accurate information to judicial officers in both the D.C. Superior Court and the U.S. District Court for their use during the release decision-making process. PSA accomplishes this goal by conducting pre-release investigations, which include both background investigations and defendant interviews for defendants charged with criminal offenses. The Court is provided with release recommendations which are based on the information collected during this process.

Gathering and verifying relevant information about each defendant is one of the primary activities conducted by PSA during the prerelease investigation. Pretrial Services Officers (PSOs) interview defendants scheduled for criminal bail hearings and verify the information provided. Questions are not asked concerning the circumstances of the current arrest. The PSO also reviews the defendant's criminal history at both the local and national levels. Other information obtained by the PSO includes: probation and parole information, lock-up drug test results, and compliance reports from PSA supervision units.

PSA makes release condition recommendations based on the least restrictive conditions needed to reasonably assure appearance in court and the protection of the community. The defendant's criminal history sometimes establishes a pattern of behavior upon which judicial officers base their decisions. PSA provides the prerelease investigation information (which includes criminal history) and the associated release recommendation to the courts in a "Pretrial Services Report."

Throughout the prerelease investigation and release recommendation process, PSOs rely on automated information sources, which both PSA and those of other partner criminal justice agencies use to gather and compile information. PSA has long been a leader in the innovative use of information technology. Continuing to improve this technology to better support these processes is a major focus for PSA.

Close Supervision. PSA has statutory responsibility to monitor and supervise defendants in the community prior to the disposition of their criminal case, consistent with release conditions ordered by the court. PSA recognizes that a continuum of monitoring and supervision needs exist in the defendant population. Using information gathered during the prerelease investigation, PSA recommends appropriate levels of monitoring and/or supervision for each

defendant. PSA focuses its supervision resources on the defendants most at risk of violating their release conditions. Very low risk defendants (those released unconditionally) receive only notification of court dates. Fairly low risk defendants are placed in monitoring programs that require limited contact with PSA. As the risk level of the defendant increases, the intensity of supervision is increased. Higher risk defendants may be subject to frequent contact and drug testing, substance abuse or mental health treatment, curfew, electronic monitoring, halfway house, or other conditions.

One of the challenges facing PSA is the need for swift responses to noncompliance. Failure to appear for a supervisory contact, a resumption of drug use, absconding from a drug treatment program, and other condition violations can be precursors to serious criminal activity. Responding quickly to noncompliance is directly related to meeting the goals of reducing failures to appear and protecting the public. Graduated sanctions are used to modify a defendant's behavior, and PSA focuses on modifying the behaviors most closely associated with a return to criminal activity or with absconding.

The technology currently in place allows virtually real-time access to drug test result data, as well as rearrest, and failure to appear data in the District of Columbia. PSA will continue to commit significant resources to the further improvement of its information technology infrastructure.

Treatment and Support Services. Because drug use contributes to both public safety and flight risks, PSA has developed specialized supervision programs that provide drug treatment. Each of the sanction-based drug treatment programs includes a system of sanctions and incentives designed to motivate compliant behavior and to reduce drug use. Further, each program features the use of a treatment plan that guides case managers in tailoring and modifying therapeutic interventions specifically for a population involved in the criminal justice system. Defendants placed in these programs have drug testing, contact, and other release conditions.

PSA's treatment and supervision programs offer defendants access to various treatment modalities. Each program provides centralized case management of defendants. This organizational structure facilitates consistent sanctioning and supervision practices, and leads to better interim outcomes for defendants. PSA also uses a combination of contract funded and community-based drug intervention programs. Defendants who have mental health issues and special needs are referred to appropriate community-based programs. Even if defendants are referred to community-based services, they continue to be supervised by PSA.

Defendants placed under the supervision of PSA have a variety of needs. PSA works with defendants to identify any problems and refer them to needed services. PSA will continue to devote resources to identifying appropriate community-based resources to address all defendant needs, including: medical, educational/vocational services, family services and other social services. As with referral to drug or mental health treatment, PSA will be monitoring defendant use of, and involvement with, social services.

Partnerships. Effective partnering with other justice agencies and community organizations is a major strategy through which PSA enhances public safety in the District's neighborhoods and builds the capacity for support services for defendants under pretrial supervision. It is through

these partnerships with the courts, the United States Attorney's Office for the District of Columbia, Office of the Attorney General for the District of Columbia, various District government agencies and nonprofit community-based organizations that PSA can effectuate close supervision of defendants while on pretrial release. In addition, treatment and social service options are developed and/or expanded to enhance PSA's ability to address the social problems that contribute to criminal behavior, thereby increasing defendant's likelihood of success under pretrial supervision. In order for partnerships to be viable, PSA proactively identifies initiatives, seeks partnering entities, and collaborates with stakeholders to develop goals, objectives and implementation plans.

The Office of Justice and Community Relations leads interagency planning for community-based initiatives, develops interagency collaborations with CSOSA's Community Supervision Program, and identifies opportunities for partnerships with other justice agencies and community organizations that enhance the work of PSA.

Planned and Actual Performance

PSA has long been a leader in the D.C. criminal justice system, nationally recognized for its innovative programs combining supervision and treatment, for its utilization of drug testing, and for the use of information technologies and automation. The Pretrial Real-time Information System Manager (PRISM) is an Agency-wide case management system developed to support PSA's mission of ensuring that defendants on conditional release return to court for trial and do not engage in criminal activity. The main purpose of PRISM is to provide reliable information and to improve the timeliness and quality of decisions relating to the release recommendations, supervision and treatment of defendants who enter the criminal justice system in the District of Columbia.

PRISM became operational on March 3, 2002. The system is available 24 hours a day, 7 days a week with virtually no down time. It has proven to be successful in supporting the Agency and in improving the reliability, timeliness and quality of Agency data. PRISM makes use of proven technologies, utilizing the same technology as the World Wide Web. An updated version was implemented in June 2005.

In FY 2003, PSA began development of a data warehouse to extract and catalogue commonly used PRISM data elements. The warehouse stores information on Agency long-term outcomes, performance measures and work processes and is constantly evolving to better meet the informational needs of PSA management and staff. PSA has begun expanding the data warehouse to also allow for collection of management data for many of the diagnostic, supervision and treatment functions. These data can then be used for quality assurance and control purposes and to identify trends, allowing for quick response to problematic issues. Focus is being placed on disaggregating the data to allow for tracking of individual PSO performance and unit performance, as well as Agency-wide performance.

PSA also identified and tracks several outcome and performance measures to help manage the Agency's progress toward achievement of its goals and consequent contributions to CSOSA's success. These selected measures address the most important activities conducted for each Critical Success Factor. Many other activities occur, but those chosen are those that PSA has identified as making the most important contributions to outcomes. To help ensure that its

outcome and performance measures are reasonable but ambitious and fit the agency's mission and objectives, PSA regularly reviews measure targets, definitions, and data sources, and makes appropriate changes when needed. PSA completed the most recent of these reviews in April 2009.

PSA has traditionally tracked two critical outcomes: reduction in the rearrest rate for violent and drug crimes during the period of pretrial supervision and reduction in the rate of failure to appear before court. Achievement of these two outcomes depends on many factors. Evaluating each defendant's potential for flight and rearrest is critical as it allows PSA to make the most appropriate release recommendations for each defendant. Based on PSA's understanding of the defendant population and research conducted in the District and in other jurisdictions, providing close supervision coupled with sanctions for noncompliance and reducing drug use are of primary importance. Further, PSA's use of social services, e.g., employment and job training, contributes to behavioral change in the defendant population.

Following its most recent measure review, PSA added a third outcome measure: *the percentage of defendants who remain on release at the conclusion of their pretrial status without a pending request for removal or revocation due to noncompliance*. This new outcome measure complements PSA's guiding principles of ensuring the least restrictive release consistent with public safety and return to court throughout the pretrial stage. It also encourages the use of effective interventions to control pretrial misconduct and encourage positive defendant behavior. PSA will track this outcome measure beginning in FY 2010.

