

Court Services and Offender Supervision  
Agency  
for the District of Columbia



**FY 2013 Agency Financial Report**

December 12, 2013

## **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 2013 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, 2012 through September 30, 2013. 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 2013 audited financial statements and notes and the independent auditor's reports.

### **Section III: Other Information**

Contains Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Revocery Act of 2010 (IPERA; Pub.L 111-204), and the Schedule of Spending.

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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 2013 Agency Financial Report (AFR). CSOSA was established under the National Capital Revitalization and Self-Government Improvement 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. 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.

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 offenders on probation, parole and supervised release and adult defendants on pretrial release. Pursuant to the Revitalization Act, PSA became an independent entity within CSOSA. Although CSP and PSA have two distinct mandates and Strategic Plans, we 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.

CSOSA experienced flat budgets between FY 2010 and FY 2012 and absorbed a significant budget decrease in FY 2013 due to Sequestration and a permanent rescission. As a result, CSOSA has made reductions to core offender and defendant support and supervision programs, to include substance abuse treatment. Despite these resource reductions, CSOSA is committed to doing more with less and will continue to make every effort to achieve our strategic goals and enhance public safety.

For FY 2013, CSOSA is issuing an AFR and will include our complete FY 2013 Annual Performance Report with our FY 2015 Congressional Budget Justification. The AFR is our principal report to the President, Congress and the American people on our management of the funds with which we have been entrusted and; we believe it demonstrates clearly our commitment to the effective stewardship of the public's monies.

The financial and performance data reported in the FY 2013 AFR is reliable and complete. 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. CSOSA's FY 2013 internal evaluation concerning the adequacy of the Agency's management controls and systems did not identify material control weaknesses. In addition, the FY 2013 financial audit did not identify any financial reporting control deficiencies.

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 2013 AFR.



Nancy Ware  
Director  
December 12, 2013

# 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<sup>1</sup>). 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 Pretrial Services Agency for the District of Columbia (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 and supervised release 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 2013, 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 2013 Annual Performance Report with its FY 2015 Congressional Budget Justification and will post it on the CSOSA web site, located at [WWW.CSOSA.GOV](http://WWW.CSOSA.GOV), in 2014.

The CSOSA appropriation is composed of two component programs:

- The Community Supervision Program (CSP), and
- The Pretrial Services Agency for the District of Columbia (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.

In FY 2013, CSP supervised approximately 14,000 offenders on any given day and 23,000 different offenders over the course of the year. Approximately 8,200 offenders entered CSP supervision in FY

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<sup>1</sup> Public Law 105-33, Title XI

2013; 6,200 men and women sentenced to probation by the Superior Court for the District of Columbia and 2,000 individuals released from incarceration in a Federal Bureau of Prisons facility on parole or supervised release. Supervised release offenders committed their offense on or after August 5, 2000 and are sentenced to a minimum of 85 percent of their sentence in prison and the balance under CSP supervision in the community. Parolees committed their offense prior to August 4, 2000 and serve a minimum of their sentence in prison before they are eligible for parole at the discretion of the USPC.

Offenders typically remain under CSP supervision for the following durations<sup>2</sup>:

Probation: 21 to 22 months;

Parole<sup>3</sup>: 11.6 to 12.4 years; and

Supervised Release: 44 to 45 months

CSP's challenge in effectively supervising our offender population is substantial. 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.

In our current FY 2011–2016 Strategic Plan, issued April 2012, CSP established two long-term outcomes related to improving public safety:

1. Decreasing recidivism among the supervised offender population, and
2. Successful completion of supervision.

Revocation to incarceration of CSP offenders results from multiple factors and is an outcome of a complex supervision process that seeks to balance public safety with supporting offender reintegration. CSP strives to decrease revocations (and, overall, recidivism) by continuing to develop, implement and evaluate effective offender supervision programs and techniques.

After a careful review, CSP has updated our reporting methodology for revocations. The table data below reflects updated reporting methodologies which more accurately represent Agency activities and performance. This data differs slightly from that in previous Annual Performance Reports. Using this new methodology, the percentage of CSP's Total Supervised Population revoked to incarceration decreased from FY 2006 until FY 2010 when it stabilized at approximately 10 percent per year through FY 2013. The decrease in revocations to incarceration since 2006 was driven primarily by the parole cases supervised on behalf of the U.S. Parole Commission. The rate of revocation to incarceration among the probation cases CSP supervises on behalf of the Superior Court for the District of Columbia declined less than two percentage points from FY 2006 to FY 2013.

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<sup>2</sup> Values represent the 95% confidence interval around the average length of sentence for CSP Total Supervised Population (FY 2013).

<sup>3</sup> Life sentences have been excluded

**CSP Total Supervised Population Revoked to Incarceration<sup>1</sup>, by Supervision Type, FYs 2006–2013<sup>3</sup>  
(New Methodology)**

	<u>Parole</u>			<u>Supervised Release</u>			<u>Probation<sup>2</sup></u>			<u>Total Offenders</u>		
	N	% Change	% Revoked	N	% Change	% Revoked	N	% Change	% Revoked	N	% Change	% Revoked
2006	5,852		17.2	2,508		18.4	16,345		11.8	24,705		13.8
2007	5,053	-13.7	13.3	3,444	37.3	18.0	16,181	-1.0	11.1	24,678	-0.1	12.5
2008	4,465	-11.6	9.9	4,116	19.5	15.3	16,130	-0.3	10.4	24,711	0.1	11.1
2009	4,177	-6.5	8.4	4,591	11.5	13.8	16,018	-0.7	11.2	24,786	0.3	11.2
2010	4,009	-4.0	5.5	4,943	7.7	10.8	16,257	1.5	11.4	25,209	1.7	10.3
2011	3,413	-14.9	7.2	5,213	5.5	11.6	16,185	-0.4	10.6	24,811	-1.6	10.4
2012	3,060	-10.3	5.5	5,350	2.6	11.1	16,087	-0.6	10.2	24,497	-1.3	9.8
2013	2,716	-11.2	6.0	5,338	-0.2	11.5	15,011	-6.7	9.9	23,065	-5.8	9.8

<sup>1</sup> Revocation (incarceration) data excludes a small number of cases that were closed and revoked but the offender was not incarcerated.

<sup>2</sup> Probation also includes Civil Protection Order (CPO) and Deferred Sentence Agreement (DSA) cases.

<sup>3</sup> Data for FY 2013 are preliminary.

CSP views the stabilization of recidivism as a significant public safety accomplishment achieved in spite of the recent budget reductions and increasing offender risk. We believe that our strategy of focusing our resources on the highest-risk offenders plays a positive role in reducing recidivism.

Using revocation to incarceration as the sole outcome performance indicator, it would appear that CSP has not suffered as a result of the significant budget reductions enacted over the last two fiscal years. However, this would be an over-simplification of an incredibly complex performance outcome measure and would significantly understate the growing risk and resource needs of CSP’s offender population.

CSP plans to document and present this methodology change in more detail in our upcoming FY 2013 Annual Performance Report.

