Court Services and Offender Supervision Agency for the District of Columbia

FY 2010 Agency Financial Report

November 15, 2010

Introduction

The Reports Consolidation Act of 2000 (P.L. 106-531) authorizes Federal agencies to combine required financial, performance and management assurance reports into one submission to improve the efficiency of agency reporting and to provide information to stakeholders in a more meaningful, useful format. The Court Services and Offender Supervision Agency's (CSOSA's) FY 2010 Agency Financial Report (AFR) provides fiscal and selected high-level performance results that enable the President, Congress and the American people to assess our accountability and accomplishments for the reporting period of October 1, 2009 through September 30, 2010. There are three major sections to this AFR:

Section I: Management's Discussion and Analysis (MD&A)

Contains information on CSOSA's mission, organizational structure, strategic goals and locations. Provides an overview of financial results, a high-level discussion of selected key program performance measures, and management assurances related to the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and Federal Financial Management Improvement Act (FFMIA) of 1996.

Section II: Financial Section

Provides CSOSA's FY 2010 audited financial statements and notes and the independent auditor's reports.

Section III: Other Accompanying Information

Contains Improper Payments Information Act (IPIA) of 2002 reporting details.

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Agency Head Message

I am proud to share with you the Court Services and Offender Supervision Agency's (CSOSA's) FY 2010 Agency Financial Report (AFR). CSOSA was established under the National Capital Revitalization Act of 1997 (the Revitalization Act) to increase public safety, prevent crime, reduce recidivism, and support the fair administration of justice in the District of Columbia. CSOSA was certified as an independent Executive Branch agency on August 4, 2000. CSOSA consists of two component programs, the Community Supervision Program (CSP) and the Pretrial Services Agency (PSA), supervising adult defendants on pretrial release and adult offenders on probation, parole and supervised release. Pursuant to the Revitalization Act, PSA became an independent entity within CSOSA. With implementation of the Revitalization Act, the Federal government has taken on a unique, front-line role in the day-to-day public safety of everyone who lives, visits or works in the District of Columbia.

For FY 2010, CSOSA is issuing an AFR and will include our complete FY 2010 Annual Performance Report with our FY 2012 Congressional Budget Justification. The AFR is our principal report to the President, Congress and the American people on our management of the funds to which we have been entrusted; we believe it demonstrates clearly our commitment to the effective stewardship of the public's monies. As evidence, CSOSA has received unqualified opinions from our independent auditors since agency inception. An unqualified audit opinion affirms that the CSOSA financial statement(s) were presented fairly in all material respects, in conformity with generally accepted accounting principles. Although we are justifiably proud of this accomplishment, we are nonetheless steadfast in our commitment to face and resolve financial management challenges. For instance, prior audits, while successful, have not been completed within required timeframes. Accordingly, we have made great efforts towards improving financial reporting processes with current resources as evidenced by the improved timeliness of the FY 2010 AFR.

We are committed to managing CSOSA resources in a transparent and accountable fashion as we carry out a mission that improves the lives of all people within the District of Columbia. Thank you for your interest in CSOSA's FY 2010 AFR.

Adrienne Poteat
Deputy Director
November 15, 2010

AFR Section I: Management's Discussion and Analysis

A. Background

The Court Services and Offender Supervision Agency for the District of Columbia (CSOSA) was established by the National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act[1]). Following a three-year period of trusteeship, CSOSA was certified as an independent Executive Branch agency on August 4, 2000. 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 Revitalization Act was designed to provide financial assistance to the District of Columbia by transferring full responsibility for several critical, front-line public safety functions to the Federal government. Three separate and disparately functioning entities of the District of Columbia government were reorganized into one federal agency, CSOSA. The new agency assumed its probation function from the DC Superior Court Adult Probation Division and its parole function from the DC Board of Parole. The DC Pretrial Services Agency (PSA), responsible for supervising pretrial defendants, became an independent entity within CSOSA and receives its funding as a separate line item in the CSOSA appropriation. On August 5, 1998, the parole determination function was transferred to the US Parole Commission (USPC), and on August 4, 2000, the USPC assumed responsibility for parole revocation and modification with respect to felons. With implementation of the Revitalization Act, the Federal government took on a unique, front-line role in the day-to-day public safety of everyone who lives, visits or works in the District of Columbia.

For FY 2010, 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 2010 Annual Performance Report with its FY 2012 Congressional Budget Justification and will post it on the CSOSA web site, located at WWW.CSOSA.GOV, in February 2011.

The CSOSA appropriation is composed of two components:

- The Community Supervision Program (CSP), and
- The 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 sentencing agreements; PSA is responsible for supervising pretrial defendants.

Community Supervision Program (CSP): CSP provides a range of supervision case management and related support services for adult offenders on probation, parole and supervised release. 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 offenders released to the community.

CSP supervises approximately 16,000 offenders on any given day and 25,000 different offenders over the course of a year. Approximately 10,000 offenders enter CSP supervision each year; 2,500 supervised releasees and parolees released from incarceration in a Federal Bureau of Prisons facility, and 7,500 probationers sentenced by the DC Superior Court. Supervised releasees serve a

[1] Pubic Law 105-33, Title XI

minimum of 85 percent of their sentence in prison and the balance under CSP supervision in the community; parolees serve a minimum of their sentence in prison before they are eligible for parole at the discretion of the USPC.

Probationers are typically supervised by CSP for an average of two years; supervised releasees, three years; and parolees, seven to eleven years.

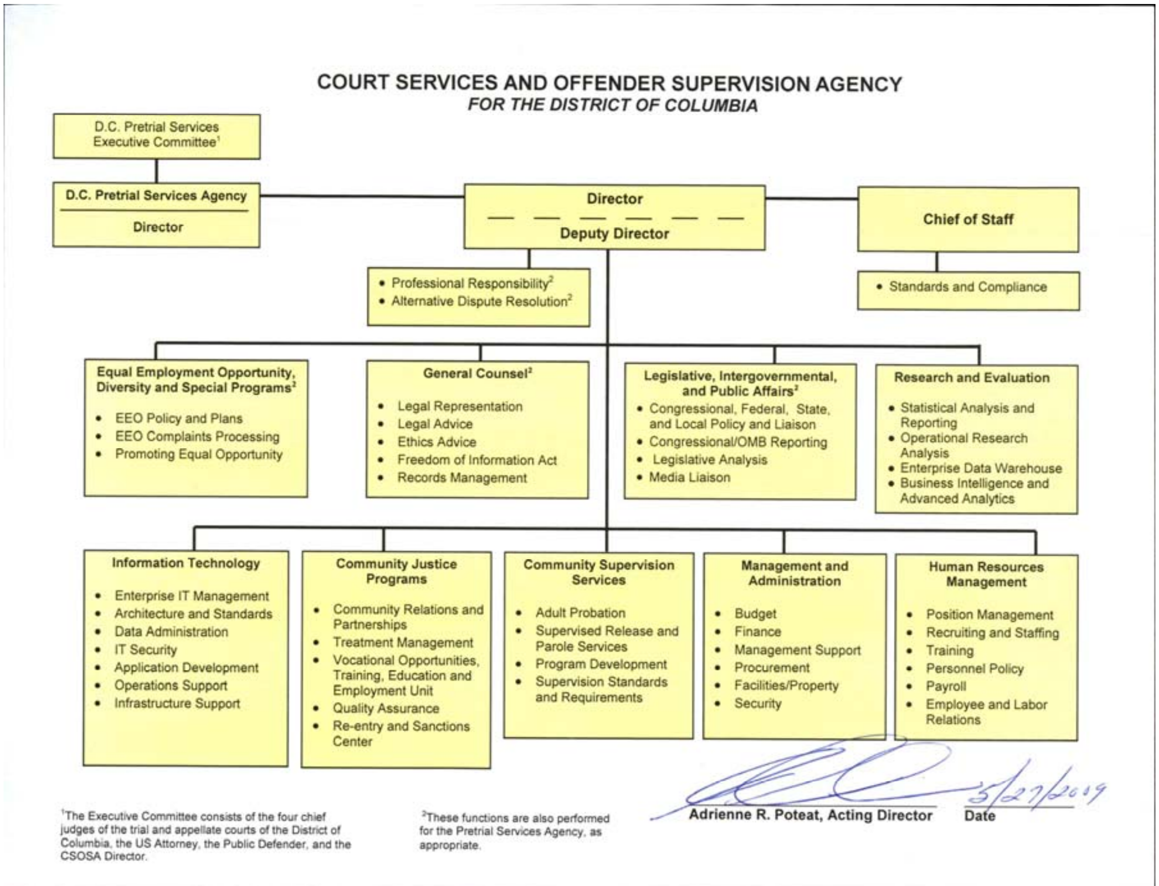
In FY 2010 (October 1, 2009 – September 30, 2010), 9,897 offenders entered CSP supervision and we supervised a Total Supervised Population of 24,254 unique offenders. On September 30, 2010, CSP monitored or supervised a total of 16,116 offenders.