PSA also revised the definitions and targets for several performance measures for FY 2009-FY 2010. These changes reflect PSA's actual performance over the past four fiscal years, its identification of more reliable and accurate trends and data sources in addition to external factors that PSA has a reasonable chance of influencing, and its desire to more closely tie certain measures to PSA's mission, goals and objectives. The revised performance measures used to track activities and results are:

- percentage of defendants who are assessed for risk of failure to appear and rearrest;
- percentage of defendants for whom PSA identifies eligibility for appropriate appearance and safety-based detention hearings;
- percentage of defendants who are in compliance with release conditions at the end of the pretrial period;
- percentage of defendants whose noncompliance is addressed by PSA either through the use of an administrative sanction or through a recommendation for judicial action;
- percentage of referred defendants who are assessed for substance abuse treatment;
- percentage of eligible assessed defendants placed in substance abuse treatment programs;
- percentage of defendants who have a reduction in drug usage following placement in a sanction-based treatment program;
- percentage of defendants connected to educational or employment services following assessment by the Social Services and Assessment Center;
- percentage of referred defendants who are assessed or screened for mental health treatment;
- percentage of service-eligible assessed defendants connected to mental health services;

- number of agreements established and maintained with organizations and/or agencies to provide education, employment or treatment-related services or through which defendants can fulfill community service requirements.

PSA uses a variety of methods to collect performance measurement data. First, data is available through PSA’s data warehouse, which extracts information from PRISM on the two key outcomes. Second, manual data is collected on a weekly basis from each of the supervision and treatment units. The manual data supports many of the performance measures and provides additional data of interest to the supervisors in the units. In addition, PSA regularly accesses the databases of other law enforcement agencies for rearrest data and the D.C. Superior Court and the U.S. District Court for failure to appear data. The information is routinely compiled and analyzed. Performance measurement information is computed and transmitted back to the units and to executive leadership on a quarterly basis (or more often if needed). That information can be and is frequently used to make mid-course corrections and to guide future policy and procedure decisions. Performance data for PSA’s outcomes from the last several years is included in the chart below. Note that this data is not static and changes throughout the year as new information about re-arrest rates and other metrics comes in from PSOs and other sources.

	FY 2005 Actual	FY 2005 Target	FY 2006 Actual	FY 2006 Target	FY 2007 Actual	FY 2007 Target	FY 2008 Actual	FY 2008 Target	FY 2009 Target	Long Term Target
Percentage of defendants rearrested for violent or drug crimes during the period of pretrial supervision.										
For all defendants rearrested for:										
- any crimes	13%	13%	12%	13%	12%	13%	12%	12%	12%	12%
- violent crimes	3%	1%	3%	1%	2%	1%	2%	1%	3%	3%
- drug crimes	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
For drug-using defendants rearrested for:										
- any crimes	20%	19%	19%	19%	18%	18%	17%	18%	18%	18%
- violent crimes	4%	2%	4%	2%	3%	2%	3%	2%	4%	4%
- drug crimes	7%	7%	7%	7%	6%	7%	6%	7%	7%	7%
For non-drug-using defendants rearrested for:										
- any crimes	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%
- violent crimes	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
- drug crimes	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Percentage of cases in which a defendant failed to appear for at least one court hearing.										
- all defendants	9%	14%	13%	14%	13%	13%	12%	13%	13%	13%
- drug-users	13%	17%	18%	17%	17%	15%	16%	15%	15%	15%
- nondrug-users	6%	9%	7%	9%	7%	9%	7%	9%	9%	9%
Percentage of defendants who remain on release at the conclusion of their pretrial status without pending request for removal or revocation due to noncompliance										
									NA	75%

Performance Trends

Overall rearrest rates for all defendants have remained steady between 12 and 13 percent from FY 2005 to FY 2008. However, outcome measure data clearly illustrate the impact of drug use on rearrest rates. The overall rearrest rate for drug using defendants is consistently over three times as high as the rearrest rate for non-drug using defendants.

After dropping to a low of nine percent in FY 2005, overall Failure to Appear (FTA) rates have ranged from 12 percent to 13 percent from FY 2006 to FY 2008. Drug users consistently have failure rates 1.5 to 2.5 times that of non-users.

Relevance and Reliability

The data warehouse extracts data from PRISM on the two critical outcomes. On a daily basis, the District of Columbia Metropolitan Police Department provides electronic information to PSA's case management system, PRISM, on the arrests that have been made within the District of Columbia. The District of Columbia Superior Court provides electronic information to PRISM on bench warrants that have been issued for defendants who failed to appear for Court. PSOs are able to access this information as soon as it is downloaded into PRISM.

The method of data extraction for rearrest and FTA outcome information was extensively validated prior to deployment of the data warehouse. Several months were spent in this process, comparing the data warehouse data to rearrest and FTA data extracted from PRISM using Structured Query Language (SQL). The ETL (extract, transform and load) process, which physically moves the information from PRISM to the data warehouse, is fixed. Only two Information Technology developers are able to access the underlying system or the programs that are associated with the data warehouse. The two developers "refresh" (or update) the data on a weekly basis.

Assessment of Underlying Factors

In considering the external factors that impact PSA and its success, much like CSP, it is clear that those affecting reported performance include those that are under PSA control, factors that are under PSA influence, and factors outside of PSA's control. Each is discussed briefly below:

- *Factors under PSA's control.* These factors include program design, resource allocation, and adherence to Agency policy and operating procedures. Each of these factors can be adjusted to accommodate changes in performance.
- *Factors under PSA's influence.* PSA's programmatic activities can influence, but are not determinative of, some components of our performance outcomes. For example, the extent to which we can provide substance abuse treatment should influence drug use within the population. Similarly, PSA can recommend conditions of release to the court but release conditions can only be set by the judicial officer.
- *Factors outside PSA's control.* Economic and social conditions as well as the level of drug availability drive the crime rate to a much greater extent than our programs.

The improvements in data management that have been made possible by the data warehouse allow for closer tracking of the factors that PSA can control and influence. Performance and management data can be used to track activities and adherence to policy. The availability of such data is expected to increase significantly over the next few years as quality assurance data points are identified.

PSA will also be realigning its resources to ensure that adequate attention is paid to those factors that PSA has a reasonable chance of influencing. For example, one of PSA's primary functions in the criminal justice system is to make release recommendations to the court. Only judges can set release conditions, revoke release, or administer judicial sanctions. PSA's success is dependent upon collaboration and effective communication with the court. Similarly, PSA depends on the cooperation of the U.S. Attorney's Office, defense attorneys, and numerous community-based treatment programs to achieve appropriate outcomes. Given these mutual dependencies, PSA will be devoting significant resources to building stronger partnerships.

E. Possible Future Effects of Existing Demands, Risks, Uncertainties, Events, Conditions, and Trends

As with any law enforcement agency, CSOSA's ability to achieve its performance targets and thereby protect public safety is affected by a number of uncertainties and external forces. A number of these issues are identified below:

- The size, characteristics, and risk level of the population under CSOSA supervision varies according to national and local crime trends and sentencing practices. According to the Bureau of Justice Statistics (BJS), both violent and property crime rates in 2005 were their lowest since the BJS Crime Victimization Survey began in 1973; crime in the District of Columbia has followed this general downward trend. Of course, these decreases will not continue indefinitely. It is also possible that demographic changes (i.e., the increasing proportion of young adults in the total population) will influence crime rates in the near future.
- Despite lower crime rates, the nation's incarcerated population continues to rise, due primarily to changes in sentencing laws. It is probable that the number of individuals subject to post-release supervision will increase as these offenders complete their terms of incarceration.
- The Washington, D.C. metropolitan area is expected to grow by approximately two million people over the next 15 to 20 years. Continued growth will increase pressure on the District's supply of affordable housing, which has diminished in recent years. In addition, the District's unemployment rate is higher than the national average; industries in which ex-offenders were more likely to find employment, such as construction, have experienced a significant downturn recently. Although the total metropolitan area currently has one of the lowest unemployment rates in the nation, most of the jobs created here tend to exclude the population from which CSOSA's clients are drawn. The combination of employment and housing market pressures could impact the size and characteristics of the population under CSOSA supervision.
- CSOSA's ability to maintain field operations depends, to a great extent, on its ability to locate, acquire, and prepare appropriate sites. As the Washington, D.C. real estate market tightens, these sites become ever more difficult to find. It is possible that CSOSA will be forced to close one or more field offices as leases expire.
- CSOSA's effectiveness depends on the successful collaboration with key District of Columbia and Federal agencies. The agency's primary D.C. and Federal agency partners include the United States Parole Commission; the Federal Bureau of Prisons; the U.S. Marshals Service; the D.C. Departments of Employment Services, Health, Mental Health, Housing and Community Development, and Education; and the Metropolitan Police Department. CSOSA works closely with these agencies, both on the management of individual cases and on broader public safety initiatives. Arrangements with these external entities are defined in Memorandums of Understanding, which are renegotiated at regular intervals. The D.C. Criminal Justice Coordinating Council also serves a vital role in facilitating collaborations. Significant changes in our partners' willingness to share information, collaborate on joint supervision activities, or provide services to offenders under supervision could compromise CSOSA's ability to achieve its performance targets.