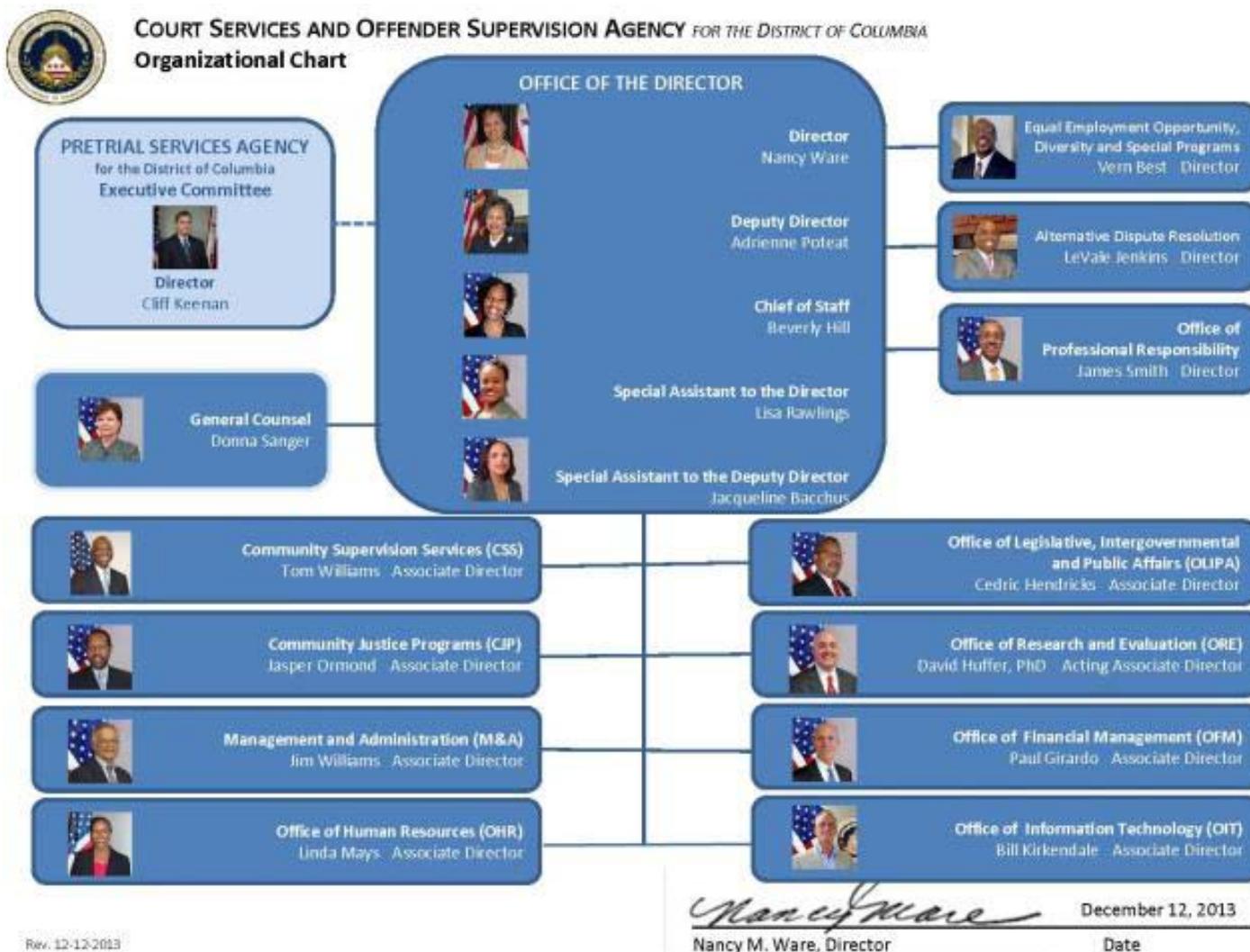
**Pretrial Services Agency (PSA):** The Pretrial Services Agency for the District of Columbia (PSA) assists judicial officers in both the Superior Court of the District of Columbia and the United States District Court for the District of Columbia by conducting a risk assessment for every arrested person who will be presented in court and formulating release or detention recommendations based upon the arrestee’s demographic information, criminal history, and substance abuse and/or mental health information. For defendants who are placed on conditional release pending trial, PSA provides supervision and treatment services that reasonably assure that they return to court and do not engage in criminal activity pending their trial and/or sentencing. The result is that, in the District of Columbia (D.C. or District), unnecessary pretrial detention is minimized, jail crowding is reduced, public safety is increased and, most significantly, the pretrial release process is administered fairly.

Defendants are placed into PSA supervision programs during the pretrial release period based on the release conditions ordered by the Court. During FY 2013, PSA supervised 20,184 defendants in 26,234 cases. The number of defendants includes 15,639 defendants who were placed onto supervision during the year and 4,545 whose supervision was continued from FY 2013. PSA supervises defendants under a wide range of programs that include General Supervision, High Intensity Supervision Program (HISP), Work Release, Superior Court Drug Intervention Program (SCDIP), Sanctions Based Treatment Program, Specialized Supervision Unit, D.C. Misdemeanor and Traffic Initiative (DCMTI), and U.S. District Court.

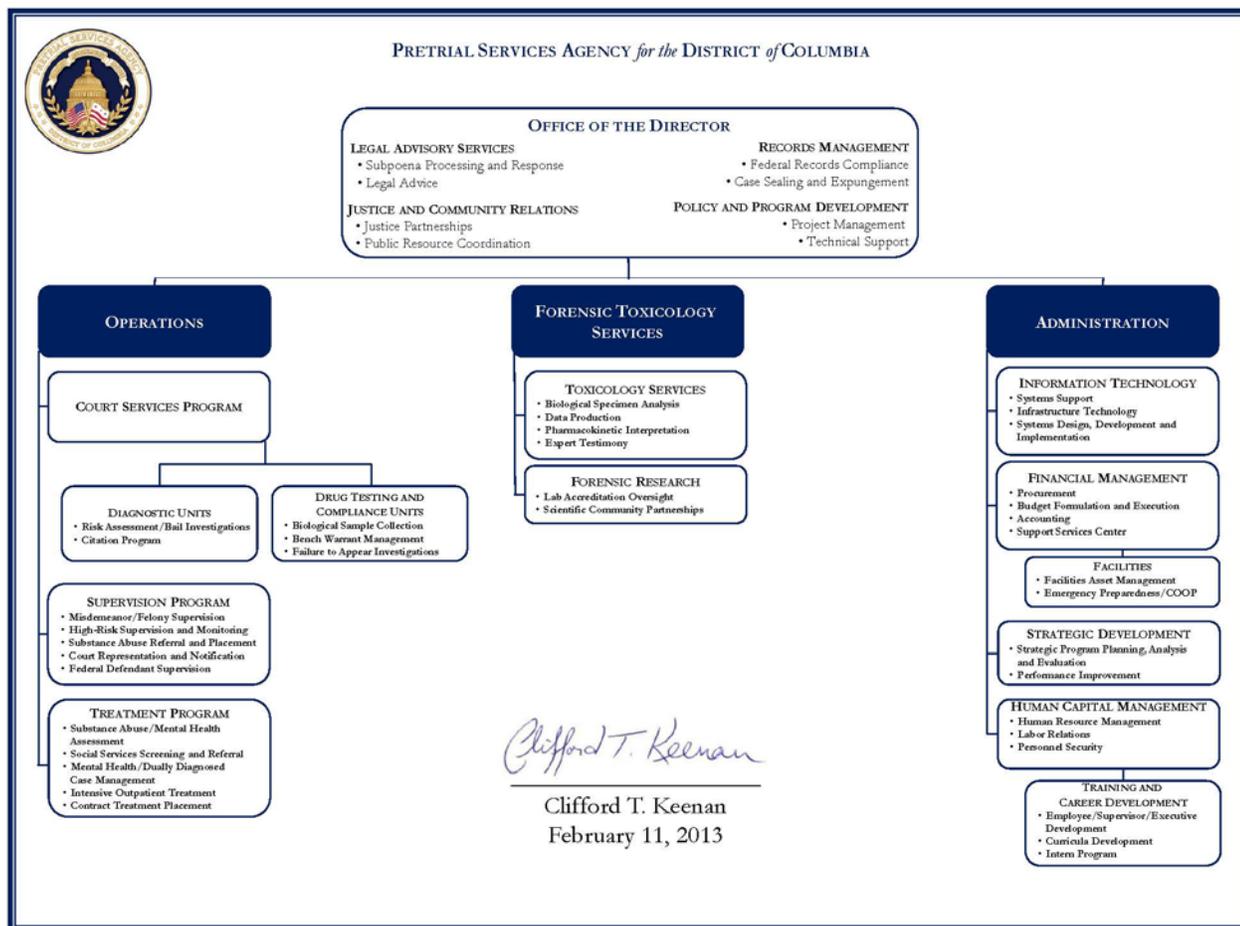
PSA continues to improve its identification and supervision of defendants who pose a higher risk of pretrial failure, and work with local justice and community partners to expand services and support for persons with substance-dependence and mental health needs. PSA emphasizes evidence-based operational and management techniques and places a high value on human capital to improve quality. Most importantly, PSA continues its 46-year commitment to providing excellent service to the District of Columbia through a strong sense of mission, a dedicated and professional staff, and collaboration with our justice and community partners.