CSP offenders face many challenges. Many offenders under CSP supervision have substance abuse and/or mental health issues, lack stable housing and family relationships, do not have a high school diploma or GED, and are unemployed. Given these challenges, it is not surprising that a CSP review of offenders entering supervision in 2004 identified that 63 percent of these offenders were re-arrested and 36 percent were re-incarcerated within three years of their CSP supervision start date.

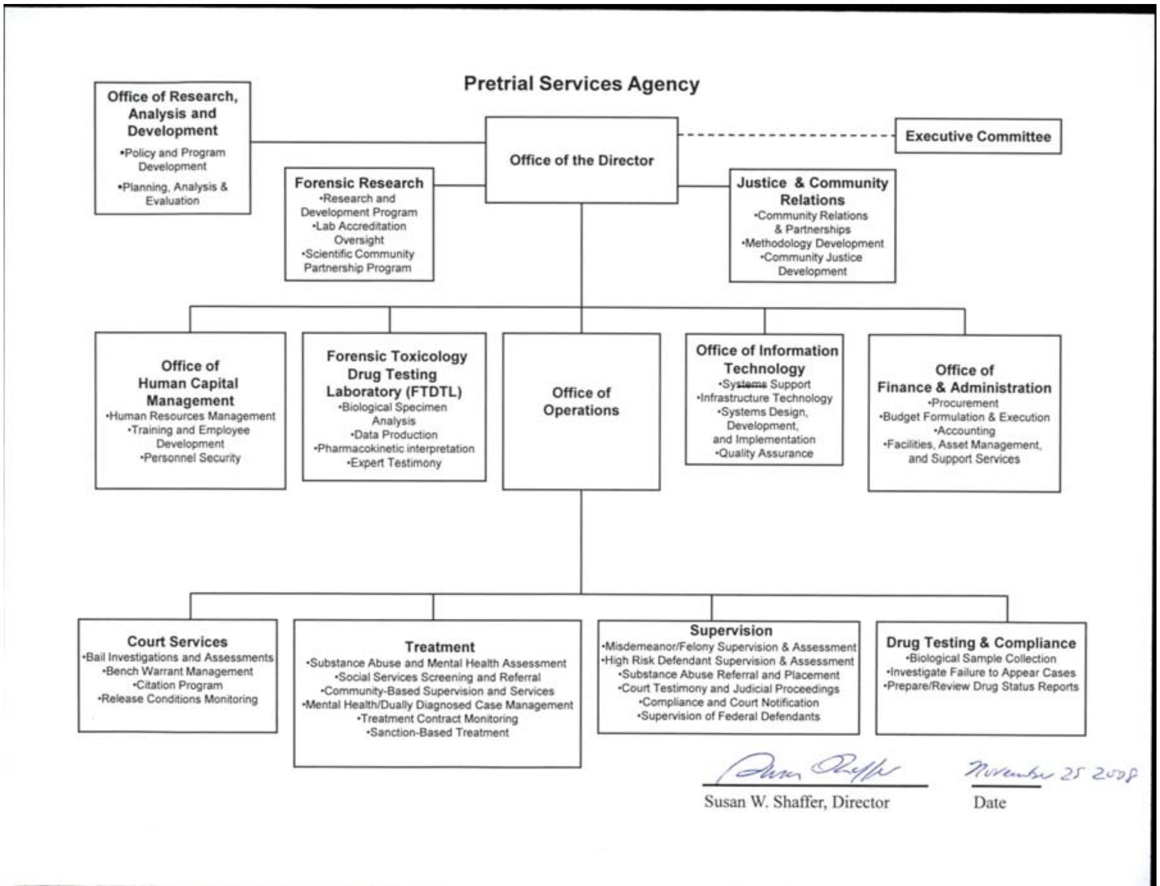
Pretrial Services Agency (PSA): PSA honors the constitutional presumption of innocence and enhances public safety by formulating recommendations that support the least restrictive and most effective non-financial release determinations, and by providing community supervision for defendants that promotes 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. PSA supervises approximately 7,000 defendants on any given day and approximately 16,000 defendants over the course of a year.

B. CSOSA Organizational Structure

The organization structure of CSOSA's Community Supervision Program is shown below:



The Pretrial Service Agency's organizational structure is shown below:

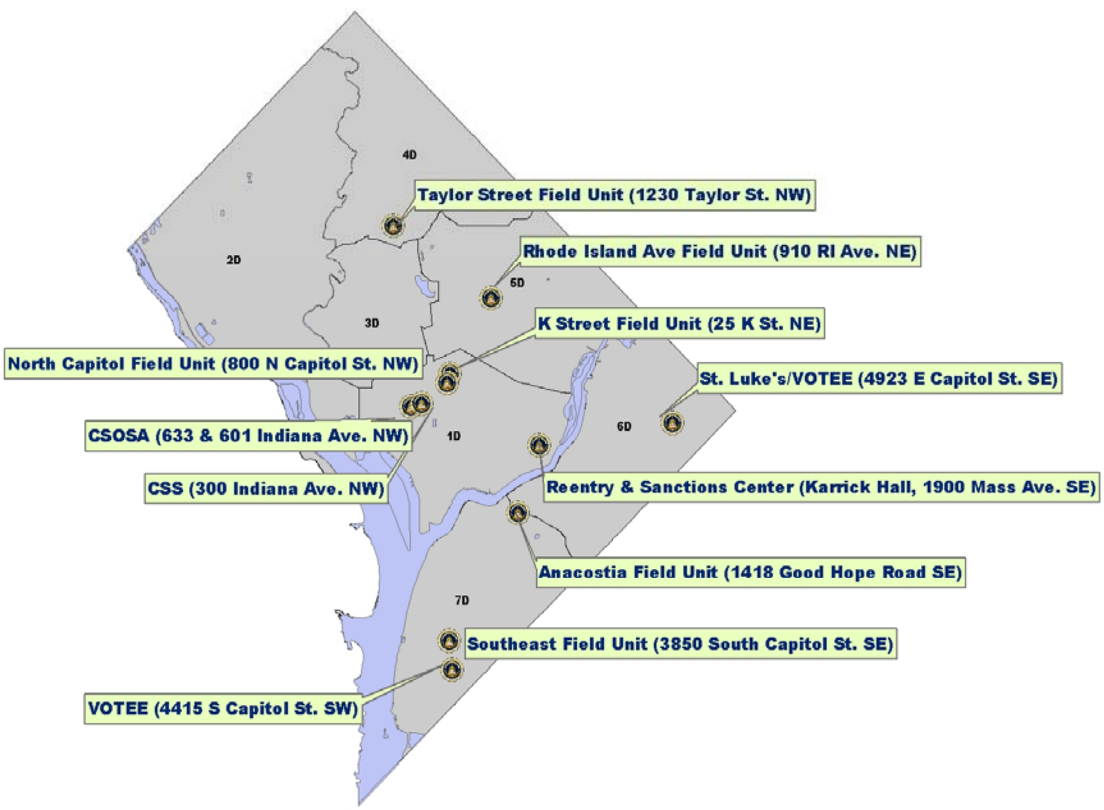


C. CSOSA Locations

CSOSA's (CSP and PSA) headquarters is located at 633 Indiana Avenue, NW, Washington, DC.