F. Analysis of Agency Financial Statements

The CSOSA financial statements report the financial position of the CSP and PSA entities. The financial statements have been prepared to report the financial position and results of operations of CSOSA, pursuant to requirements of 31 U.S.C. 3515(b). The financial statements and notes are included in a separate section of this document.

The FY 2009 CSOSA financial statements report appropriated and reimbursable budget authority. CSP has reimbursable budget authority from the Office of National Drug Control Policy's (ONDCP) High Intensity Drug Trafficking Area (HIDTA) grants; the Department of Justice Weed & Seed and Project Safe Neighborhood grants; and a reimbursable agreement with the DC Public Defender Service.

CSOSA's largest asset is Fund Balance with U.S. Treasury which totaled \$62,720,819 and \$65,466,757 as of September 30, 2009 and 2008, respectively. This represented 87 percent and 91 percent of total assets as of September 30, 2009 and 2008, respectively. The Fund Balance with U.S. Treasury represents all appropriated and reimbursable funds (including grant resources) CSOSA has on account with Treasury to make expenditures and pay liabilities.

Accounts Payable with the Public, Accrued Payroll & Benefits, and Accrued Unfunded Liabilities are CSOSA's largest liabilities, with combined amounts totaling \$18,487,245 and \$20,490,563, as of September 30, 2009 and 2008, respectively. Collectively they comprised 93 percent and 92 percent of total liabilities, as of September 30, 2009 and 2008, respectively.

Total Budgetary Resources was \$230,493,060 and \$216,513,739 as of September 30, 2009 and 2008, respectively. These amounts included \$203,490,000 in direct funding and \$6,715,189 in reimbursable grant agreements as of September 30, 2009, and \$190,343,000 in direct funding and \$4,083,570 in reimbursable grant agreements as of September 30, 2008. Total Obligations Incurred was \$205,871,443 and \$194,994,495 as of September 30, 2009 and 2008, respectively. These amounts included direct obligations of \$201,847,029 and reimbursable obligations of \$4,024,414 as of September 2009, and direct obligations of \$191,462,850 and reimbursable obligations of \$3,531,645 as of September 30, 2008. The CSOSA's FY 2009 Statement of Budgetary Resources shows \$201,727,501 in net outlays, an increase of \$17.9 million from the previous year's total net outlays of \$183,818,979.

The Net Cost of Operations in FY 2009 was \$205,239,635 on CSOSA's Statement of Net Cost, an increase of \$11.3 million over the previous year's Net Cost of Operations of \$193,950,984.

G. Analysis of Systems, Controls, and Legal Compliance

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA, P.L. 97-255) and Office of Management and Budget Circular (OMB) A-123, Management Accountability and Control, require federal agencies to conduct ongoing evaluations of the adequacy of the systems of internal accounting and administrative control, and report yearly to the President all material weaknesses found through these evaluations. The FMFIA also requires the heads of agencies to provide the President with yearly assurance that obligations and costs are in compliance with applicable law; resources are efficiently and effectively allocated for duly authorized purposes; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and managers and employees demonstrate personal integrity, ethics, competence and effective communication. To provide this report and assurance to the President, the CSOSA Director depends on information from component heads regarding their management controls. The CSOSA Acting Director provides qualified assurance that the Agency's management controls and financial systems meet the objectives of Sections 2 (Programmatic Controls) and 4 (Financial Controls) of the FMFIA for FY 2009, with the following known Financial Control exceptions:

Financial Controls:

As part of the FY 2008 financial statement audit, completed in FY 2009, the independent auditors identified the following material internal control weaknesses within CSOSA:

- I. Improvements are needed in the financial reporting process:
 - a) Compilation and reporting of financial statements; and
 - b) Reconciliation of Budgetary Resources reported in the financial statements with other agency financial reports.

- II. Improvements are needed in financial accounting control activities:
 - a) CSOSA processes to account for activities in the General Ledger; and
 - b) CSP controls surrounding the processing of obligations, which resulted in incorrect status and values of accounts payable and undelivered orders;

In addition, the independent auditors identified the following significant control deficiencies:

- e) CSP controls surrounding the tracking and reporting of capitalized property, plant equipment items;
- f) Disaster recovery service continuity improvements;
- g) Computer security awareness training is not enforced;
- h) CSOSA systems access control improvements are needed; and
- i) Weaknesses in National Business Center (NBC) controls related to Oracle Federal Financials.

Legal Compliance:

As part of the FY 2008 financial statement audit, the independent auditors identified the following CSOSA issues of non-compliance with laws and regulations:

- j) CSOSA did not submit annual, audited financial statements (included in an Agency Financial Report) within 45 days after the end of the fiscal year. CSOSA did not submit its FY 2008 Agency Financial Report within the 45-day time requirement.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA, P.L. 104-208) and Office of Management and Budget Circular (OMB) A-127, Financial Management Systems, require federal agencies to assess compliance with Federal financial management systems requirements, standards promulgated by Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level.

In July 2007, CSOSA migrated to Oracle Federal Financials (Oracle), operated by the Department of the Interior's National Business Center (NBC). CSOSA uses Oracle to perform, control and report general ledger, funds management and payment management processes. In FY 2009, CSOSA used Oracle version 11i.10, certified by the Financial Systems Integration Office (FSIO) as meeting core financial system requirements on September 10, 2006.

Improper Payments

The Improper Payment Information Act (IPIA) of 2002 (P.L. 107-300) extends erroneous payment reporting requirements to all Federal programs and activities. The Office of Management and Budget (OMB) Memorandum No. 03-13 outlines the requirements of the Act. IPIA requires that agencies examine the risk of erroneous payments in all programs and activities they administer. CSOSA consists of two programs: CSP and PSA.

Agencies are required to review annually all programs and activities they administer and identify those that may be susceptible to significant erroneous payments. Given the inherent risks of the CSP and PSA programs, internal controls, the results of prior financial audits, and CSP and PSA internal testing of FY 2009 payment transactions, CSOSA has determined that neither program poses the risk of improper payments exceeding both 2.5% and \$10 million.

Limitations of the Financial Statements

The principal financial statements have been prepared to report CSOSA's financial position and results of operations, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Court Services and Offender Supervision Agency
Balance Sheets
As of September 30, 2009 and 2008
(in dollars)

	2009	2008
Assets		
Intragovernmental		
Fund Balance with Treasury - Note 2	\$ 62,720,819	\$ 65,466,757
Accounts Receivable - Note 3	861,899	474,998
With The Public		
Accounts Receivable - Note 3	20,508	-
Property, Plant and Equipment, Net - Note 4	8,374,350	6,203,444
Total Assets	\$ 71,977,576	\$ 72,145,199
Liabilities		
Intragovernmental Liabilities:		
Accounts Payable	\$ 469,160	\$ 679,346
Advances from Other Federal Agencies	647,955	1,120,022
With The Public		
Accounts Payable	4,848,455	8,508,641
Actuarial FECA Liabilities	267,166	86,378
Accrued Payroll & Benefits	7,183,392	6,068,044
Accrued Unfunded Liabilities	6,455,398	5,913,878
Total Liabilities - Note 5	\$ 19,871,526	\$ 22,376,309
Net Position		
Unexpended Appropriations	50,653,234	50,262,651
Cumulative Results of Operations	1,452,816	(493,761)
Total Net Position	\$ 52,106,050	\$ 49,768,890
Total Liabilities and Net Position	\$ 71,977,576	\$ 72,145,199

The accompanying notes are an integral part of these statements.