## 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:

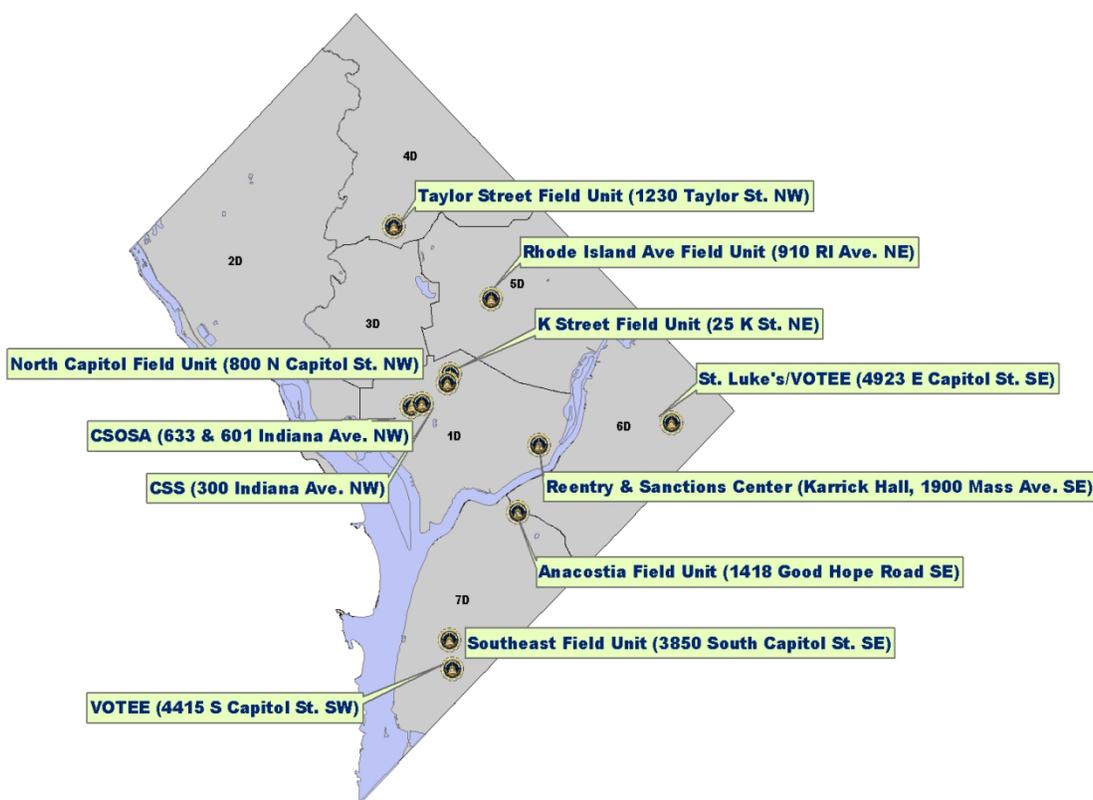


## C. CSOSA Locations

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

CSP operates at 12 locations throughout the District of Columbia. CSP's primary offender supervision operations are located at six existing field offices. In addition, CSOSA headquarters (633 Indiana Avenue, NW) houses one offender supervision program and CSP performs 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 leases at several field locations are scheduled to expire over the next two years presenting a challenge to maintain decentralized offender supervision operations.

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 10<sup>th</sup> 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 and Strategic Plans, they share common strategic goals for the Agency's management and operations in FY 2013:

- Establish strict accountability and prevent the population supervised 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 strategic goals, CSOSA has developed five strategies encompassing all components of community-based supervision. The five strategies 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.
5. Provide timely and accurate information with meaningful recommendations to criminal justice decision-makers so they may determine the appropriate release conditions and/or disposition of cases.

These Strategies 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 principles guide what CSOSA does. They unite CSP's and PSA's Strategic Plans, operations, and budgets.

CSP and PSA are each currently updating our Strategic Plans for the FY 2014 – FY 2018 period.

## 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 2013 Annual Performance Report, reporting all agency performance measures, will be included in the FY 2015 Congressional Budget Justification submitted in February 2014.

#### Strategies and Resources

CSP employs a number of strategies, consistent with its program model, to achieve its performance outcomes. The strategies are organized under five **Strategies** that support the Agency's mission and drive the allocation of resources.

**Strategy 1.1: Risk and Needs Assessment.** In FY 2013, 8,151 offenders entered CSP supervision; a substantial decrease from the 9,530 offenders who entered supervision in FY 2012. Effective supervision begins with comprehensive knowledge of the offender. An initial risk and needs assessment provides a basis for risk 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 an automated, comprehensive risk and needs assessment that results in a recommended level of supervision and the development of an 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 Community Supervision Officer (CSO) and most are reassessed every 180 days and following a re-arrest, significant life event, or before considering a change in the offender's supervision level. Over the last two fiscal years, the assessed risk level of our offender population has continued to increase. These increased risks reflect greater public safety and health challenges among our supervised population.

A critical factor in the success of CSP in reducing the crime rate is its ability to introduce an accountability structure into the supervision process and to provide swift responses to non-compliant behavior. Individuals under supervision must enter into an **Accountability Contract**, a written acknowledgement of the responsibilities and consequences of community supervision under probation, parole, or supervised release as granted by the Superior Court for the District of Columbia or the U.S. Parole Commission.

**Strategy 1.2: 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, 2013 CSP supervised 13,693 total adult offenders, including 8,013 probationers and 5,680 offenders on supervised release or parole. The total number of offenders supervised on September 30, 2013 represents a decrease from the number offenders supervised on September 30, 2012 (15,399). In FY 2012, CSP created a new Warrant Team to supervise and investigate offenders on warrant status greater than 90 days. A significant decrease in the number of warrant status cases from September 30, 2011 (2,043) to September 30, 2013 (1,522) has, in part, contributed to the reduction in the total number of supervised offenders in FY 2013. Other factors contributing to the decrease may include:

- The number of offender intakes have decreased, possibly due to a decrease in crime (i.e., fewer people getting arrested);
- The parole population continues to decrease with the statute;
- Quicker closing of monitored cases and cases past expiration;
- Focus on requesting early termination on cases in compliance; and
- Possibly actions taken by the Diversion Courts in Washington, DC.

The number of parolee offenders continues to decrease, while supervised release offenders will continue to increase, as we move further from the effective date (August 4, 2000) when parole was abolished and offenders convicted of DC Code offenses were placed on supervised release.

**CSP Supervised Offenders by Supervision Type on September 30, 2011/2012/2013**

Supervision Type	September 30, 2011		September 30, 2012		September 30, 2013 <sup>2</sup>	
	Number of Supervised Offenders	Percentage of Total Supervised Offenders	Number of Supervised Offenders	Percentage of Total Supervised Offenders	Number of Supervised Offenders	Percentage of Total Supervised Offenders
Probation <sup>1</sup>	9,562	60.6%	9,338	60.6%	8,013	58.5%
Parole	2,257	14.3%	2,027	13.2%	1,813	13.2%
Supervised Release	3,955	25.1%	4,034	26.2%	3,867	28.3%
Total Supervised Offenders	15,775	100.0%	15,399	100.0%	13,693	100.0%

<sup>1</sup>Probation includes offenders with Civil Protection Orders and those with Deferred Sentence Agreements.