CSP's offender supervision operations are located at six existing field offices (CSOSA headquarters also houses one CSP offender supervision program) and various program locations throughout the District of Columbia. In addition, CSP has specialized offender supervision operations co-located with the DC Metropolitan Police Department at 300 Indiana Avenue, NW, for highest risk offenders (sex offenders and mental health offenders) who cannot be supervised at neighborhood field offices. CSP operates on a year-to-year lease at 300 Indiana Avenue, NW, which is owned and operated by the DC Government.

CSP's program model emphasizes decentralizing offender supervision in the neighborhoods where offenders live and work. The following map depicts CSP's field operations.



CSOSA Offices and Learning Labs by Police District

PSA operations are located at six offices in the downtown area, including the D.C. Superior Court, the U.S. District Court for the District of Columbia, the Metropolitan Police Department building at 300 Indiana Avenue, N.W., two additional offices at 633 and 601 Indiana Avenue N.W., and an office at 10th and F Streets N.W.

D. Performance Goals, Objectives and Results

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. Given that 70 percent of convicted offenders serve all or part of their sentence in the community and approximately 80 percent of pretrial defendants are released to the community, CSOSA's functions of effective supervision of pretrial defendants and convicted offenders, along with effective service to the courts and paroling authority, are critical to public safety. Although CSP and PSA have two distinct mandates, they share two common strategic goals for the Agency's management and operations:

- Establish strict accountability and prevent the population supervised by CSOSA from engaging in criminal activity; and

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

To achieve these goals, 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 organizations.

The Critical Success Factors are the foundation for CSOSA's structure and operations, as well as the Agency's plans for allocating resources, measuring performance, and achieving outcomes. In terms of both day-to-day operations and long-term performance goals, these four principles guide what CSOSA does. They link CSP's and PSA's strategic plans, operations, and budgets.

E. 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. CSP's FY 2010 Annual Performance Report, reporting all agency performance measures, will be included in the FY 2012 Congressional Budget Justification submitted in February 2011.

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. 9,897 offenders entered CSP supervision in FY 2010. Effective supervision begins with comprehensive knowledge of the offender. An initial risk and needs assessment provides a basis for case classification and identification of the offender's specific needs. 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, important in determining the offender's level of risk and needs. These factors include substance abuse, educational status, employability, community and social networks, 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 a comprehensive risk and needs assessment that results in a recommended level of supervision and the development of an automated, individualized Prescriptive Supervision Plan that identifies programs and services that will address the offender's identified needs. CSP's proprietary screening instrument, the AUTO Screener, combines risk and needs assessment into a single automated process. Offenders are initially assessed using the AUTO Screener upon assignment to a supervision Community Supervision Officer (CSO) and are reassessed every 180 days and following a re-arrest, significant life event, or before considering a change in the offender's supervision level.

In addition, dedicated CSOs 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. CSOs also complete Release Plans for offenders transitioning from prison directly to the community and Transition Plans for offenders transitioning to the community from prison through a Federal Bureau of Prisons (BOP) Residential Reentry Center, also known as a halfway house.

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 extremely difficult for CSOs to acquire thorough knowledge of the offender's behavior, associations in the community and to apply supervision interventions and swift sanctions. With resources received in prior fiscal years, CSP has made great progress in reducing CSO caseloads to more manageable levels.

On September 30, 2010 CSP supervised 16,116 total adult offenders, including 9,866 probationers and 6,300 on supervised release or parole. The total number of offenders supervised on September 30, 2010 is a slight increase over the number offenders supervised on September 30, 2009 (16,101).

CSP Supervised Offenders by Supervision Type on September 30, 2010

Supervision Type	Number of Supervision Cases	Percentage of Total Supervision Cases
Probation*	9,866	61.0%
Parole	2,562	15.9%
Supervised Release	3,738	23.1%
Total Supervised Offenders**	16,166	100.0%

*Probation includes offenders with Civil Protection Orders and those with Deferred Sentence Agreements.
**Includes offenders on Active, Monitored and Warrant status.

On September 30, 2010, the average number of supervision cases per supervision CSO was 57 offenders. CSP has established a number of special supervision teams with lower caseloads to manage high-risk or special needs offenders. In comparison, the overall CSP offender supervision caseload ratio as of September 30, 2009 was 56:1.

CSP Total Supervision Caseload Ratio on September 30, 2010

Supervision Type	Number of Supervision Cases	Total Supervision CSOs	Overall Caseload Ratio
Total Supervised Offenders	16,116	285	57:1

* As of September 30, 2010, 285 CSP authorized CSO positions performed offender supervision. Additional authorized CSP CSO positions performed diagnostic and investigative functions.

In FY 2010, CSP's Total Supervised Population from October 1, 2009 through September 30, 2010 was 24,254 offender cases. Total Supervised Population is used by CSP as the basis for several performance measures. The FY 2010 Total Supervised Population represents a slight increase over the FY 2009 Total Supervised Population (24,147).

CSP FY 2010 Total Supervised Population by Supervision Type (October 1, 2009 – September 30, 2010)

Supervision Type	Number of Supervision Cases	Percentage of Total Supervision Cases
Probation*	15,874	65.4%
Parole	3,559	14.7%
Supervised Release	4,821	19.9%
Total Supervised Population**	24,254	100.0%

* Probation includes offenders with Civil Protection Orders and those with Deferred Sentence Agreements.
** **Total Supervised Population** includes all Probation, Parole, Supervised Release, Civil Protection Orders, and Deferred Sentence Agreement cases supervised for at least one day and who were assigned to a Community Supervision Officer over the period October 1, 2009 through September 30, 2010.

A second focus of efforts falling under Close Supervision is CSP's commitment to implement a **community-based approach to supervision**, taking proven evidence-based practices and making them a reality in the District of Columbia. The Agency created a new role for its supervision staff, Community Supervision Officers (CSOs), instead of Probation and Parole Officers. In addition, CSP located CSOs in six field sites located throughout the community and assigned offender cases according to geographic location, Police Service Areas (PSAs), allowing CSOs to supervise groups of offenders in the same area and obtain a close view of the community.

The third focus of Close Supervision is the implementation of **Graduated Sanctions** to respond to violations of conditions of release. Graduated sanctions are a critical element of CSP's offender supervision model. From its inception, the agency has worked closely with the releasing authorities (DC Superior Court and the US Parole Commission) to develop a range of sanctioning options that CSOs can implement immediately, in response to non-compliant behavior, without returning offenders to the releasing authority. A swift response to non-compliant behavior can restore compliance before the offender's behavior escalates to include new crimes. Offender sanctions are defined in an Accountability Contract established with each offender at the start of supervision. Sanctions take into account both the severity of the non-compliance and the offender's supervision level. Sanction options include:

- Increasing the frequency of drug testing or supervision contacts,
- 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, and
- Placement into the new Secure Residential Treatment Program pilot.

If sanctions do not restore compliance, or the non-compliant behavior escalates, the CSO will inform the releasing authority by submitting an Alleged Violation Report (AVR) with the releasing authority. An AVR is automatically submitted in response to any new arrest.

Currently, CSP operates one Day Reporting Center (DRC) at the 1230 Taylor Street field unit. The DRC is an on-site program based on a cognitive restructuring program designed to change offender's adverse thinking patterns, provide education and job training to enable long-term employment, and hold unemployed offenders accountable during the day. Offenders participate for 90 days or until they obtain employment or enroll in a vocational training program or apprenticeship. In FY 2011, CSP plans to open a second Day Reporting Center offering services specifically for women at another agency location. The new Day Reporting Center will expand upon current DRC programming by focusing on issues specific to women 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 serves 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. CSP is partnering in this endeavor with the BOP, USPC, DC Department of Corrections and the DC Public Defender Service.

Routine **drug testing** is an essential element of supervision and sanctions. Given that two-thirds of the supervised offender population has a history of substance abuse, an aggressive drug testing program is necessary to detect illegal 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. In addition, all offenders are subject to random spot testing at any time.

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 currently has the capacity to serve 102 male offenders/defendants in six units, or 1,200 offenders/defendants annually. CSP plans to open a new female unit in FY 2011.

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, outpatient, 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 also is 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.

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.

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.

CSP partners with the BOP and DC entities to perform video conferencing with offenders prior to their release from a BOP institution. The video conferencing provides the offender with orientation and release preparation prior to release to CSP supervision.