Court Services and Offender Supervision Agency
Statements of Net Cost
For the Years Ended September 30, 2009 and 2008
(in dollars)

	2009	2008
Critical Success Factor 1 - Risk and Needs Assessment		
Program Costs		
Intragovernmental Costs	\$ 2,360,088	\$ 4,046,855
Intragovernmental Revenue - Note 6	(514,343)	(822,671)
Intragovernmental Net Costs	1,845,745	3,224,184
Public Costs	40,092,133	35,365,753
Earned Revenue from Public - Note 6	(4,610)	(1,443)
Net Public Costs	40,087,523	35,364,310
Total Critical Success Factor 1 - Risk and Needs Assessment	\$ 41,933,268	\$ 38,588,494
Critical Success Factor 2 - Close Supervision		
Program Costs		
Intragovernmental Costs	\$ 5,792,391	\$ 10,315,211
Intragovernmental Revenue - Note 6	(1,155,411)	(1,845,129)
Intragovernmental Net Costs	4,636,980	8,470,082
Public Costs	98,656,388	90,277,404
Earned Revenue from Public - Note 6	(11,813)	(4,012)
Net Public Costs	98,644,575	90,273,392
Total Critical Success Factor 2 - Close Supervision	\$ 103,281,555	\$ 98,743,474
Critical Success Factor 3 - Treatment and Support Services		
Program Costs		
Intragovernmental Costs	\$ 2,555,453	\$ 4,133,074
Intragovernmental Revenue - Note 6	(1,919,868)	(563,100)
Intragovernmental Net Costs	635,585	3,569,974
Public Costs	42,893,522	36,565,273
Earned Revenue from Public - Note 6	(3,981)	(1,056)
Net Public Costs	42,889,541	36,564,217
Total Critical Success Factor 3 - Treatment and Support Services	\$ 43,525,126	\$ 40,134,191
Critical Success Factor 4 - Partnership		
Program Costs		
Intragovernmental Costs	\$ 983,639	\$ 1,537,064
Intragovernmental Revenue - Note 6	(263,383)	(419,227)
Intragovernmental Net Costs	720,256	1,117,837
Public Costs	15,779,534	15,367,033
Earned Revenue from Public - Note 6	(104)	(45)
Net Public Costs	15,779,430	15,366,988
Total Critical Success Factor 4 - Partnership	\$ 16,499,686	\$ 16,484,825
Total Net Cost of Operations	\$ 205,239,635	\$ 193,950,984

The accompanying notes are an integral part of these statements.

Court Services and Offender Supervision Agency
Statements of Changes in Net Position
For the Years Ended September 30, 2009 and 2008
(in dollars)

	2009	2008
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	\$ (493,761)	\$ (2,256,295)
Budgetary Financing Sources:		
Appropriations Used	198,299,728	188,097,180
Other Financing Sources:		
Imputed Financing - Note 8	8,886,484	7,616,338
Total Financing Sources	<u>\$ 207,186,212</u>	<u>\$ 195,713,518</u>
Net Cost of Operations	205,239,635	193,950,984
Ending Cumulative Results of Operations	<u><u>\$ 1,452,816</u></u>	<u><u>\$ (493,761)</u></u>
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 50,262,651	\$ 52,859,968
Budgetary Financing Sources		
Appropriations Received	203,490,000	190,343,000
Other Adjustments	(4,799,689)	(4,843,137)
Appropriations Used	(198,299,728)	(188,097,180)
Total Financing Sources	<u>\$ 390,583</u>	<u>\$ (2,597,317)</u>
Ending Unexpended Appropriations	<u><u>\$ 50,653,234</u></u>	<u><u>\$ 50,262,651</u></u>
ENDING TOTAL NET POSITION	<u><u>\$ 52,106,050</u></u>	<u><u>\$ 49,768,890</u></u>

The accompanying notes are an integral part of these statements.

Court Services and Offender Supervision Agency
Statements of Budgetary Resources
As of September 30, 2009 and 2008
(in dollars)

	2009	2008
Budgetary Resources		
Unobligated Balance Brought forward, October 1	\$ 21,519,244	\$ 21,572,478
Recoveries of Prior Year Obligations:		
Actual	7,561,748	5,079,027
Budget Authority:		
Appropriation	203,490,000	190,343,000
Spending Authority from Offsetting Collections:		
Earned		
Collected	3,315,231	4,102,182
Change in receivables from Federal sources	294,597	(1,137,363)
Change in unfilled customer orders		
With Advance from Federal Sources	(472,066)	586,249
Without Advance from Federal Sources	(816,005)	811,303
Nonexpenditure transfers, net:		
Transfer - Prior Year Balance	400,000	-
Temporarily not available		
Permanently not available	(4,799,689)	(4,843,137)
Total Budgetary Resources	<u>\$ 230,493,060</u>	<u>\$ 216,513,739</u>
 Status of Budgetary Resources		
Obligation(s) Incurred		
Direct	\$ 201,847,029	\$ 191,462,850
Reimbursable	4,024,414	3,531,645
Total Obligations Incurred - Note 10	<u>\$ 205,871,443</u>	<u>\$ 194,994,495</u>
Unobligated Balance		
Available	2,804,667	1,295,532
Not Available	21,816,950	20,223,712
Total Status of Budgetary Resources	<u>\$ 230,493,060</u>	<u>\$ 216,513,739</u>
 Change in Obligated Balances		
Obligated Balance, Net, Brought Forward October 1		
Unpaid obligations	\$ 45,682,194	\$ 44,274,135
Less: Uncollected customer payments from Federal sources	1,919,586	2,245,645
Obligations incurred	205,871,443	194,994,495
Less: Gross outlays	204,570,666	188,507,409
Less: Recoveries of prior year unpaid obligations	7,561,748	5,079,027
Change in uncollected customer payments from Federal Sources	521,408	326,059
Total Obligated Balance, end of period	<u>\$ 38,023,045</u>	<u>\$ 43,762,608</u>
 Obligated balance, net, end of period:		
Unpaid obligations	\$ 39,421,223	\$ 45,682,194
Less: Uncollected customer payments from Federal sources	1,398,178	1,919,586
Total Obligated Balance, end of period	<u>\$ 38,023,045</u>	<u>\$ 43,762,608</u>
 Net Outlays		
Gross Outlays	\$ 204,570,666	\$ 188,507,409
Less: Offsetting collections	2,843,165	4,688,430
Total Net Outlays	<u>\$ 201,727,501</u>	<u>\$ 183,818,979</u>

The accompanying notes are an integral part of these statements.

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 1: Summary of Significant Accounting Policies:

A. Description of Entity

The Court Services and Offender Supervision Agency (CSOSA) for the District of Columbia was established in 2000 as an independent Federal agency, by the National Capital Revitalization and Self-Government Improvement Act (the Act). Pursuant to the Act, CSOSA assumed the District of Columbia (D.C.) pretrial services, adult probation, and parole supervision functions. CSOSA's mission is to increase public safety, prevent crime, reduce recidivism and support the fair administration of justice in close collaboration with the community.

The majority of the Agency's funding comes from appropriations. Additional funding is provided through grants from the U.S. Department of Justice and the State of Maryland. This additional funding consists of reimbursement work performed by CSOSA on behalf of the requesting entity.

The CSOSA reporting entity is comprised of the following components:

- The Community Supervision Program (CSP), which provides supervision of adult offenders on probation, parole, or supervised release.
- The Pretrial Services Agency (PSA), which assists the trial and appellate levels of both the Federal and local courts in determining eligibility for pretrial release by providing background information on all arrestees.

The CSOSA appropriation supports both the CSP and PSA.