<sup>2</sup>Data for FY 2013 are preliminary.

In March 2013, CSP completed a supervision workload re-balancing and realignment process that standardized caseloads by offender risk and supervision type. As a result, increased supervision resources are provided to higher-risk offenders on specialized caseloads, such as mental health, sex offender, young adult, female and domestic violence. On September 30, 2013, the average number of supervision cases per allocated (on-board and vacant) supervision CSO position was 48.6 offenders. CSP has frozen the hiring of CSO positions for the last two years due to budget shortages; as of September 30, 2013, there were 23 cumulative supervision CSO vacancies. Factoring in vacant supervision CSO

positions, the effective overall September 30, 2013 supervision caseload ratio increases to 52.9:1. The offender caseload ratios for certain specialized caseloads are lower than this overall ratio. For example, CSP and national standards propose that CSOs supervising specialized, high-risk cases supervise fewer than 50 offenders due to the intensive case management, standards of care and reporting requirements of these cases.

The cumulative reduction in the number of on-board supervision CSOs has been temporarily offset by the recent decrease in the number of offenders supervised. However, the assessed risk level of our offender population continues to increase and should offender supervision levels increase to typical levels (e.g., 15,000), supervision ratios, and workload, will increase proportionally.

### CSP Total Supervision Caseload Ratio on September 30, 2012/2013

Fiscal Year	Total Supervised Offenders as of September 30 <sup>th</sup>	Total Allocated Supervision CSOs	Overall Allocated CSO Caseload Ratio	On-Board Supervision CSOs	On-Board CSO Caseload Ratio
FY 2012*	15,399	283	54.4 : 1	272	56.6:1
FY 2013**	13,693	282	48.6 : 1	259	52.9:1

\* Note: As of September 30, 2012, 283 of CSP's 340 authorized CSO positions were allocated to perform offender supervision functions. The remaining 57 allocated CSO positions performed diagnostic and investigative functions. Of the 283 allocated supervision CSO positions, 11 were vacant on September 30, 2012, increasing the effective offender to CSO caseload ratio to 56.6:1.

\*\* Note: As of September 30, 2013, 282 of CSP's 339 authorized CSO positions were allocated to perform offender supervision functions. The remaining 57 allocated CSO positions performed diagnostic and investigative functions. Of the 282 allocated supervision CSO positions, 23 were vacant on September 30, 2013, increasing the effective offender to CSO caseload ratio to 52.9:1. Data for FY 2013 are preliminary.

In FY 2013, CSP's Total Supervised Population from October 1, 2012 through September 30, 2013 was 23,065 offenders. Total Supervised Population reflects the total number of unique offenders supervised for at least one day during the reporting period and is used by CSP as the basis for several performance measures. The FY 2013 Total Supervised Population represents a decrease from the FY 2012 Total Supervised Population (24,497). Note that FY 2011 and FY 2012 Total Supervised Population figures represent a slight change from previously reported amounts due to a methodology change.

### CSP Total Supervised Population<sup>1</sup> by Supervision Type FY 2011 – FY 2013

Supervision Type	FY 2011 (October 1, 2010 – September 30, 2011)		FY 2012 (October 1, 2011 – September 30, 2012)		FY 2013 (October 1, 2012 – September 30, 2013) <sup>3</sup>	
	Number of Supervised Offenders	Percentage of Total Supervised Offenders	Number of Supervised Offenders	Percentage of Total Supervised Offenders	Number of Supervised Offenders	Percentage of Total Supervised Offenders
Probation <sup>2</sup>	16,185	65.2%	16,087	65.7%	15,011	65.1%
Parole	3,413	13.8%	3,060	12.5%	2,716	11.8%
Supervised Release	5,213	21.0%	5,350	21.8%	5,338	23.1%
Total Supervised Population**	24,811	100.0%	24,497	100.0%	23,065	100.0%

<sup>1</sup>Total Supervised Population (TSP) 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 12-month reporting period. Methodology was updated in FY 2013 to ensure that all offenders who had a supervision period that overlapped with the cohort period were identified in the TSP and previous years' data were updated based on this new methodology. Previously reported TSP numbers for FYs 2011 and 2012 were 24,325 and 24,062, respectively.

<sup>2</sup>Probation includes offenders with Civil Protection Orders and those with Deferred Sentence Agreements.

<sup>3</sup>Data for FY 2013 are preliminary.

CSP's Kiosk Reporting program transitioned from a pilot program effective April 2011. As of September 30, 2013, 98 offenders (Minimum assessed supervision level cases) performed regular supervision reporting using Kiosks located at our 25 K Street, 1230 Taylor Street, 300 Indiana Avenue and 3850 South Capital Street field unit locations. CSP plans to increase the number of low-risk offenders performing supervision reporting via a Kiosk in FY 2014. Moving low risk offenders to Kiosk reporting will allow supervision CSOs to place increased focus on our higher-risk offenders and better manage caseloads.

A second focus under Close Supervision is CSP's continued commitment to implementing a **community-based approach to supervision**, that relies on proven evidence-based practices and making them a reality in the District of Columbia. In addition, CSP located CSOs in six field sites located throughout the community and assigned offender cases according to geographic location, District/Police Service Areas (PSAs), allowing CSOs to supervise groups of offenders in the same area and obtain a close view of the community. CSP leases at several field locations are scheduled to expire over the next two years presenting a challenge to maintaining decentralized offender supervision operations.

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 the 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:

- Increase 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.

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). An AVR is automatically submitted in response to any new arrest.

CSP operates a Day Reporting Center (DRC) at the 1230 Taylor Street field unit and implemented a pilot DRC at our 25 K Street field unit for female offenders in June 2011. The DRC is an on-site program based on cognitive behavioral therapy principles 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 until they obtain employment or enroll in a vocational training program or apprenticeship.

In September 2009, CSP launched the new Secure Residential Treatment Program (SRTP) 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 has the capacity to serve 102 offenders/defendants in six units, or 1,200 offenders/defendants annually. Two of the six units are dedicated to meeting the needs of dually-diagnosed (mental health and substance abuse) male offenders while one unit is reserved for dually-diagnosed female offenders.

**Strategy 1.3: 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. Housing continues to be an ongoing need for offenders, particularly among the older offender population. CSP provides short-term housing, through contract providers, to a limited number of offenders who are homeless or living in acutely unstable housing situations. The amount of CSP resources available to support offender contract treatment and transitional housing has decreased significantly over the past two years due to budget reductions.

CSP also is committed to helping offenders build skills and support systems to improve their chances for success in the community. CSP aims to increase employment and improve educational achievement through both in-house service delivery and partnerships. The Vocational Opportunities for Training, Education, and Employment (VOTEE) unit assesses and responds to the individual educational and vocational needs of offenders. The unit provides adult basic education and GED preparation at our four learning labs staffed by CSOSA Learning Lab Specialists. VOTEE also includes transitional employment programs that prepare offenders for training and/or employment, and provides job

development and tracking. Additionally, CSP maintains partnerships with the Community College of the District of Columbia, the DC Office of the State Superintendent of Education, and the DC Department of Employment Services to provide literacy, workforce development services, employment training, and job placement services.

**Strategy 1.4: 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.

**Strategy 2.1: Timely and Accurate Information to Decision Makers.** One of CSP's key responsibilities is to produce accurate and timely information and to provide meaningful recommendations, consistent with the offender's risk and needs profile, to criminal justice decision-makers. The quality and timeliness of this information has a direct impact on public safety in the District of Columbia.