Starting in FY 2004, CSP assumed fiscal agent responsibilities for two Department of Justice grant programs (Weed & Seed and Project Safe Neighborhood) with the purposes of increasing public safety and accountability within the District. In FY 2009, CSP became a law enforcement partner on the Weed & Seed grant, providing a cognitive-behavioral program, CHOICES, to offenders residing in the Weed & Seed locations. This program assists offenders in developing coping skills and in changing their criminal thinking.

CSP Key Performance Indicator 1 - 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 a return to incarceration). Until FY 2008, CSP was only able to capture arrest data for its supervised population in DC; however, beginning in FY 2009, improved data collection techniques allowed CSP to begin tracking arrests in Maryland and Virginia as well. This capability has allowed CSP to more accurately report offender rearrests, as it is not uncommon for DC offenders to migrate into these neighboring jurisdictions.

Rearrest rates for CSP's Total Supervised Population were relatively steady between FY 2009 and FY 2010, with 26 and 27 percent of the population arrested in each of these years, respectively. Arrests of probationers were unchanged between FY 2009 and FY 2010; arrests for supervised release offenders decreased by one percent and arrests of parolees arrested increased by one percent (FY 2009 to FY 2010).

Supervised release offenders have historically had the highest rearrest rates, and this trend continued into FY 2010; 35 percent of supervised release offenders were arrested in FY 2010, compared to 26 percent and 23 percent, respectively for probationers and parolees. From FY 2005 through FY 2008, probationers had the lowest rearrest rates of the supervised population. This pattern changed in FY 2009, when parolees had the lowest rate.

Percentage of Supervised Population Rearrested, FY 2005 - FY 2010*

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009**	FY 2010
Probation	17%	18%	16%	16%	21% (26%)	20% (26%)
Parole	22%	23%	19%	19%	18% (21%)	20% (23%)
Supervised Release	31%	30%	28%	29%	31% (36%)	30% (35%)
Total Supervised Population	19%	20%	18%	19%	22% (26%)	22% (27%)

* 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 percentages in parentheses for FY 2009 and FY 2010 represent the expanded set of arrest data to include Maryland and Virginia arrests (DC/MD/VA).

DC Rearrests: The percentage of the Total Supervised Population rearrested in DC remained steady at 22 percent in FYs 2009 and 2010. Per the table below, the number of charges filed against CSP offenders rearrested in DC decreased from 9,135 in FY 2009 to 8,918 in FY 2010. Note that CSP offenders arrested in DC may be charged with one or more offense. Between FY 2009 and FY 2010 there were no significant changes in the percentage of total charges accounted for by each charge category. With the exception of "Other Offenses," Public Order offenses accounted for the greatest proportion of total DC arrest charges from FY 2008 through FY 2010. Violent Offenses remained relatively steady from FY 2008 through FY 2010.

DC Arrest Charges for Offenders Re-Arrested While Under CSP Supervision
FY 2008 - FY 2010 (DC Arrests Only)

Charge Category*	FY 2008	FY 2009	FY 2010
Public Order Offenses	2,091 (24.6%)	2,512 (27.5%)	2,438 (27.3%)
Violent Offenses	892 (10.5%)	981 (10.7%)	995 (11.1%)
Property Offenses	498 (5.9%)	524 (5.8%)	470 (5.3%)
Drug Offenses	1,466 (17.3%)	1,583 (17.3%)	1,504 (16.9%)
Other Offenses	3,546 (41.7%)	3,535 (38.7%)	3,511 (39.4%)
TOTAL DC ARREST CHARGES**	**8,493 (100.0%)**	**9,135 (100.0%)**	**8,918 (100.0%)**

***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: Suspicion, Other Offenses

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

<u>CSP Performance Indicator 2 - Drug Use</u>:

CSP has a drug testing policy 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 to assess the offender's level of need for substance abuse treatment. This policy also defines the schedule under which eligible offenders are drug tested. Offenders can become ineligible for testing (other than initial testing at intake) for a variety of administrative reasons, including change from active to warrant status, case transfer from DC to another jurisdiction, rearrest, and admission to substance abuse treatment (at which point testing is conducted by the treatment provider). The policy also includes spot testing for offenders who are on minimum supervision, as well as those who do not have histories of drug use and who have established a record of negative tests.

The Pretrial Services Agency (PSA) tests CSP drug samples obtained from offenders at four CSP illegal substance collection units, and each sample may be tested for up to seven drugs (Marijuana, PCP, Opiates, Methadone, Cocaine, Amphetamines and Alcohol). Drug testing results are transmitted electronically from PSA into SMART on a daily basis and drug test results are typically available in SMART for CSO action within 48 hours after the sample is taken.

On average, CSP drug tested 32,861 samples from 9,156 unique offenders each month in FY 2010. In FY 2009, CSP drug tested, on average, 33,548 samples from 9,037 unique offenders per month.

The table below shows that 42 percent of the tested population tested positive for illicit drugs at least one time (excluding alcohol) during FY 2010. This is a slight decrease from FY 2009 when 43 percent tested positive. When taking into consideration alcohol use, 48 percent of the tested population had at least one positive result in FY 2010, compared to 49 percent testing positive in FY 2009.

Percentage of Active Tested Population Reporting at Least One Positive Drug Test, FY 2005 – FY 2010

	FY 2005*	FY 2006*	FY 2007*	FY 2008*	FY 2009**	FY 2010
Tests including alcohol	52%	51%	51%	52%	59% (49%)	(48%)
Tests excluding alcohol	48%	46%	46%	47%	53% (43%)	(42%)

* FY 2005 – FY 2008: Computed as the number of unique offenders on active supervision status at some point during the year (even if they were not necessarily on active supervision for the entire year) testing positive at least once in the reporting period as a function of total number of unique offenders on active supervision status at some point in the reporting period.
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 enhances measure reliability by reducing data noise associated with non-testing due to supervision status. For example, persons unavailable for testing are not at risk of testing positive. With the introduction of new offender supervision statuses on a seemingly regular basis, this approach provides the type of stability in the denominator that is needed. **The FY 2009 and FY 2010 data in parentheses represent the percentages derived using the new methodology. CSP will continue to report data using the new FY 2009 methodology in future years.

Data indicate that the slight decline in FY 2010 drug use is due to fewer offenders testing positive for cocaine, marijuana and opiates. The table below reports that in FY 2010, 15 percent of offenders tested positive for cocaine (compared to 16 percent testing positive in FY 2009); 16 percent tested positive for marijuana (compared to 17 percent in FY 2009); and 18 percent tested positive for opiates (compared to 19 percent testing positive in FY 2009). Relatively small percentages of the tested offender population produced positive results for PCP, amphetamines, and methadone in FY 2010.

In FY 2010, there was a slight increase in offenders testing positive for PCP. CSP aggressively addresses these high-risk, non-compliant offenders by initiating actions to remove them from the community through placement in residential treatment or the Halfway Back sanctions program.

CSP will continue to monitor these trends and their implications for drug testing procedures to ensure that drug testing is conducted in a manner to most effectively detect and deter use for those persons at risk of illicit drug use.

Percentage of Active Tested Population Reporting at Least One Positive Drug Test (Excluding Alcohol), by Drug, by Fiscal Year

Drug	FY 2008	FY 2009	FY 2010
Marijuana	16%	17%	16%
PCP	4%	3%	4%
Opiates	19%	19%	18%
Methadone	4%	4%	5%
Cocaine	18%	16%	15%
Amphetamines	6%	3%	3%

* CSP tests each offender drug sample for up to seven drugs, including alcohol. An offender/sample may not necessarily be tested for all seven drugs. In FY 2010, the average sample was tested for 5.6 drugs (including alcohol).
**The column data are not mutually exclusive. Examples: One offender testing positive for marijuana and PCP during FY 2010 will appear in the FY 2010 data row/percentage for both marijuana and PCP. One offender who tests positive for only marijuana on multiple occasions throughout FY 2010 will count as a value of one in the FY 2010 data row/percentage for marijuana.