In FY 2009, the Agency was appropriated \$203,490,000 from Congress, of which the following allocation was made:

	CSP	PSA	TOTAL FY 2009	TOTAL FY 2008
Appropriation	\$148,652,000	\$54,838,000	\$203,490,000	\$190,343,000

B. Basis of Presentation

These financial statements have been prepared from the accounting records of CSOSA in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Revised Circular No. A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the U.S. government.

C. Basis of Accounting

Transactions are recorded on an accrual and a budgetary basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the federal budgetary basis of accounting, funds availability is recorded based upon legal considerations and constraints. Budget authority is the authority provided by federal law to incur financial obligations that will result in outlays or expenditures.

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 1: Summary of Significant Accounting Policies (con't)

D. Revenues and Other Financing Sources

CSOSA receives the majority of funding needed to support its programs through Congressional appropriations. CSOSA receives an annual appropriation that may be used, within statutory limits, for operating and capital expenditures. CSOSA also has a No-Year appropriation. This No-Year appropriation has been designated as: "available until expended for construction expenses at new or existing facilities", in Public Law 107-96. Additional funding is provided through grants from the Department of Justice and the Office of National Drug Control Policy. CSOSA earns exchange revenue through inter-agency agreements with other Federal entities for which CSOSA provides grant administration services. Revenues are recognized at the time related program or administrative expenses are incurred. CSOSA reviews and classifies inter-agency agreements as either exchange or transfers-in based on the nature of the agreement.

E. Fund Balance with Treasury

Funds with the Treasury represent primarily appropriated funds available to pay current liabilities and finance future authorized purchases. The Treasury, as directed by authorized certifying officers, processes receipts and disbursements on behalf of CSOSA. CSOSA does not maintain cash in commercial bank accounts nor does CSOSA maintain an imprest fund.

F. Accounts Receivable

Accounts receivable consists of receivables and reimbursements due from Federal agencies and others. Generally, intragovernmental accounts receivable are considered fully collectible.

G. Property, Plant and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over the useful life of the asset, when the estimated useful life of an asset is two or more years. Leasehold improvements are capitalized when the improvements are made and amortized over the remaining term of the lease agreement. CSOSA has established capitalization thresholds of \$100,000 for leasehold improvements and \$25,000 for equipment. Other property items, normal repairs, and maintenance are expensed as incurred. Internal use software is capitalized when developmental phase costs or enhancement costs are \$500,000 or more and the asset has an estimated useful life of two or more years.

H. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and are recognized as expenditures/expenses when the related goods and services are received.

I. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by CSOSA as the result of a transaction or event that has already occurred. However, no liability can be paid absent the proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources.

Court Services and Offender Supervision Agency Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (con't)

J. Contingencies and Commitments

CSOSA is a party to various administrative proceedings, legal actions and claims. A liability is recognized as an unfunded liability for any legal actions where unfavorable decisions are considered “probable” and an estimate for the liability can be made. Contingent liabilities that are considered “reasonably possible” are disclosed in the notes to the financial statements. Liabilities that are considered “remote” are not recognized in the financial statements or disclosed in the notes to the financial statements.

K. Annual, Sick and Other Leave

Annual and compensatory leave is accrued, as an unfunded liability, as it is earned. Each year the accrued unfunded annual leave liability account is adjusted to reflect the current unfunded leave earned and the current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

L. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. 3901-3907, CSOSA pays interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services, whichever is later.

M. Retirement Plans

CSOSA participates in the retirement plans offered by the Office of Personnel Management (OPM) and does not maintain any private retirement plans. CSOSA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). For employees covered by the CSRS, CSOSA contributes 7.0 percent of the employees’ gross pay for normal retirement and 7.5 percent for law enforcement retirement. For employees covered by the FERS, CSOSA contributes 11.2 percent of employees’ gross pay for normal retirement and 24.9 percent for law enforcement retirement. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For employees covered by the FERS, a TSP account is automatically established and CSOSA is required to contribute 1 percent of gross pay to this plan and match employee contributions up to 4 percent. No matching contributions are made to the TSPs established by CSRS employees. CSOSA does not report CSRS or FERS assets, accumulated plan benefits or unfunded liabilities, if any, which may be applicable to its employees, such reporting is the responsibility of OPM. The Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees’ active years of service, see footnote 8 on Imputed Financing Sources for additional details.

N. Federal Employees Compensation Benefits

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 1: Summary of Significant Accounting Policies (con't)

Actuarial Liability: The U.S. Department of Labor (DOL) calculates the liability of the Federal Government for future compensation benefits, which includes the expected liability for death, disability, medical and other approved costs. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value. The resulting Federal Government liability is then distributed by agency. The portion of this liability (if any) would include the estimated future cost of death benefits, workers' compensation, medical and miscellaneous cost for approved compensation cases for CSOSA employees. Due to the size of CSOSA, DOL does not report CSOSA separately.

The FECA actuarial liability (if any) is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed.

Accrued Liability: The accrued FECA liability (if any) is the amount owed to DOL for the benefits paid from the FECA Special Benefits Fund which CSOSA has not yet reimbursed.

O. Earmarked Funds

Earmarked funds are financed by specifically identified revenues that remain available over time and are required by statute to be used for designated activities, benefits or purposes. FASAB SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, requires the separate identification of earmarked funds on the Corporation's accompanying financial statements. CSOSA management has determined that none of its funds are considered to be earmarked.

P. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Q. Reclassifications

The FY 2008 financial statements were reclassified to conform to the FY 2009 financial statements presentation requirements. The reclassifications had no material effect on total assets, liabilities, net position, changes in net position or budgetary resources as previously reported.

Note 2: Fund Balance with Treasury

The Fund Balance with Treasury amount represents the unexpended cash balance of CSOSA's Treasury Symbols and consists of the following as of September 30, 2009 and 2008:

Fund Balance	CSP	PSA	Total FY 2009	Total FY 2008
Appropriated Funds	\$49,084,589	\$13,636,230	\$62,720,819	\$65,466,757

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 2: Fund Balance with Treasury (con't)

Status of the Fund Balance with Treasury consists of the following as of September 30, 2009 and 2008:

Status of Fund Balance	CSP	PSA	Total FY 2009	Total FY 2008
Unobligated Balance				
Available	\$965,192	\$1,839,475	\$2,804,667	\$1,295,532
Unavailable	20,541,820	1,275,130	21,816,950	20,223,712
Obligated Balance not yet Disbursed	27,964,384	10,058,660	38,023,044	43,762,608
Total	\$49,471,396	\$13,173,265	\$62,644,661	\$65,281,852

Note 3: Accounts Receivable

CSOSA's Accounts Receivable consists of services provided in conjunction with reimbursable grants from the Office of National Drug Control Policy and the DC Superior Court and Child and Family Services. The Receivables consists of the following as of September 30, 2009 and 2008:

Receivables	CSP	PSA	Total FY 2009	Total FY 2008
Federal Receivables	\$848,134	\$13,765	\$861,899	\$474,998
Public Receivables	-0-	20,508	20,508	-0-
Total Receivable	\$848,134	34,273	\$882,407	\$474,998

Note 4: General Property, Plant and Equipment, Net

Items are generally depreciated using the straight-line method. CSOSA has established the following capitalization thresholds: Equipment of \$25,000 or greater, with a useful life of five years; Leasehold Improvements of \$100,000 or greater, amortized over the remaining term of the current lease agreement; and Software Development of \$500,000, with a useful life of five or more years.

Equipment consists of laboratory equipment used for the purpose of drug testing related to CSOSA's mission to supervise offenders. Equipment also includes general office equipment used to support CSOSA administratively. Leasehold improvements represent modification made to leased assets to meet CSOSA's specific needs. The Supervision Management Automated Record Tracking system (SMART) is CSOSA CSP's Internal Use Software. SMART was developed in-house and is consistently being updated and enhanced. These enhancements enable CSOSA to better track the individuals under CSOSA's jurisdiction. The Pretrial Real Time Information System Manager (PRISM) is PSA's Internal-Use Software. PRISM provides electronic information on bench warrants that have been issued for defendants who failed to appear for Court. Through the Data Warehouse, PSA is able to extract aggregate performance information from PRISM on rearrest and failure to appear (FTA). PRISM is consistently being reviewed and updated.