If sanctions do not restore offender compliance, or the non-compliant behavior escalates, CSP supervision CSOs inform the releasing authority (D.C. Superior Court or the U.S. Parole Commission) by filing an Alleged Violation Report (AVR). AVRs are submitted to inform the releasing authority of a violation of release conditions and to carryout follow-up conditions as imposed. An AVR is the first step toward offender re-incarceration and is always issued by CSP for a re-arrest.

The Courts and the U.S. Parole Commission also rely on CSP to provide accurate, timely, and objective pre-sentence and post-sentence investigation (PSI) reports that are used in determining the appropriate offender disposition. CSOs in CSP's Investigations, Diagnostics, and Evaluations Branch (Branch I) research and write thousands of PSI reports each year.

CSP Transitional Intervention for Parole Supervision (TIPS) CSOs in Branch I ensure that offenders transitioning directly from prison to the community or through a BOP Residential Reentry Center (RRC) receive assessment, counseling, and appropriate referrals for treatment and/or services. Prior to release, TIPS CSOs work with each offender residing in a BOP RRC to develop a Transition Plan.

## CSP Key Performance Indicator 1 - Rearrest:

Rearrest is a commonly used indicator of criminal activity among offenders on supervision, though it does not in itself constitute recidivism (or return to incarceration). Until FY 2008, CSP captured data only for arrests occurring in D.C. Beginning in FY 2009, increased data sharing between jurisdictions through the Cross Borders Initiative allowed CSP to also track arrests of supervised offenders in Maryland and Virginia. Additionally, in FY 2012, improved charge data from the D.C. Metropolitan Police Department (MPD) allowed CSP to distinguish between arrests made in D.C. for new crimes compared to those made for parole or probation violations. The acquisition of these data allows for more comprehensive reporting of offender rearrests.

As of June 30, 2013, nearly 20 percent CSP's FY 2013 total supervised population had been rearrested in DC, MD, or VA (all charges considered). Data show that 17.1 percent of supervised offenders were rearrested in the District when all charges were considered, but this percentage dropped to 12.2 percent when arrests for parole/probation technical violations were excluded. These data indicate that a significant number of supervised offenders is rearrested each year in D.C. due to technical violations of their release conditions, rather than for the commission of a new crime.

Data show that offenders on supervised release are consistently rearrested at a higher rate than parolees and probationers. This trend continued into FY 2013 with 26.9 percent of supervised release offenders rearrested as of June 30, 2013 (D.C., MD, and VA; all charges considered). Interestingly, when looking at the rearrests of offenders in D.C. only by supervision type, offenders on supervised release show the largest decrease in rearrest rate when arrests made for release condition violations are excluded from consideration. Although the rearrest rate of supervised release offenders remains higher than that of probationers and parolees, these data suggest that offenders on supervised release might not be committing as many new crimes as data previously had suggested.

### **Percentage of Total Supervised Population Rearrested<sup>1</sup>, FY 2009 - FY 2013**

	<b>FY 2009<sup>3</sup></b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Probation</b>					
<i>DC Arrests</i>	21%	18%	16%	14.7%	14.7%
<i>DC Arrests (new charges)<sup>2</sup></i>	N/A	N/A	N/A	10.8%	10.9%
<i>DC/MD/VA Arrests</i>	26%	23%	22%	18.9%	17.7%
<b>Parole</b>					
<i>DC Arrests</i>	18%	17%	17%	14.7%	15.6%
<i>DC Arrests (new charges)<sup>2</sup></i>	N/A	N/A	N/A	11.1%	10.3%
<i>DC/MD/VA Arrests</i>	21%	20%	20%	17.0%	17.5%
<b>Supervised Release</b>					
<i>DC Arrests</i>	31%	26%	25%	24.0%	24.2%
<i>DC Arrests (new charges)<sup>2</sup></i>	N/A	N/A	N/A	17.9%	16.5%
<i>DC/MD/VA Arrests</i>	36%	31%	30%	28.0%	26.9%
<b>Total Supervised Population</b>					
<i>DC Arrests</i>	22%	19%	18%	16.8%	17.1%
<i>DC Arrests (new charges)<sup>2</sup></i>	N/A	N/A	N/A	12.4%	12.2%
<i>DC/MD/VA Arrests</i>	26%	24%	23%	20.8%	19.9%

<sup>1</sup>Computed as the number of unique offenders arrested in reporting period as a function of total number of unique offenders supervised in the reporting period.

<sup>2</sup>Excludes arrests made for parole or probation violations.

<sup>3</sup>FY 2009 reflects full fiscal year data. Due to data quality challenges in the last quarter of 2013, FY 2013 reflects data through the first nine (9) months of the fiscal year. For comparative purposes, data for FYs 2010 – 2012 are also reported using only the first nine (9) months of data for those years

## **CSP Performance Indicator 2 - Drug Use:**

CSP uses drug testing 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. CSP has an Offender Drug Testing Protocol policy that defines the schedule under which eligible offenders are drug tested. Offenders are initially drug tested at intake. Based on the results of this initial drug test, offenders can become ineligible for testing for a variety of administrative reasons, including a change in supervision status from active to warrant, the offender's case transferring from DC to another jurisdiction, a rearrest, or admission to a substance abuse treatment program (at which point testing is conducted by the treatment provider). The policy also includes spot testing for those offenders 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 unit sites, 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 26,154 samples from 7,962 unique offenders each month in FY 2013. FY 2013 drug testing decreased from FY 2012, when CSP drug tested, on average, 30,084 samples from 8,904 unique offenders per month.

Of the tested population, 56.7 percent tested positive for illicit drugs at least one time (excluding alcohol) during FY 2013. This is a slight decrease from FY 2012, when 57.7 percent of the tested population produced at least one positive drug test during the year (excluding alcohol).

While there is a seemingly notable increase in positive drugs tests from FY 2011 to FY 2012, this increase may largely be the result of a change in the methodology for this measure. From FY 2009 – FY 2011, this measure was based on offenders who began the year on supervision in an active status and remained on supervision throughout the year in that status. The idea was that this would reduce “noise” around the measure by ensuring that only offenders who were available for testing would be included in the population. By stabilizing the population in this way, however, CSP likely limited its reporting pool to mainly minimum-level offenders who are often only required to spot-test. This may have an unpredictable effect on drug-testing outcomes in that, overall, this population may be less likely to test positive; however, they are generally only spot-tested when they have missed a scheduled appointment or there is a reason to believe they have been using illicit substances.

Effective in FY 2012, CSP modified this measure to include only offenders who were in active supervision status throughout the reporting month, and who were supervised at a medium, maximum or intensive level of supervision. Offenders in this status and in one of these levels of supervision are generally on more regular drug-testing schedules. This methodology provides a clearer and more accurate representation of drug use by CSP's higher-risk population in line with our current FY 2011–2016 Strategic Plan. CSP will update FY 2009 – FY 2011 performance data in the accompanying tables using the new methodology in our upcoming FY 2013 Annual Performance Report.

**Percentage of Active Tested Population Reporting at Least One Positive Drug Test, FY 2009 – FY 2013**

	<b>FY 2009<sup>1</sup></b>	<b>FY 2010<sup>1</sup></b>	<b>FY 2011<sup>1</sup></b>	<b>FY 2012<sup>2</sup></b>	<b>FY 2013<sup>2,3</sup></b>
Tests including alcohol	49%	48%	45.2%	(62.5%)	(61.3%)
Tests excluding alcohol	43%	42%	39.8%	(57.7%)	(56.7%)

<sup>1</sup>FYs 2009 – 2011: Only offenders who were in active status throughout the entire year, regardless of supervision level, are included in reporting.

<sup>2</sup>Beginning in FY 2012, the eligible population was revised to include offenders in active supervision status for the entire reporting month, who were supervised at a medium, maximum or intensive level. (Monthly data are appended to create a cumulative file). The FY 2012 and FY 2013 data in parentheses represent the percentages derived using the new methodology.