Quality and Reliability of CSP Performance Data

Considering the importance of maintaining accurate records of all offenders under the supervision of CSP, 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. SMART was first deployed in January 2002 and numerous enhancements have since been developed and successfully implemented. In FY 2009, CSP transitioned from reporting performance data from a copy of the SMART database, to reporting data from our fully implemented Enterprise Data Warehouse system, which has presented significant improvements for both data accessing and the quality of the performance measures.

Rearrest - 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 - The DC Pretrial Services Agency (PSA) tests drug samples obtained by CSP from offenders at four CSP illegal substance collection units. PSA tests each sample for up to seven drugs (Marijuana, PCP, Opiates, Methadone, Cocaine, Amphetamines and Alcohol). Drug testing results are transmitted electronically from PSA into SMART on a daily basis and drug test results are typically available in SMART for action by the CSP supervision CSO within 48 hours after the sample is taken.

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 operational goals span the Agency's four "critical success factor" (CSF) areas of risk assessment, close supervision, treatment and support services, and partnerships.

Risk and Needs Assessment. PSA provides timely and accurate information to D.C. Superior Court and U.S. District Court judicial officers to use when determining conditions of pretrial release or detention. PSA's Court Services staff conducts pre-release investigations that include the results from local and national criminal history checks, information on the defendant's current status with the criminal justice system, and information obtained during defendant interviews. Staff from PSA's Drug Testing and Compliance Unit also drug test defendants before initial appearance court. Judicial officers receive this information—along with the Agency's recommendation for release or detention—in a written "Pretrial Services Report" submitted at initial appearance. PSA's recommendations are based on the least restrictive conditions needed to reasonably assure appearance in court and to protect the community during the defendant's release.

Throughout the pre-release investigation and release recommendation process, PSOs rely on automated information sources, which both PSA and 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 defendants most at risk of failing to appear at scheduled court hearings or of being rearrested on new criminal charges while released. Very low risk defendants (those released unconditionally) receive only notification of court dates. Low-to-medium risk defendants must maintain contact with PSA, usually through weekly drug testing or regular contact with a PSA case manager. Higher-risk defendants may be subject not only to frequent contact with a case manager and drug testing, but also substance abuse or mental health treatment, electronically monitored curfews and stay away requirements, halfway house placement or other restrictive conditions.

One of the PSA's primary objectives in close supervision is swift and appropriate responses to defendant 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. To this end, PSA uses graduated sanctions to modify a defendant's behaviors, especially those most closely associated with new criminal activity.

Treatment and Support Services. Because drug use contributes to public safety and flight risks, PSA developed in-house, substance abuse treatment and supervision programs. Each includes: 1)a system of sanctions and incentives designed to motivate compliant behavior and to reduce drug use; 2) individualized treatment plans that help case managers tailor and modify therapeutic interventions specifically to a defendant population; and 3) extensive supervision requirements including regular drug testing and case manager contact. Each program's centralized case management structure facilitates consistent sanctioning and supervision practices, and leads to better interim outcomes for defendants. PSA's use of contract funded and community-based drug intervention programs further expand defendants' access to various treatment modalities. Finally, defendants who have mental health issues and special needs are referred to appropriate community-based programs.

Partnerships. Effective partnerships with other justice agencies and community organizations such as 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 allow PSA to enhance public safety in the District's neighborhoods and build the capacity for support services for defendants under pretrial supervision. 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.

PSA's 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.

Outcome and Performance Measurement

The Government Performance and Results Act (GPRA) requires federal agencies to link their mission, objectives and funding to ambitious, but reasonable, strategic outcomes. PSA meets this requirement through its set of outcome measures and supporting performance measures that are tied to activities most closely associated with failure to appear and rearrest. To ensure that its outcome and performance measures remain reasonable but ambitious and fit its 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.

For Fiscal Year 2010, PSA tracked three critical outcomes: 1) reduction in the rearrest rate for violent and drug crimes during the period of pretrial supervision; 2) reduction in the rate of failure to appear before court; and 3) 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.[2] Achievement of these three 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.

[2] PSA added the third outcome measure in FY 2010.

PSA's outcome and performance data from the last several years are included in the chart below. Note that these data are not static and change throughout the year as information about re-arrest rates and other metrics are updated.

Outcomes	FY 2006 Actual	FY 2006 Target	FY 2007 Actual	FY 2007 Target	FY 2008 Actual	FY 2008 Target	FY 2009 Actual	FY 2009 Target	FY 2010 Actual	FY 2010 Target
Percentage of defendants rearrested for violent or drug crimes during the period of pretrial supervision.										
For all defendants rearrested for:										
- any crimes	12%	13%	12%	13%	12%	12%	12%	12%	12%	12%
- violent crimes	3%	1%	2%	1%	2%	1%	3%	3%	3%	3%
- drug crimes	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
For drug-using defendants rearrested for:										
- any crimes	19%	19%	18%	18%	17%	18%	17%	18%	16%	18%
- violent crimes	4%	2%	3%	2%	3%	2%	4%	4%	4%	4%
- drug crimes	7%	7%	6%	7%	6%	7%	6%	7%	6%	7%
For non-drug-using defendants rearrested for:										
- any crimes	5%	5%	5%	5%	5%	5%	6%	5%	7%	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	13%	14%	13%	13%	12%	13%	12%	13%	12%	13%
- drug-users	18%	17%	17%	15%	16%	15%	15%	15%	14%	15%
- nondrug-users	7%	9%	7%	9%	7%	9%	8%	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										
									83%	75%

Outcome Trends

Overall rearrest rates for all defendants have remained steady between 12 and 13 percent from FY 2006 to FY 2010. However, outcome measure data clearly illustrate a correlation between drug use and 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.

Failure to Appear (FTA) rates have ranged from 12 percent to 13 percent from FY 2006 to FY 2010. Drug users consistently have failure rates 1.5 to 2.5 times that of non-users.

Assessment of Underlying Factors

Similar to CSP's experience, the factors that determine PSA's success can be under the Agency's control, under only PSA's influence or completely outside of PSA's control.

- *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 factors under PSA's control.

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 continue to devote resources to strengthening partnerships.

F. Analysis of Agency Financial Statements

CSOSA is required by the Accountability of Tax Dollars Act of 2010 (P.L. 107-289), Office of Management and Budget Circular (OMB) Circular A-136 (Financial Reporting Requirements) and the agency's AFR Policy (draft) to prepare and submit audited financial statements and interim 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.

CSP and PSA are each responsible for their own financial transactions, however, CSP compiles and reports consolidated CSOSA financial statement information for the Agency. Preparation of interim and audited CSOSA financial statements is the joint responsibility of CSP and PSA management.

The FY 2010 CSOSA financial statements report appropriated and reimbursable budget authority.

CSOSA's appropriated funding is primarily annual in nature. In FY 2010, CSP does have limited available/unobligated no-year budget authority remaining from an FY 2002 no-year appropriation. CSP plans to cancel these remaining unobligated no-year funds in FY 2011.

PSA does not have FY 2010 reimbursable budget authority. CSP has FY 2010 reimbursable budget authority from the following sources:

1) The Office of National Drug Control Policy's (ONDCP) High Intensity Drug Trafficking Area (HIDTA) grants. CSP uses HIDTA grant funds to support contract offender treatment services.
2) The Department of Justice (DOJ) Weed & Seed and Project Safe Neighborhood grants. CSP acts as the District of Columbia fiscal agent (pass-through agent) for these two DOJ grants.
3) A reimbursable agreement with the DC Public Defender Service for shared occupancy costs at 633 Indiana, Avenue, NW.

CSOSA's largest asset is Fund Balance with U.S. Treasury which totaled $61,499,925 and $62,720,819 as of September 30, 2010 and 2009, respectively. This represented 85 percent and 87 percent of total assets as of September 30, 2010 and 2009, 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 Annual Leave are CSOSA's largest liabilities, with combined amounts totaling $22,456,145 and $18,487,245, as of September 30, 2010 and 2009, respectively. Collectively they comprised 95 percent and 93 percent of total liabilities, as of September 30, 2010 and 2009, respectively.

CSOSA's FY 2010 Statement of Budgetary Resources reports Total Budgetary Resources of $242,433,164 and $230,493,060 as of September 30, 2010 and 2009, respectively. These amounts include Budgetary Authority of $212,408,000 in direct funding and $4,698,593 in net reimbursable transactions as of September 30, 2010, and $203,490,000 in direct funding and $2,321,757 in net reimbursable transactions as of September 30, 2009.