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 4: General Property, Plant and Equipment, Net (con't)

Property, Plant and Equipment balances as of September 30, 2009 and 2008 are as follows:

CSP	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2009	Net Book Value FY 2008
Equipment	\$2,540,309	\$2,288,581	\$251,728	\$141,683
Leasehold Improvements	17,311,491	16,312,104	999,387	1,068,054
Internal Use Software	12,171,192	9,907,762	2,263,430	2,520,860
Total CSP	\$32,022,992	\$28,508,447	\$3,514,545	\$3,730,597
PSA	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2009	Net Book Value FY 2008
Equipment	\$1,011,302	\$500,612	\$510,690	\$322,545
Leasehold Improvements	172,305	-0-	172,305	172,305
Internal Use Software	7,198,570	3,021,760	4,176,810	1,977,997
Total PSA	\$8,382,177	\$3,522,372	\$4,859,805	\$2,472,847
Total CSOSA	\$40,405,169	\$32,030,819	\$8,374,350	\$6,203,444

Note 5: Liabilities Covered / Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. Liabilities not covered by budgetary resources include Accrued Unfunded Annual Leave earned but not used as of September 30. The accrued unfunded annual leave liability is adjusted as leave is earned and used throughout the year. The expenditure for these accruals will be funded from future Congressional actions as the expenses are incurred. The annual net change of the Accrued Unfunded Annual Leave is reflected in footnote 12. Liabilities not covered by Budgetary Resources consists of the following as of September 30, 2009 and 2008:

Liabilities Not Covered by Budgetary Resources	CSP	PSA	Total FY 2009	Total FY 2008
Accrued Leave Liability	\$4,697,876	\$1,757,522	\$6,455,398	\$5,913,878
Actuarial FECA Liability	(7,879)	275,045	267,166	86,378
Total Liabilities	\$4,689,997	\$2,032,567	\$6,722,564	\$6,000,256

Note 6: Exchange/Earned Revenue

CSOSA earns exchange revenue through inter-agency agreements with other Federal and state entities for which CSOSA provides grant administration services. Revenues are recognized at the time related program or administrative expenses are incurred. CSOSA reviews and classifies their inter-agency agreements as either exchange or transfers in. Revenues consist of the following as of September 30, 2009 and 2008:

Exchange/Earned Revenue	Intragovernmental Revenue	Earned Revenue from Public	Total FY2009	Total FY 2008
CSP	\$3,853,005	\$-0-	\$3,853,005	\$3,649,212
PSA	-0-	20,508	20,508	7,471
Total CSOSA	\$3,853,005	\$20,508	\$3,873,513	\$3,656,683

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 7: Leases

Operating leases have been established for multiple years. Many of the operating leases that expire over an extended period of time include an option to renew the lease for additional periods. The majority of space that CSOSA leases is based on the GSA square footage requirements and the rental charges are intended to approximate commercial rates. It is anticipated that, in most cases, CSOSA will continue to lease space.

Future Operating Lease Payments Due	
Fiscal Year 2010	9,285,212
Fiscal Year 2011	6,351,146
Fiscal Year 2012	3,636,852
Fiscal Year 2013	3,357,468
Fiscal Year 2014	3,444,976
Fiscal Year 2015 and beyond	4,169,913
Total Future Operating Lease Payments Due	\$30,245,567

Note 8: Imputed Financing Sources

Imputed financing recognizes actual cost of future benefits to employees, the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and the Retirement Plans that are paid by other Federal entities. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate these costs. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees. For "regular" and "law enforcement" employees of FERS and CSRS, OPM calculated that 12.3 percent and 26.7 percent for FERS and 25.8 percent and 43.5 percent for CSRS, respectively, of each employee's salary would be sufficient to fund these projected pension benefit costs. The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits, which include health and life insurance that are paid by other Federal entities, must also be disclosed.

Imputed financing sources consists of the following as of September 30, 2009 and 2008:

	CSP	PSA	Total FY 2009	Total FY 2008
FEHB	\$4,503,212	\$1,848,626	\$6,351,838	\$5,353,858
FEGLI	11,457	3,430	14,887	12,932
Pensions	1,998,993	520,766	2,519,759	2,249,548
Total	\$6,513,662	\$2,372,822	\$8,886,484	\$7,616,338

Note 9: Contingencies and Commitments

CSOSA is a party to various administrative proceedings, legal actions and claims. As of September 30, the estimated amount of losses relating to the cases classified as probable range from \$1 to \$135,655 and the estimated amount of losses relating to the cases classified as reasonably possible range from \$1 to \$552,222. There are a total of 17 cases classified as either probable or reasonably possible. Included in these 17 cases are cases that have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than reasonably possible.

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 10: Apportionment Categories of Obligations Incurred

An apportionment is a distribution made by OMB of budgetary resources. A Category A apportionment distributes budgetary resources by time period (generally fiscal quarter). CSOSA's direct and reimbursable obligations incurred against amounts apportioned under Category A apportionments during fiscal year 2009 are:

Fiscal Year Ended Sept. 30, 2009 Obligations Apportioned Under:	Direct Obligations	Reimbursable Obligations	Total FY 2009	Total FY 2008
<u>CSP</u>				
Category A	\$149,311,467	\$4,024,414	\$153,335,881	\$146,503,171
<u>PSA</u>				
Category A	52,535,562	-0-	52,535,562	48,491,324
Total	\$201,847,029	\$4,024,414	\$205,871,443	\$194,994,495

Note 11: Explanation of Differences Between the Statement of Budgetary Resources and the 2010 Budget of the United States Government

CSOSA reports information about budgetary resources in the accompanying Combined Statements of Budgetary Resources (SBR) and for presentation in the Budget of the U.S. Government (President's Budget). The President's Budget for fiscal year 2011, which contain actual budget results for fiscal year 2009, was released in February 2010. The President's Budget for fiscal year 2010, which contains actual budget results for fiscal year 2008, was released in February 2009.

There were no material differences between the amounts for fiscal year 2008 published in the President's Budget and that reported in the accompanying SBRs for the fiscal year ending on September 30, 2008 for obligations incurred or net outlays. For budgetary resources, the difference can be attributed to the fact that unobligated balances brought forward for expired funds are reported in the SBR, but not in the President's Budget. The following is the reconciliation of the 2008 SBR to the 2010 President's budget.

Fiscal Year 2008	Budget Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources:	\$216	\$194	\$184
Differences:			
Permanently Not Available	(5)		
Other	(17)	(2)	
Budget of the United States	\$194	\$192	\$184

Note 12: Reconciliation of Net Cost of Operations (proprietary) to Budget

Effective FY 2007 and in accordance with OMB Circular A-136, the Statement of Financing is no longer considered a basic statement. In previous years, reconciliation was accomplished by presenting the Statement of Financing as a basic financial statement. The following is provided as a reconciliation of budgetary obligations and non-budgetary resources. The Statement of Financing consists of the following as of September 30, 2009 and 2008:

**Court Services and Offender Supervision Agency
Notes to the Financial Statements**

Note 12: Reconciliation of Net Cost of Operations (proprietary) to Budget (con't)