<sup>3</sup>Data for FY 2013 are preliminary.

Just as the methodological change to focus on offenders who have more regular drug-testing schedules (i.e., those in an active status who are supervised at the medium, maximum or intensive level) resulted in a seemingly notable increase in the percentage of offenders testing positive for illicit substances, this shift also revealed that drug use patterns between minimum-risk offenders and higher-risk offenders may vary.

Data for FY 2009 – FY 2011 show that minimum-risk offenders who test positive for illicit substances most often use opiates and marijuana. Even still, less than two out of every five offenders who tested positive used either of those substances. PCP and amphetamines are least commonly used by minimum-level offenders. Data from FY 2012 and FY 2013 show that marijuana, cocaine and PCP use is much more prevalent in medium- through intensive-risk offenders, compared to minimum-level offenders. In both FY 2012 and FY 2013, almost one-third of the higher risk population that tested positive for illicit substances used marijuana. Although there was a decrease from FY 2012 to FY 2013, roughly two out of five offenders testing positive used cocaine. Just over ten percent of the population that tested positive in FY 2012 and FY 2013 tested positive for PCP.

Additional research on these substance use patterns may be helpful in determining appropriate treatment for offenders of different risk levels. The detection and treatment of synthetic drugs is another program control priority.

CSP addresses high-risk offenders who consistently test positive for drugs by initiating actions to remove them from the community through placement in residential treatment or through sanctions. CSP will continue to monitor drug use trends and their implications for drug testing procedures to ensure that tests are conducted in a manner that most effectively detects and deters use for persons under community supervision.

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

<b>Drug</b>	<b>FY 2009<sup>1</sup></b>	<b>FY 2010<sup>1</sup></b>	<b>FY 2011<sup>1</sup></b>	<b>FY 2012<sup>2</sup></b>	<b>FY 2013<sup>2</sup></b>
Marijuana	17%	16%	16%	31.4%	32.9%
PCP	3%	4%	3%	11.3%	10.4%
Opiates	19%	18%	18%	18.1%	18.2%
Methadone	4%	5%	5%	1.5%	1.1%
Cocaine	16%	15%	13%	20.6%	17.9%
Amphetamines	3%	3%	3%	3.9%	4.8%

<sup>1</sup>FYs 2009 – 2011: Only offenders who were in active status throughout the entire year, regardless of supervision level, are included in reporting.

<sup>2</sup>Beginning in FY 2012, the eligible population was revised to include offenders in active supervision status for the entire reporting month, who were supervised at a medium, maximum or intensive level. (Monthly data are appended to create a cumulative file). The FY 2012 and FY 2013 data in parentheses represent the percentages derived using the new methodology.

Note: 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.

Note: Column data are not mutually exclusive. Examples: One offender testing positive for marijuana and PCP during FY 2013 will appear in the data row/percentage for both marijuana and PCP. One offender who tests positive for only marijuana on multiple occasions throughout FY 2013 will count as a value of one in the 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 Supervision Management Automated Record Tracking (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.

## ***Pretrial Services Agency***

PSA's *mission* is to promote pretrial justice and enhance community safety.

Its *vision* is to thrive as a leader within the justice system through a diverse, inclusive and empowered workforce that embodies integrity, excellence, accountability, and innovation in the delivery of the highest quality services.

PSA performs two critically important tasks that contribute significantly to achieving CSOSA's two strategic goals of: 1) Public Safety - decrease criminal activity among the supervised population by increasing the number of defendants who successfully complete supervision, and 2) Fair Administration of Justice – support the fair administration of justice by providing timely and accurate information and recommendations to criminal justice decision makers.

- PSA investigates and presents demographic and criminal history information about newly arrested defendants and recommends release options for the use by judicial officers and law enforcement agencies in deciding what, if any, release conditions are to be set; and
- PSA supervises defendants released from custody during the pretrial period by monitoring their compliance with conditions of release, bringing them into compliance through an array of supervision and treatment options, or alternatively, recommending revocation of release; and by notifying defendants about scheduled court hearings.

### **Strategies and Resources**

PSA has adopted four Organizational Strategies that define the key activities through which these goals will be achieved:

Organizational Strategy 1 – Assessments and Release Recommendations: PSA operates as an independent component of the criminal justice system. PSA promotes informed and effective release determinations by formulating and recommending the least restrictive release conditions to reasonably assure that the defendant will appear for scheduled court dates and not pose a threat to any person or to the community while on release.

The foundation of effective pretrial supervision is based upon appropriate release conditions. The pretrial services report (PSR), or “bail report,” prepared by PSA provides much of the information the judicial officer uses to determine a defendant's risk to the community and to determine what level of supervision, if any, the defendant requires. The bail report includes prior and current criminal history, lock-up drug test results, risk assessment, treatment needs and verified defendant information (residence, employment status, community ties, etc.).

PSA's pre-release process assesses both risk of rearrest and failure to appear for scheduled court appearances. The assessment process has two components:

Risk Assessment: PSA uses a risk assessment instrument that examines relevant defendant data to help identify the most appropriate supervision levels for released defendants. The assessment scores various risk measures specific to the District's defendant population (e.g., previous failure to appear for court, previous dangerous and violent convictions in the past 10 years, suspected drug abuse problems, current relationship to the criminal justice system, among numerous others). It then

generates a score that assigns defendants to different risk categories and corresponding supervision assignments to help reduce the risk of failure to appear in court and rearrest.

Recommendation to the Court: PSA makes recommendations for release or detention based on risk determination. If release is recommended, the Agency recommends the least restrictive conditions for each defendant given the need for public safety and reasonable assurance that the defendant will return to court. When warranted, PSA recommends to the Court a variety of restrictive conditions including, but not limited to, drug testing, drug treatment, mental health treatment, orders to stay-away from specified persons or places, regular and frequent face-to-face contact with a PSO, halfway house placement, GPS and electronic monitoring.

Organizational Strategy 2 – Monitoring and Supervision of Released Defendants: PSA effectively monitors or supervises pretrial defendants—consistent with the court-ordered release conditions—to promote court appearance and public safety.

PSA supervises defendants in accordance with release conditions that are designed to minimize risk to the community and maximize return to court. PSA focuses its supervision resources on defendants most at risk of violating their release conditions and employs graduated levels of supervision consistent with the defendant’s identified risk level. Very low risk defendants (those released without conditions) receive only notification of court dates. Fairly low risk defendants are placed in monitoring programs that require limited contact with PSA. Medium risk defendants are placed under PSA’s extensive supervision and maintain regular contact through drug testing and/or reporting to a PSO. High risk defendants may be subject to frequent contact with an assigned PSO and drug testing, curfew, electronic monitoring, substance-abuse treatment or other conditions.

Swift response to non-compliance with release conditions is at the heart of effective case management. PSA uses graduated sanctions in an attempt to modify a defendant’s behavior and focuses on modifying the behaviors most closely associated with a return to criminal activity or failure to appear for court. Failure to appear for a supervisory contact, a resumption of drug use, absconding from substance-abuse treatment or mental health services, and other condition violations can be precursors to serious criminal activity. Responding quickly to non-compliance is directly related to meeting the goals of reducing failures to appear and protecting the public. When violations of conditions are detected, PSA employs all available administrative sanctions, informs the Court and, when warranted, seeks judicial sanctions, including revocation of release.

#### Drug Testing, Forensic Analysis and Testimony

PSA’s in-house laboratory (Lab), operated by the Office of Forensic Toxicology Services (OFTS), conducts drug testing for pretrial defendants under PSA’s supervision, offenders under the CSOSA CSP (i.e., persons on probation, parole, and supervised release), as well as respondents ordered into testing by the D.C. Superior Court Family Division. The Lab is certified by the U.S. Department of Health and Human Services as being in compliance with the Clinical Laboratory Improvement Amendments (CLIA) standards. It is staffed by professionals with credentials in forensic toxicology, forensic science, medical technology, chemistry and biology.