Total Obligations Incurred was $216,893,266 and $205,871,443 as of September 30, 2010 and 2009, respectively. These amounts include direct obligations of $212,635,400 and reimbursable obligations of $4,257,866 as of September 2010, and direct obligations of $201,847,029 and reimbursable obligations of $4,024,414 as of September 30, 2009.

CSOSA's FY 2010 Statement of Budgetary Resources shows $209,273,888 in net outlays, an increase of $7,546,387 million from the previous year's total net outlays of $201,727,501.

Statement of Budgetary Resources Summary

	FY2010			FY2009		
	CSP	**PSA**	**CSOSA**	**CSP**	**PSA**	**CSOSA**
Budgetary Resources:						
Direct	$169,239,167	$68,495,404	$237,734,571	$172,058,173	$56,113,130	$228,171,303
Reimbursable	4,698,593	-	4,698,593	2,321,757	-	2,321,757
Total	$173,937,760	$68,495,404	$242,433,164	$174,379,930	$56,113,130	$230,493,060
Obligations Incurred:						
Direct	$153,556,126	$59,079,274	$212,635,400	$149,311,467	$52,535,562	$201,847,029
Reimbursable	4,257,866	-	4,257,866	4,024,414	-	4,024,414
Total	$157,813,992	$59,079,274	$216,893,266	$153,335,881	$52,535,562	$205,871,443
Net Outlays:						
Gross Direct	$153,794,285	$55,698,519	$209,492,805	$147,974,932	$52,462,073	$200,437,005
Gross Reimbursable	4,197,277	-	4,197,277	4,133,661	-	4,133,661
Less: Offsetting Collections	4,403,869	-	4,403,869	2,843,165	-	2,843,163
Total	$153,587,694	$55,698,519	$209,273,888	$149,265,428	$52,462,073	$201,727,501

The Net Cost of Operations in FY 2010 was $220,880,178 on CSOSA's Statement of Net Cost, an increase of $15,640,543 million over the previous year's Net Cost of Operations of $205,239,635.

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 Deputy Director depends on information from component heads regarding their management controls. The CSOSA Deputy 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 2010, with the following known Financial Control exception:

Financial Controls & Legal Compliance:

In FY 2010 it was determined that CSOSA (CSP and PSA) exceeded Office of Management and Budget (OMB) apportioned and internally allotted quarterly funding amounts in the first quarter of FY 2010 which caused CSOSA to also exceed approved authority, on a cumulative basis, in the second and third quarters of FY 2010. This is a violation of the Antideficiency Act (31 U.S.C. § 1517) as CSOSA exceeded cumulative apportioned and internally allotted authority in the first through third quarters of FY 2010. CSOSA did not exceed OMB-apportioned or internally allotted funding for the fourth quarter of FY 2010; CSOSA did not exceed FY 2010 annual appropriated and/or reimbursable funding authority.

As a result, the FY 2010 independent auditors identified the following material internal control weakness and non-compliance with laws and regulations issue within CSOSA:

> a) Non-compliance with the *Anti-deficiency Act* (31 U.S.C. § 1517) related to the timing of obligations in FY 2010. Obligations were incurred in excess of quarterly Apportioned budgetary resources for the 1st quarter FY 2010 which led to a cumulative overage through the 3rd Quarter FY 2010. CSOSA did not exceed its total annual FY 2010 funding authority.
>
> CSOSA will report this violation of *Anti-deficiency Act* to the President of the United States, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General, as required by 31 U.S.C. § 1517(b).

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 2010, CSOSA used Oracle version 11i.10, certified by the Financial Systems Integration Office (FSIO) as meeting core financial system requirements on September 10, 2006.

H. 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.

AFR Section II: Financial Section

A. FY 2010 Financial Statements

Court Services and Offender Supervision Agency
Balance Sheet
As of September 30, 2010 and 2009
(in dollars)

	2010	2009
Assets		
Intragovernmental		
Fund Balance with Treasury - **Note 2**	$ 61,499,925	$ 62,720,819
Accounts Receivable - Federal - **Note 3**	1,043,237	861,899
With The Public		
Accounts Receivable - **Note 3**	24,293	20,508
Property, Plant and Equipment - **Note 4**	9,364,374	8,374,350
Total Assets	**$ 71,931,829**	**$ 71,977,576**
Liabilities		
Intragovernmental Liabilities:		
Accounts Payable	$ 515,700	$ 469,160
Advances from Other Federal Agencies	392,558	647,955
With The Public		
Accounts Payable	7,720,886	4,848,455
Accrued Payroll & Benefits	7,983,653	7,183,392
Actuarial FECA Liability	333,207	267,166
Accrued Unfunded Liabilities	6,751,606	6,455,398
Total Liabilities - Note 5	**$ 23,697,610**	**$ 19,871,526**
Net Position		
Unexpended Appropriation	$ 45,954,513	$ 50,653,234
Cumulative Results of Operations	2,279,706	1,452,816
Total Net Position	**$ 48,234,219**	**$ 52,106,050**
Total Liabilities and Net Position	**$ 71,931,829**	**$ 71,977,576**

The accompanying notes are an integral part of these statements

Court Services and Offender Supervision Agency
Statement of Net Cost
For the Fiscal Years Ended September 30, 2010 and 2009
(in dollars)

	2010	2009
Critical Success Factor 1		
Program Costs		
Intragovernmental Costs	$ 5,086,751	$ 2,360,088
Less Intragovernmental Revenue - **Note 6**	(542,008)	(514,343)
Intragovernmental Net Costs	$ 4,544,743	$ 1,845,745
Public Costs	$ 38,655,690	$ 40,092,133
Less Earned Revenue from Public - **Note 6**	-	(4,610)
Net Public Costs	$ 38,655,690	$ 40,087,523
Total Net Cost CSF 1	**$ 43,200,433**	**$ 41,933,268**
Critical Success Factor 2		
Program Costs		
Intragovernmental Costs	$ 13,979,766	$ 5,792,391
Less Intragovernmental Revenue - **Note 6**	(1,198,118)	(1,155,411)
Intragovernmental Net Costs	$ 12,781,648	$ 4,636,980
Public Costs	$ 99,727,745	$ 98,656,388
Less Earned Revenue from Public - **Note 6**	-	(11,813)
Net Public Costs	$ 99,727,745	$ 98,644,575
Total Net Cost CSF 2	**$ 112,509,393**	**$ 103,281,555**
Critical Success Factor 3		
Program Costs		
Intragovernmental Costs	$ 5,402,792	$ 2,555,453
Less Intragovernmental Revenue - **Note 6**	(1,937,934)	(1,919,868)
Intragovernmental Net Costs	$ 3,464,858	$ 635,585
Public Costs	$ 43,781,948	$ 42,893,522
Less Earned Revenue from Public - **Note 6**	-	(3,981)
Net Public Costs	$ 43,781,948	$ 42,889,541
Total Net Cost CSF 3	**$ 47,246,806**	**$ 43,525,126**
Critical Success Factor 4		
Program Costs		
Intragovernmental Costs	$ 1,210,328	$ 983,639
Less Intragovernmental Revenue - **Note 6**	(940,334)	(263,383)
Intragovernmental Net Costs	$ 269,994	$ 720,256
Public Costs	$ 17,653,552	$ 15,779,534
Less Earned Revenue from Public - **Note 6**	-	(104)
Net Public Costs	$ 17,653,552	$ 15,779,430
Total Net Cost CSF 4	**$ 17,923,546**	**$ 16,499,686**
Net Cost of Operations	**$ 220,880,178**	**$ 205,239,635**

The accompanying notes are an integral part of these statements

Court Services and Offender Supervision Agency
Statement of Changes in Net Position
For the Fiscal Years Ended September 30, 2010 and 2009
(in dollars)