	2009	2008
Resources used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred – Direct	\$201,847,029	\$191,462,850
Obligations Incurred – Reimbursable	4,024,414	3,531,645
Total Obligations Incurred	\$205,871,443	\$194,994,495
Less: Spending Authority from Off-setting collections and recoveries		
Earned Reimbursements		
Collected	3,315,231	4,102,182
Receivable from Federal Sources	294,597	(1,137,363)
Change in Unfilled Customers Orders w/Advance	(472,066)	586,249
Change in Unfilled Customers Orders without Advance	(816,005)	811,303
Recoveries of Prior Year Obligations	7,561,748	5,079,027
Total Spending Authority from Off-setting collections and recoveries	\$9,883,505	\$9,441,398
Obligations Net of Offsetting Collections and Recoveries	\$195,987,938	\$185,553,097
Net Obligations	\$195,987,938	\$185,553,097
Other Resources		
Imputed Financing from Costs Absorbed by Others	8,886,484	7,616,338
Net Other Resources	8,886,484	7,616,338
Total Resources Used to Finance Activities	\$204,874,422	\$193,169,435
Resources Used to Finance Items not part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided	\$2,188,356	\$3,438,210
Resources that Finance the Acquisition of Assets	(3,300,778)	(5,250,911)
Other	-0-	1,310,156
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(\$1,112,422)	(\$502,545)
Total Resources used to Finance the Net Cost of Operations	\$203,762,000	\$192,666,890
Components of Net Cost of Operations that will not require or generate resources in the current period		
Components Requiring or Generating Resources in Future Periods		
Change in Annual Leave Liability	488,330	371,363
Change in Other	(233,978)	(224,142)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	\$254,352	\$147,221
Components not Requiring or Generating Resources		
Depreciation and Amortization	1,561,037	2,644,208
Other	(337,754)	(1,507,335)
Total Components of Net Cost of Operations that will not Require or Generate Resources	\$1,223,283	\$1,136,873
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	\$1,477,635	\$1,284,094
Net Cost of Operations	\$205,239,635	\$193,950,984

Note 13: Undelivered Orders at the end of the Period

CSOSA had Undelivered Orders totaling \$26,949,736 as of September 30, 2009.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

To the Director
of the Court Services and Offender Supervision Agency:

We have audited the accompanying balance sheets of the Court Services and Offender Supervision Agency (CSOSA) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of CSOSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CSOSA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Court Services and Offender Supervision Agency as of September 30, 2009 and 2008, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 20, 2010, on our consideration of CSOSA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

May 20, 2010



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control Over Financial Reporting

To the Director
of the Court Services and Offender Supervision Agency:

We have audited the balance sheets of CSOSA as of September 30, 2009 and 2008 and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated May 20, 2010.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of CSOSA is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2009 audit, we considered CSOSA's internal control over financial reporting by obtaining an understanding of CSOSA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of CSOSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CSOSA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or 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.



Court Services and Offender Supervision Agency
Page 2 of 10

In our fiscal year 2009 audit, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness, described in Exhibit I, and another deficiency that we consider to be a significant deficiency, described in Exhibit II. Exhibit III presents the status of prior year significant deficiencies and material weaknesses.

CSOSA's responses to the findings identified in our audit are presented in Exhibits I and II. We did not audit CSOSA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of CSOSA management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 20, 2010

EXHIBIT I

MATERIAL WEAKNESS

CSOSA SHOULD INCREASE ITS NUMBER OF FINANCIAL MANAGEMENT STAFF

CSOSA consists of two component programs, Community Supervision Program (CSP) and Pre-trial Services Agency (PSA), with separate accounting/finance departments. These departments record and track daily financial operations independently and prepare two separate sets of financial statements. The financial statements are then aggregated by CSP into CSOSA agency financial statements for reporting and disclosure purposes.

CSOSA needs to increase the resources available to timely prepare, analyze, review and approve the financial statements and Agency Financial Report. Per OMB guidance, the Agency Financial Report, including audited financial statements, are due no later than 45 days after the end of the fiscal year.

Specifically we noted the following:

- In July 2009 CSOSA agreed to a “Critical Path” action plan which outlined a timeline, including specific dates, on when certain support and documentation should be provided by CSOSA to ensure timely reporting of the FY 2009 financial statements. The action plan required CSOSA to submit September 30, 2009 financial statements on October 16, 2009. CSOSA was unable to adhere to the timeline due to the lack of sufficient resources. As a result, the September 30, 2009 financial statements were not provided to us until December 3, 2009, a revised version was provided on January 10, 2010;
- CSOSA needs to address long-term human capital sufficiency needs in the area of financial management. The risk of material misstatement in the consolidated financial statements increases without sufficient personnel who have the requisite financial accounting background, knowledge, and expertise to perform these functions at the Agency level;
- CSOSA does not have tailored agency-level policies and procedures for monitoring reviews related to financial statement preparation; and
- Supervisory and monitoring control procedures were not consistently performed over certain financial data and other information transmitted to us by CSOSA. Monitoring control procedures to examine and resolve differences between subsidiary records and the general ledger, misclassified assets, and various over and understatements of proprietary and budgetary account balances were not performed timely.

CSOSA lacked sufficient personnel in key financial accounting and managerial functions to ensure that the Agency’s financial statements and financial statement footnotes were prepared and reported in a timely manner.

RECOMMENDATIONS

KPMG recommends CSOSA:

1. Conduct a review of the current status of staffing, contract support, and training to identify the level of resources necessary to prepare and timely issue the Agency Financial Report.
2. Once the review is completed (per recommendation 1 above), consider obtaining additional financial reporting staff to allow for appropriate depth of financial personnel. In addition, provide training and guidance to staff as necessary to enhance the quality and timeliness of work products.
3. Prepare a comprehensive formalized succession plan for key personnel who have significant institutional knowledge of CSOSA's accounting and reporting processes that are at, or near, retirement eligibility status or bear excessive workloads.
4. Finalize the assessment of the current financial reporting process and related documentation and implement appropriate internal controls in order to reduce complex and manual procedures where feasible.

MANAGEMENT RESPONSE

CSP developed a draft CSOSA Financial Report (AFR) policy in FY 2009. This draft policy outlines required preparatory steps, information sources, timelines and approvals associated with development of the AFR. CSOSA plans to issue this policy in FY 2010.

CSP and PSA are relatively small agencies with limited staff and contracting resources available for financial accounting functions. CSOSA has attempted to comply with the full financial reporting responsibilities outlined in the Accountability of Tax Dollars Act of 2002 (P.L. 107-289) and Office of Management and Budget's (OMB) Circular A-136 (Financial Reporting Requirements) without an increase in financial management resources. CSOSA has prepared and received unqualified opinions on financial statement audits each fiscal year since first preparing complete OMB A-136 financial statements for FY 2004. Despite CSOSA's attempts to complete the audits in a timely manner, each was completed after OMB-required due dates, though CSOSA has incrementally increased the timeliness of audit completions. Since FY 2004, CSOSA made a conscious decision to prepare financial statements and undertake complete financial statement audits even if this resulted in not meeting required AFR timelines. This was done with CSOSA's belief that there is greater taxpayer value in completing a comprehensive, accurate financial audit, regardless of completion timeframe.

CSOSA understands that AFRs, including audited financial statements, must be completed in required timelines and that it is essential that we increase the timeliness of our financial reporting and audit processes. To ensure that CSOSA complies with these requirements, CSP and PSA will each review existing financial accounting staff, functions and workload to determine if there is adequate staffing depth, training and proper succession planning. If it is deemed additional resources are necessary and appropriate, each agency must determine whether to allocate additional agency resources to financial accounting from existing agency public safety functions.

EXHIBIT II

SIGNIFICANT DEFICIENCY

CSOSA SHOULD IMPROVE ITS ACCESS CONTROLS

Since FY 2007, we have found that the access controls over the CSOSA systems need improvement. During the FY 2009 review, we found that the newly installed Netwrix application was not identifying inactive accounts as designed, other prior year issues were not fully remediated, and overall account management was in need of improvement. Specifically, CSOSA did not provide supporting documentation for 10 new network access authorizations out of a sample of 40. Other access management issues included: 60 inactive accounts existed that were over 45 days old, 4 terminated users had active accounts, 5 service accounts that showed no user activity or evidence of active monitoring by CSOSA, and all user accounts were set to never expire. Additionally, we noted the following new issues over General Support System (GSS) access controls:

- Of a sample of 5 new remote access users – 3 forms could not be provided
- Rules of Behavior documentation is still in draft form
- Contractor access accounts are not tracked centrally
- Procedures for periodic review of GSS user access rights were not in place until FY 2010

The revocation of terminated user access was not adequately accomplished due to ineffective reporting and monitoring controls, procedures, and tools. Without standardized processes for authorizing and revoking system user access, systems personnel do not have adequate guidance to ensure that their duties and responsibilities are properly carried out, an audit trail does not exist, the risk of unauthorized users gaining access to the system is increased, and data integrity over financial transactions processed by the application systems cannot be assured.