The existence of an on-site laboratory in the D.C. Superior Court permits same-day turnaround time for drug test results in pretrial cases allowing for test results from lock-up to be presented to judicial officers at defendant arraignments and presentations. The OFTS can perform “spot” tests ordered by a judicial officer within a two-hour time frame through state-of-the art testing and management information systems. The OFTS performs tests on tens of thousands of samples each month, which

translates to millions of analyses for various drugs each year. When requested, the Lab's toxicologists and chemists provide expert testimony in support of analytical results. Lab scientists interpret results for new or residual use for over 2,000 individuals each month.

The Lab's forensic research arm is at the forefront of identifying emerging new drugs of abuse in the District. For instance, using its sophisticated instrumentation, such as GC/MS/MS (tandem gas chromatography mass spectrometry), OFTS identified and characterized Levamisole in the urine samples of some defendants and offenders who tested positive for cocaine use. Levamisole has been identified as a cutting agent that has resulted in serious health consequences, including death, for persons who used it. PSA placed notices about this information in each of its treatment program waiting areas. The OFTS technology has also been used in the identification of buprenorphine (Suboxone, Subutex), designer stimulants (bath salts), and other drugs of abuse in urine samples collected. Most recently, OFTS has detected the use of synthetic cannabinoids in the PSA defendant and CSP offender populations. Given the potential public health concerns associated with these substances, OFTS partnered with the District of Columbia's Office of the Chief Medical Examiner (OCME), to research and develop methods for analyzing and characterizing the identities of these emerging new drugs and their urinary metabolites and for establishing testing protocols.

Organizational Strategy 3 – Integrating Treatment and Supervision: PSA provides or makes referrals to effective substance dependence, mental health, and social services to encourage compliance with release conditions, thereby enhancing public safety and supporting court appearance.

PSA is committed to reducing drug-involved defendant rearrest and failure-to-appear rates through four core activities: 1) identifying and addressing problematic drug use, alcohol abuse, and other criminogenic needs; 2) delivering and facilitating evidence-based substance-related treatment; 3) using motivational strategies and program incentives to encourage treatment initiation and engagement; and 4) establishing swift and certain consequences for continued drug use.

Drug use and mental health issues can both contribute to public safety and flight risks. PSA has developed specialized supervision programs that include treatment as an essential component for defendants with substance-dependence problems, mental health problems, or both (referred to as "dual diagnosis"). Treatment, either for substance dependence or mental health, is provided as a supplement to – and never in lieu of – supervision. Just as defendants are assigned to supervision levels based on risk, they are assigned to supervision units that provide treatment based both on risk and need. Defendants placed in these programs have drug testing, contact, and other release conditions and are held accountable for compliance with the same.

Court-supervised evidence-based treatment is one of the most effective tools for breaking the cycle of substance-related disorder and crime. In addition to public safety benefits, the community also benefits from the cost savings of providing treatment in lieu of incarceration. A study conducted by the Department of Justice found that drug courts significantly reduce drug use, crime, and costs.<sup>4</sup> PSA is committed to operating a model Drug Court and other sanctions-based treatment programs which utilize research-supported techniques as a mechanism for enhancing community safety.

PSA's specialized treatment and supervision programs offer defendants access to various treatment modalities. Each program provides centralized case management of defendants. This organizational

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<sup>4</sup> Rossman, S., Roman, J., Zweig, J., Rempel, M., & Lindquist, C., (2011). *The Multi-Site Adult Drug Court Evaluation: Executive Summary*. Urban Institute, June 1, 2011.

structure facilitates consistent sanctioning and supervision practices, and leads to better interim outcomes for defendants. In addition to drug use, other factors such as unemployment, low educational attainment, and homelessness can contribute to criminal activity. PSA is looking to build relationships with a broad range of service providers to address needs that may impact criminal behavior or to provide support to defendants.

Organizational Strategy 4 - Partnerships: PSA’s partnerships with the justice system agencies, local government and private social service providers, and the community enhance its ability to provide effective community supervision, enforce accountability of defendant conduct, and support public safety.

It is through partnerships with the Courts, the United States Attorney’s Office (USAO), the Office of the Attorney General for the District of Columbia (OAG), the District’s Criminal Justice Coordinating Council (CJCC), various D.C. government agencies, and non-profit community-based organizations that PSA can effectuate close supervision to assure that defendants will return to court and not be a danger to the community while on pretrial release. In addition, treatment and social service options are developed and/or expanded to enhance PSA’s ability to address the social problems that contribute to criminal behavior, thereby increasing a defendant’s likelihood of success while 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.

**Outcome and Performance Measurement**

PSA measures achievement of its critical outcomes through three measures:

1. The percentage of defendants who remain arrest-free during the pretrial release period.
2. The percentage of defendants who make all scheduled court appearances during the pretrial period.
3. The percentage of defendants who remain on release at the conclusion of their pretrial period without a pending request for removal or revocation due to non-compliance.

**PSA Performance Outcomes**

OUTCOMES	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2013-2016 Target
<b>Percentage of Defendants Who Remain Arrest-free During the Pretrial Release Period</b>						
Any crimes	88%	88%	88%	89%	90%	88%
Violent crimes	98%	97%	99%	99%	>99%	98%
<b>Percentage of Defendants Who Make All Scheduled Court Appearances</b>						
Any defendants	88%	88%	88%	89%	87%	87%
<b>Percentage of Defendants Who Remain on Release at the Conclusion of Their Pretrial Status Without a Pending Request for Removal or Revocation Due to Non-compliance</b>						
	N/A	83%	88%	88%	87%	73% *

\* Target revised from 73% to 85% beginning in FY 2014.

## **Outcome Trends**

Rearrest Rates – Rearrest is the outcome most closely related to public safety. PSA identifies each defendant's risk of rearrest and provides a corresponding level of supervision to minimize that risk. Through its automated system, PSA is alerted immediately if a defendant is rearrested in the District of Columbia so that the appropriate response can occur.

Failure to Appear Percentages - When defendants fail to appear (FTA) for scheduled court hearings, court resources are expended even though the case does not advance through the system. To avoid this needless expenditure of resources, PSA assists the Court by notifying defendants in writing and in person of scheduled hearings.

## **Assessment of Underlying Factors**

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 aligns 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 2004 (P.L. 107-289), Office of Management and Budget Circular (OMB) Circular A-136 (Financial Reporting Requirements) and the Agency's AFR Policy 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 2013 CSOSA financial statements report appropriated and reimbursable budget authority.

CSOSA's largest asset is Fund Balance with U.S. Treasury which totaled \$41,010,583 and \$52,673,897 as of September 30, 2013 and 2012, respectively. This represented 86.5 percent and 87.5 percent of total assets as of September 30, 2013 and 2012, 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 \$15,803,668 and \$24,771,029, as of September 30, 2013 and 2012, respectively. Collectively they comprised 89.3 percent and 95.4 percent of total liabilities, as of September 30, 2013 and 2012, respectively. The drop in liabilities from one year to the next, is due in part to the rescission and sequestration that was implemented during FY 2013 and a lower percentage rate for the Accrued Payroll and Benefits.

CSOSA's FY 2013 Statement of Budgetary Resources (SBR) provides information about how budgetary resources were made available as well as their status at the end of the period. Budgetary resources include, but are not limited to, new FY 2013 budget authority, unobligated balances of the five prior fiscal years (FY 2008 – 2012) as of October 1, 2012, recoveries of prior year obligations, and any adjustments to these resources.