	2010	2009
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	$ 1,452,816	$ (493,761)
Beginning Balance, As Adjusted	$ 1,452,816	$ (493,761)
Budgetary Financing Sources:		
Appropriations Used	212,141,992	198,299,728
Imputed Financing - **Note 8**	9,565,076	8,886,484
Total Financing Sources	$ 221,707,068	$ 207,186,212
Net Cost of Operations	220,880,178	205,239,635
Ending Cumulative Results of Operations	**$ 2,279,706**	**$ 1,452,816**
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$ 50,653,234	$ 50,262,651
Budgetary Financing Sources		
Appropriations Received	212,408,000	203,490,000
Other Adjustments	(4,964,729)	(4,799,689)
Appropriations Used	(212,141,992)	(198,299,728)
Total Financing Sources	$ (4,698,721)	$ 390,583
Ending Unexpended Appropriations	**$ 45,954,513**	**$ 50,653,234**
ENDING TOTAL NET POSITION	**$ 48,234,219**	**$ 52,106,050**

The accompanying notes are an integral part of these statements

Court Services and Offender Supervision Agency
Statement of Budgetary Resources
For the Fiscal Years Ended September 30, 2010 and 2009
(in dollars)

	2010	2009
Budgetary Resources		
Unobligated Balance:		
Brought forward, October 1	$ 24,621,617	$ 21,519,244
Recoveries of Prior Year Obligations:		
Actual	4,822,656	7,561,748
Budget Authority:		
Appropriation	212,408,000	203,490,000
Spending Authority from Offsetting Collections:		
Earned		
Collected	4,671,591	3,315,231
Receivables	279,099	294,597
Change in unfilled customer orders		
With Advance from Federal Sources	(255,397)	(472,066)
Without Advance from Federal Sources	3,300	(816,005)
Nonexpenditure transfers, net:		
Transfer – Prior Year Balance	-	400,000
Permanently not available		
Cancellation of expired and no-year accounts	(4,117,702)	(4,799,689)
Total Budgetary Resources	**$ 242,433,164**	**$ 230,493,060**
Status of Budgetary Resources		
Obligation Incurred		
Direct	$ 212,635,400	$ 201,847,029
Reimbursable	4,257,866	4,024,414
Total Obligations Incurred - **Note 10**	$ 216,893,266	$ 205,871,443
Unobligated Balance		
Apportioned Balance Available	$ 1,901,728	$ 2,804,667
Unobligated Balances Not Available	23,638,170	21,816,950
Total Status of Budgetary Resources	**$ 242,433,164**	**$ 230,493,060**
Change in Obligated Balances		
Obligated Balance, Net:		
Unpaid obligations, brought forward, October 1	$ 39,421,223	$ 45,682,194
Uncollected customer payments from Federal sources	1,398,178	1,919,586
Obligations incurred	216,893,266	205,871,443
Recoveries of prior year unpaid obligations	4,822,656	7,561,748
Change in uncollected customer payments	282,399	521,408
Total Obligated Balance	**$ 36,121,174**	**$ 38,023,045**
Obligated balance, net, end of period:		
Unpaid obligations	$ 37,801,751	$ 39,421,223
Uncollected customer payments from Federal sources	1,680,577	1,398,178
Total Obligated Balance, end of period	**$ 36,121,174**	**$ 38,023,045**
Net Outlays		
Gross Outlays	$ 213,690,082	$ 204,570,666
Less: Offsetting collections	4,416,194	2,843,165
Total Net Outlays	**$ 209,273,888**	**$ 201,727,501**

The accompanying notes are an integral part of these statements

B. Notes to the FY 2010 Financial Statements

Note 1: Summary of Significant Accounting Policies:

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 2010, the Agency was appropriated $212,408,000 from Congress, of which the following allocation was made:

	CSP	**PSA**	**Total FY 2010**	**Total FY 2009**
Appropriation	$153,856,000	$58,552,000	$212,408,000	$203,490,000

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.

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.

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

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.

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.

Accounts Receivable

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

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.

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.

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.

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

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.

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.

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.

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 Note 8 *Imputed Financing Sources* for additional details.

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.

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.

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.

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.

Reclassifications

The FY 2009 financial statements were reclassified to conform to the FY 2010 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, 2010 and 2009:

Fund Balance	**CSP**	**PSA**	**Total FY 2010**	**Total FY 2009**
Appropriated Funds	$45,571,290	$15,928,635	$61,499,925	$62,720,819

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

Status of the Fund Balance with Treasury consists of the following as of September 30, 2010 and 2009:

Status of Fund Balance	CSP	PSA	Total FY 2010	Total FY 2009
Unobligated Balance				
Available	$1,117,622	$784,106	$1,901,728	$2,804,667
Unavailable	20,485,250	3,152,920	23,638,170	21,816,950
Obligated Balance not yet Disbursed	23,737,007	11,991,609	35,728,616	38,023,044
Total	$45,339,879	$15,928,635	$61,268,514	$62,644,661

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, 2010 and 2009:

Receivable	CSP	PSA	Total FY 2010	Total FY 2009
Federal Receivable	$1,043,237	$-0-	$1,043,237	$861,899
Public Receivable	-0-	24,293	24,293	20,508
Total Receivable	$1,043,237	$24,293	$1,067,530	$882,407

Note 4: General Property, Plant and Equipment, Net

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.

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

Property, Plant and Equipment balances as of September 30, 2010 and 2009 are as follows:

CSP	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2010	Net Book Value FY 2009
Equipment	$2,985,360	$2,570,771	$414,589	$251,728
Leasehold Improvements	17,409,356	16,445,748	963,608	999,387
Internal Use Software	15,372,898	11,668,612	3,704,286	2,263,430
Total CSP	$35,767,614	$30,685,131	$5,082,483	$3,514,545

PSA	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2010	Net Book Value FY 2009
Equipment	$849,102	$577,806	$271,296	$510,690
Leasehold Improvements	172,305	34,461	137,844	172,305
Internal Use Software	7,183,784	3,311,033	3,872,751	4,176,810
Total PSA	$8,205,191	$3,923,300	$4,281,891	$4,859,805
Total CSOSA	$43,972,805	$34,608,431	$9,364,374	$8,374,350

Note 5: Liabilities 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 Note 12: *Reconciliation of Net Cost of Operations (proprietary) to Budget*. Liabilities not covered by Budgetary Resources consists of the following as of September 30, 2010 and 2009:

	CSP	PSA	Total FY 2010	Total FY 2009
Accrued Unfunded Liability	$4,855,609	$1,895,997	$6,751,606	$6,455,398
Actuarial FECA Liability	36,487	296,720	333,207	267,166
Total Liabilities Not Covered by Budgetary Resources	$4,892,096	$2,192,717	$7,084,813	$6,722,564
Total Liabilities Covered by Budgetary Resources	11,643,955	4,968,842	16,612,797	13,148,962
Total Liabilities	$16,536,051	$7,161,559	$23,697,610	$19,871,526

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, 2010 and 2009:

Note 6: Exchange/Earned Revenue (con't)

Exchange/Earned Revenue	Intragovernmental Revenue	Earned Revenue from Public	Total FY2010	Total FY 2009
CSP	$4,618,394	$-0-	$4,618,394	$3,853,005
PSA	-0-	-0-	-0-	20,508
Total CSOSA	$4,618,394	$-0-	$4,618,394	$3,873,513

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 2011	6,631,581
Fiscal Year 2012	4,237,866
Fiscal Year 2013	3,329,124
Fiscal Year 2014	2,784,234
Fiscal Year 2015	1,392,581
Fiscal Year 2016 and beyond	2,302,175
Total Future Operating Lease Payments Due	$20,677,561

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 13.8 percent and 29.8 percent for FERS and 30.1 percent and 51.1 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, 2010 and 2009:

	CSP	PSA	Total FY 2010	Total FY 2009
FEHB	$4,454,514	$2,032,597	$6,487,111	$6,351,838
FEGLI	12,259	4,568	16,827	14,887
Pensions	2,378,709	682,429	3,061,138	2,519,759
Total	$6,845,482	$2,719,594	$9,565,076	$8,886,484

Note 9: Contingencies and Commitments

CSOSA is a party to various administrative proceedings, legal actions and claims. As of September 30, 2010, the estimated amount of losses relating to the cases classified as probable range from $1 to $143,864 and the estimated amount of losses relating to the cases classified as reasonably possible range from $1 to $575,000. There are a total of 8 cases classified as either probable or reasonably possible. Included in these 8 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.