RECOMMENDATION

We recommend CSOSA modify current procedures to better monitor the condition of departed user accounts and implement tools that will automatically monitor accounts that have not been accessed in a determined amount of time.

MANAGEMENT RESPONSE

The Community Supervision Program (CSP) and Pretrial Services Agency (PSA) separately control access to the CSOSA network.

Several steps were taken by CSOSA as a result of FY 2008 financial audit findings which resulted in improvements as assessed by the CSOSA FY 2009 FISMA auditor.

CSOSA IT management recognizes that improvements must continue in FY 2010 and have added the FY 2009 financial audit findings as action items to the General Support Services (GSS) Plan of Action and Milestones (POA&M), the status of which will be reported on a quarterly basis until complete.

The following actions will be undertaken in FY 2010 to address the FY 2009 financial audit issues:

- Identify a means by which to maintain electronic versions of all approved user access forms in a central location;
- Track employee and contractor separations and delete the accounts in a timely manner;
- Create all contractor accounts with an expiration date;
- Perform and document formal quarterly reviews and verifications of all user accounts, including a comparison of approved user forms to actual GSS users;
- Finalize the Rules of Behavior.

In FY 2010, each of these issues will be formally addressed and documented with the implementation of tools, processes and procedures outlined in Management Instructions or Standard Operating Procedures.

EXHIBIT III

Status of Prior Years' Findings and Recommendations

As required by *Government Auditing Standards* issued by the Comptroller General of the United States, and by OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of prior year findings and recommendations. The following table provides our assessment of the progress CSOSA has made in correcting the material weaknesses and significant deficiencies identified during these audits. We also provide the fiscal year it was identified, our recommendation for improvement, and the status of the condition as of the date of this audit report, May 20, 2010:

Year	Material Weakness or Significant Deficiency	Recommendation	Status
2004 – 2008	Material Weakness: Improvement needed in the financial reporting process.	Consider obtaining additional financial reporting staff or contracting with NBC for financial statement generation to allow for appropriate separation of duties and depth of financial personnel;	Open, see Exhibit I
		Finalize the assessment of the current financial reporting process and related documentation and implement appropriate internal controls in order to reduce complex and manual procedures where feasible.	Open, see Exhibit I
		Implement a formalized policy regarding journal vouchers, including required supporting documentation and supervisory approval of every adjusting entry made as part of the financial reporting process.	Open, see Exhibit I
		Implement policies to ensure timely, accurate and complete reconciliations related to the Statement of Budgetary Resources.	Open, see Exhibit I
		Implement policies and procedures to ensure that the amounts reported in FACTS II are consistent with the amounts in the general ledger and reported in the SBR when feasible	Open, see Exhibit I

Year	Material Weakness or Significant Deficiency	Recommendation	Status
2004 – 2008	Material Weakness: Improvement needed in control activities over financial accounting.	Perform and document monthly and quarterly reconciliations and review and approve at an appropriate level of management.	Open, see Exhibit I
		Emphasize the importance of correctly classifying obligations as delivered and undelivered throughout the fiscal year. This communication should include explanation and training on proper authorization, recordation, and retention of undelivered and delivered order documentation. This communication should be made to appropriate staff and supervisors.	Closed
		Implement policies and procedures regarding timely recording of goods and services received by the requesting department. This should include timely communication to the appropriate individuals in Finance to allow for the accurate recording of transactions in Oracle as the status of transactions change from undelivered orders to accounts payable.	Open, see Exhibit I
		Implement or revise procedures to require periodic reviews (at least quarterly) of all open obligations. This should include reviewing open obligations and the related supporting documentation to ensure obligations are correctly classified, documentation supports calculations of undelivered and delivered amounts recorded in the general ledger, and appropriate adjustments are made to de-obligate expired obligations.	Open, see Exhibit I

Year	Material Weakness or Significant Deficiency	Recommendation	Status
		<p>Implement or revise supervisory review procedures to ensure detailed obligation reviews are performed throughout the fiscal year, allowing management to make corrections timely. Management should consider periodically selecting samples of obligations to verify that open obligation reviews are being performed and are working effectively by recalculating undelivered and delivered amounts based on a review of the supporting documentation. This would allow for identification of obligations where errors have not been detected and corrected by the periodic review process. When the sources or causes of the errors are identified, management should communicate the cause of the error to the appropriate individuals.</p>	<p>Open, see Exhibit I</p>
<p>2004 – 2008</p>	<p>Significant Deficiency: Improvements Needed in Controls Over Property, Plant and Equipment.</p>	<p>Develop and implement formal policies and detailed procedures that address the need to adequately and accurately record all PPE purchases that meet the capitalization criteria set forth by a CSP policy.</p>	<p>In progress, no longer significant deficiency</p>
		<p>Develop a formal and systematic method of accumulating both direct and indirect costs (e.g., labor and hardware) incurred for the development of its Internal Use Software systems. To support this tracking of Internal Use Software costs, CSP should also ensure it retains adequate documentation supporting these capitalized costs.</p>	<p>In progress, no longer significant deficiency</p>
<p>2004 – 2008</p>	<p>Significant Deficiency: Disaster Recovery Service Continuity Improvements</p>	<p>Finalize its continuity of operations plan and effectively implement the plan.</p>	<p>In progress, no longer significant deficiency</p>

Year	Material Weakness or Significant Deficiency	Recommendation	Status
	are Needed	Develop specific testing procedures and include in them in the contingency plan. Considerations should be given to developing a 12-18 month cycle, rotating through different disaster scenarios.	In progress, no longer significant deficiency
		Analyze all test results and adjust the contingency plan accordingly. Test results should be documented and a report, such as a “lessons learned” report, should be developed and provided to senior management. The contingency plan and any related agreements and preparations can then be adjusted to correct any deficiencies identified during testing.	In progress, no longer significant deficiency
2008	Significant Deficiency: Computer Security Awareness Training is not Enforced by CSOSA	Implement a way of ensuring employees have completed the Security Awareness Training, and continue to update their security awareness training as their environment changes.	In progress, no longer significant deficiency
2007 – 2008	Significant Deficiency: CSOSA Systems Access Control Improvements are needed	Enforce policies and procedures and other aforementioned federal regulations to improve overall account management.	Open, see Exhibit II
2008	Significant Deficiency: Weaknesses in NBC Controls Environment related to Oracle Federal Financials need to be corrected	None	Closed



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Independent Auditors' Report on Compliance and Other Matters

To the Director
of the Court Services and Offender Supervision Agency:

We have audited the balance sheets of the Court Services and Offender Supervision Agency (CSOSA) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated May 20, 2010.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of CSOSA is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CSOSA. As part of obtaining reasonable assurance about whether CSOSA's financial statements are free of material misstatement, we performed tests of CSOSA's 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 the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CSOSA. 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 of compliance described in the preceding paragraph disclosed an instance of noncompliance that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and is described below.

Finding of Noncompliance:

The Accountability of Tax Dollars Act of 2002 requires that agencies submit audited financial statements (included in an Agency Financial Report) within 45 days after the end of the fiscal year. CSOSA did not submit its FY 2009 Agency Financial Report within the 45-day time requirement.

Management Response:

The delay in submitting CSOSA's FY 2009 Agency Financial Report (AFR), including audited FY 2009 financial statements, was caused by several factors, including delayed completion of the FY 2008 AFR. CSOSA made a decision to prepare AFRs, and undertake complete financial statement audits, even if this resulted in not meeting required AFR timelines. This was done with CSOSA's belief that there is greater



Court Services and Offender Supervision Agency
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taxpayer and agency value in completing a comprehensive, accurate financial audit, regardless of completion timeframe. CSOSA understands that AFRs must be completed in required timelines and that it is essential that we increase the timeliness of our financial reporting and audit processes.

CSOSA's response to the instances of noncompliance or other matters identified in our audit is presented above. We did not audit CSOSA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of CSOSA management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

May 20, 2010