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 2010 are:

Fiscal Year Ended September 30, 2010 Obligations Apportioned Under:	Direct Obligations	Reimbursable Obligations	Total FY 2010	Total FY 2009
CSP				
Category A	$153,556,126	$4,257,866	$157,813,992	$153,335,881
PSA				
Category A	59,079,274	-0-	59,079,274	52,535,562
Total	$212,635,400	$4,257,866	$216,893,266	$205,871,443

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 contains actual budget results for fiscal year 2009, was released in February 2010.

There were no material differences between the amounts for fiscal year 2009 published in the President's FY 2011 Budget and that reported in the accompanying SBRs for the fiscal year ending on September 30, 2009 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 2009 SBR to the 2010 President's budget.

Fiscal Year 2009	Budget Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources:	$230	$206	$202
Differences:			
Permanently Not Available	(5)	-	-
Other	(17)	-	(1)
Budget of the United States	$208	$206	$201

These notes are an integral part of the financial statements

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

The following is provided as a reconciliation of budgetary obligations and non-budgetary resources, as of September 30, 2010 and 2009:

Resources used to Finance Activities: Budgetary Resources Obligated	2010	2009
Obligations Incurred – Direct	$212,635,400	$201,847,029
Obligations Incurred – Reimbursable	4,257,866	4,024,414
Total Obligations Incurred	$216,893,266	$205.871.443
Less: Spending Authority from Off-setting collections and recoveries		
Earned Reimbursements		
Collected	4,671,591	3.315.231
Receivable from Federal Sources	279,099	294,597
Change in Unfilled Customers Orders w/Advance	(255,397)	(472,066)
Change in Unfilled Customers Orders without Advance	3,300	(816,005)
Recoveries of Prior Year Obligations	4,822,656	7,561,748
Total Spending Authority from Off-setting collections and recoveries	$9,521,249	9,883,505
Obligations Net of Offsetting Collections and Recoveries	$207,372,017	$195,987,938
Net Obligations	$207,372,017	$195,987,938
Other Resources		
Imputed Financing from Costs Absorbed by Others	9,565,076	8,886,484
Net Other Resources	9,565,076	8,886,484
Total Resources Used to Finance Activities	$216,937,093	$204,874,422
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	$5,116,128	$2,188,356
Resources that Finance the Acquisition of Assets	(3,567,636)	(3,300,778)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	$1,548,492	($1,112,422)
Total Resources used to Finance the Net Cost of Operations	$218,485,585	$203,762,000
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	283,453	488,330
Change in Other	78,796	(233,978)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$362,249	$254,352
Components not Requiring or Generating Resources		
Depreciation and Amortization	2,640,524	1,561,037
Other	(608,180)	(337,754)
Total Components of Net Cost of Operations that will not Require or Generate Resources	$2,023,344	$1,223,283
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	$2,394,593	$1,477,635
Net Cost of Operations	$220,880,178	$205,239,635

Note 13: Undelivered Orders at the end of the Period

CSOSA had Undelivered Orders totaling $21,581,511 as of September 30, 2010.

C. FY 2010 Auditor Reports

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

To the Deputy 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, 2010 and 2009, and the related statements of net cost, changes in net position, and 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, 2010 and 2009, 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 November 15, 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

November 15, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Compliance and Other Matters

To the Deputy 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, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 15, 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, as amended. 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 one instance of noncompliance that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and is described below.

<u>Finding of Noncompliance:</u>

CSOSA management notified us of an *Anti-deficiency Act (ADA)* violation that occurred at CSOSA, where OMB-approved quarterly apportionments had been exceeded for the first quarter, which led to a cumulative overage through the third quarter. CSOSA did not exceed its total FY 2010 annual funding authority.

CSOSA plans to report the violation to the President of the United States, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General, as required by 31 U.S.C. § 1517.

Management Response:

CSOSA will ensure that this violation does not recur by enacting strict quarterly fund controls in the agency's financial management system that limit obligations to CSOSA quarterly apportioned and CSP and PSA allotted amounts. The CSOSA Fund Control policy will be updated to reflect this control requirement and to assign specific internal responsibilities for approving and monitoring quarterly apportionments.

CSOSA's response to the instance 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

November 15, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Internal Control Over Financial Reporting

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

We have audited the balance sheets of CSOSA as of September 30, 2010 and 2009 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 15, 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 2010 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, but not for the purpose of expressing 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. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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 internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, in our fiscal year 2010 audit, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency described in Exhibit I to be a material weakness.

CSOSA's response to the findings identified in our audit are presented in Exhibit I. We did not audit CSOSA's response and, accordingly, we express no opinion on it.

Exhibit II presents the status of prior year significant deficiencies and material weaknesses.

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

November 15, 2010

EXHIBIT I

MATERIAL WEAKNESS

VIOLATION OF ANTI-DEFICIENCY ACT

Court Services and Offender Supervision Agency (CSOSA) is comprised of two major components, the Community Supervision Program (CSP) and the Pretrial 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's major financial system is the Oracle Federal Financials (OFF) systems, which is managed by the United States Department of the Interior (U.S. DOI) National Business Center (NBC).

On September 20, 2010, CSOSA management communicated to KPMG that OMB-approved quarterly apportionments for CSOSA (both CSP and PSA combined) had been exceeded in the 1st Quarter of FY 2010 and that they concluded they were not in compliance with the *Anti-deficiency Act* as of that date. According to CSOSA management the quarterly obligations exceeded approved apportionments by approximately $8.4M for the 1st Quarter which led to a cumulative overage through the 3rd Quarter. However, CSOSA did not exceed its total FY 2010 annual funding authority as of the 4th Quarter FY 2010. Total FY 2010 appropriations were in the amount of $212.4M.

31 U.S.C Sec. 1517. *Prohibited obligations and expenditures* states that "(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding-- (1) an apportionment; or (2) the amount permitted by regulations prescribed under section 1514(a) of this title."

The Office of Management and Budget (OMB) Circular Number A-11, *Preparation, Submission and Execution of the Budget*, Section 145, states that "The [*Anti-deficiency] Act* requires that OMB apportion the appropriations, that is, approve a plan that spreads out spending over the fiscal period for which the funds were made available."

This control breakdown occurred because CSOSA recorded the full annual appropriation and full annual apportionment and allotment authorities in Oracle, which allowed the obligations to exceed approved quarterly authority. There were no quarterly system controls in place. In FY 2011 CSOSA is recording apportionment and allotment authorities on a quarterly basis in Oracle. The CSOSA Funds Control Policy will be updated to reflect this requirement.

Management has determined this is a noncompliance with the *Anti-deficiency Act* (31 U.S.C. § 1517) related to timing, because obligations were incurred in excess of quarterly apportioned budgetary resources.

RECOMMENDATION

None

MANAGEMENT RESPONSE

CSOSA will ensure that this violation does not recur by enacting strict quarterly fund controls in the agency's financial management system that limit obligations to CSOSA quarterly apportioned and CSP and PSA allotted amounts. The CSOSA Fund Control policy will be updated to reflect this control requirement and to assign specific internal responsibilities for approving and monitoring quarterly apportionments.

EXHIBIT II

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, November 15, 2010:

Year	Material Weakness or Significant Deficiency	Recommendation	Status
2004 – 2009	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;	Substantially complete, contractor staff or permanent FTE need to be assigned for FY 2011 and forward.
		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.	Substantially complete.
		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.	Substantially complete.
		Implement policies to ensure timely, accurate and complete reconciliations related to the Statement of Budgetary Resources.	Closed
		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.	Closed

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.	Substantially complete.
		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.	Substantially complete.
		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.	Substantially complete
		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	Substantially complete.

Year	Material Weakness or Significant Deficiency	Recommendation	Status
		identified, management should communicate the cause of the error to the appropriate individuals.	
2007 - 2009	Significant Deficiency: CSOSA Systems Access Control Improvements are needed	Enforce policies and procedures and other aforementioned federal regulations to improve overall account management.	Substantially complete.

AFR Section III: Other Accompanying Information

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 internal testing of its FY 2010 payment transactions, CSOSA has determined that neither program poses the risk of improper payments exceeding both 2.5% and $10 million.