CSP has FY 2013 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) CSP reimbursable agreement with the DC Public Defender Service for shared occupancy costs at 633 Indiana, Avenue, NW.
- 3) CSP reimbursable agreement with the D.C. Government for a reimbursable employee detail to the D.C. Department of Youth Rehabilitation Services.
- 4) PSA reimbursable agreements with D.C. Superior Court and D.C. Child and Family Services for drug testing services.

The SBR reports Total Budgetary Resources of \$222,610,796 and \$235,562,225 as of September 30, 2013 and 2012, respectively. These amounts include FY 2013 Budgetary Authority of \$200,842,711 in direct annual funding, \$1,000,000 in direct 3-year funding and \$1,056,548 in net

reimbursable transactions as of September 30, 2013, and \$211,983,000 in FY 2012 direct annual funding and \$180,383 in net reimbursable transactions as of September 30, 2012.

Total Obligations Incurred was \$201,828,505 and \$213,004,405 as of September 30, 2013 and 2012, respectively. These amounts include direct obligations of \$201,016,207 and reimbursable obligations of \$812,297 as of September 2013, and direct obligations of \$212,220,520 and reimbursable obligations of \$783,885 as of September 30, 2012.

CSOSA's FY 2013 Statement of Budgetary Resources shows \$206,599,005 in net outlays, a decrease of \$7,509,875 from the previous year's total net outlays of \$214,108,880.

**Statement of Budgetary Resources Summary**

	FY2013			FY2012		
	CSP	PSA	CSOSA	CSP	PSA	CSOSA
<b>Budgetary Resources:</b>						
Direct	\$ 158,904,789	\$ 62,649,459	\$ 221,554,248	\$ 169,391,396	\$ 65,990,446	\$ 235,381,842
Reimbursable	972,388	84,160	1,056,548	131,446	48,937	180,383
Total	\$ 159,877,177	\$ 62,733,619	\$ 222,610,796	\$ 169,522,842	\$ 66,039,383	\$ 235,562,225
<b>Obligations Incurred:</b>						
Direct	\$ 146,226,430	\$ 54,789,778	\$ 201,016,208	\$ 153,903,414	\$ 58,317,106	\$ 212,220,520
Reimbursable	788,399	23,898	812,297	753,885	30,000	783,885
Total	\$ 147,014,829	\$ 54,813,676	\$ 201,828,505	\$ 154,657,299	\$ 58,347,106	\$ 213,004,405
<b>Net Outlays:</b>						
Gross Direct	\$152,238,813	\$ 55,462,659	\$ 207,701,472	\$ 156,107,947	\$ 58,170,267	\$ 214,278,214
Gross Reimbursable	-	-	-	929,377	30,000	959,377
Less: Offsetting Collections	1,096,052	6,415	1,102,467	1,108,784	19,927	1,128,711
Total	\$ 151,142,761	\$ 55,456,244	\$ 206,599,005	\$ 155,928,540	\$ 58,180,340	\$ 214,108,880

The Net Cost of Operations in FY 2013 was \$208,994,376 on CSOSA's Statement of Net Cost, a decrease of \$15,046,180 over the previous year's Net Cost of Operations of \$224,040,556.

## **G. Analysis of Systems, Controls, and Legal Compliance**

### **Federal Managers' Financial Integrity Act**

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

CSOSA conducted an internal review with component heads of the adequacy of internal controls in August – September 2013. As a result of responses to this review, the CSOSA Director provides 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 2013.

### **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 Interior Business Center (IBC). CSOSA uses Oracle to perform, control and report general ledger, funds management and payment management processes. CSOSA migrated from Oracle version 11i.10 to Release 12 in February 2012.

## **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. Message from the Chief Financial Officer**

I am pleased to announce that for the fourteenth consecutive year, CSOSA has earned an unqualified audit opinion on its consolidated financial statements from our independent public accountants, KPMG LLP. This opinion states that the financial statements are reported fairly in accordance with U.S. generally accepted accounting principles and are free of material misstatements. FY 2013 represents the third consecutive year that the auditor's report on internal controls over financial reporting did not identify any material weaknesses or significant internal control deficiencies. In addition, the FY 2013 auditor's report on compliance identified no instances of non-compliance with laws, regulations, contracts and grant agreements applicable to CSOSA.

CSOSA recognizes the Government-wide funding constraints under which we currently operate. We continue to review and implement methods to operate more efficiently in order to ensure taxpayer funds are used wisely in support of our law enforcement functions in the District of Columbia. CSOSA is committed to sound financial management controls and effective use of resources and we look forward to continuing these practices in FY 2014.



Paul Girardo  
Chief Financial Officer  
December 12, 2013

## **B. FY 2013 Auditors' Reports**



**KPMG LLP**  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Court Services and Offender Supervision Agency (CSOSA), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSOSA as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of CSOSA's internal control over financial reporting and our report dated December 11, 2013 on 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* in considering CSOSA's internal control over financial reporting and compliance.

**KPMG LLP**

Washington, DC  
December 11, 2013



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

**Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, 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. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Court Services and Offender Supervision Agency (CSOSA), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2013, we considered CSOSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of CSOSA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of CSOSA's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSOSA's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC  
December 11, 2013



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

**Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited, 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. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Court Services and Offender Supervision Agency (CSOSA), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2013.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CSOSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. 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 disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on CSOSA's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSOSA's compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Washington, DC  
December 11, 2013

## C. FY 2013 Financial Statements

**Court Services and Offender Supervision Agency**  
**Balance Sheets**  
**As of September 30, 2013 and 2012**  
(in dollars)

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Intragovernmental		
Fund Balance with Treasury - <b>Note 2</b>	\$ 41,010,583	\$ 52,673,897
Accounts Receivable - Federal - <b>Note 3</b>	143,439	262,281
With The Public		
Accounts Receivable - <b>Note 3</b>	31,048	10,073
Property, Plant and Equipment - <b>Note 4</b>	6,223,687	7,259,985
<b>Total Assets</b>	<b>\$ 47,408,757</b>	<b>\$ 60,206,236</b>
<b>Liabilities</b>		
Intragovernmental Liabilities:		
Accounts Payable	\$ 1,432,030	\$ 1,152,488
With The Public		
Accounts Payable	4,356,614	9,054,074
Accrued Payroll & Benefits	3,428,699	8,479,604
Actuarial FECA Liability	461,150	316,803
Accrued Unfunded Liabilities	8,018,355	7,237,351
<b>Total Liabilities - Note 5</b>	<b>\$ 17,696,848</b>	<b>\$ 26,240,320</b>
<b>Commitments and Contingencies – Note 9</b>		
<b>Net Position</b>		
Unexpended Appropriation	\$ 31,914,717	\$ 34,349,967
Cumulative Results of Operations	(2,202,808)	(384,051)
<b>Total Net Position</b>	<b>\$ 29,711,909</b>	<b>\$ 33,965,916</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 47,408,757</b>	<b>\$ 60,206,236</b>

The accompanying notes are an integral part of these statements

**Court Services and Offender Supervision Agency**  
**Statements of Net Cost**  
**For the Years Ended September 30, 2013 and 2012**  
(in dollars)

Strategy 1	2013	2012
<b>Program Costs</b>		
Intragovernmental Costs	\$ 5,351,924	\$ 3,229,739
Less Intragovernmental Revenue - <b>Note 6</b>	-	-
Intragovernmental Net Costs	\$ 5,351,924	\$ 3,229,739
Public Costs	\$ 20,043,356	\$ 25,358,628
Less Earned Revenue from Public - <b>Note 6</b>	(3,064)	(5,860)
Net Public Costs	\$ 20,040,292	\$ 25,352,768
<b>Total Net Cost Strategy 1</b>	<b>\$ 25,392,216</b>	<b>\$ 28,582,507</b>
<b>Strategy 2</b>		
<b>Program Costs</b>		
Intragovernmental Costs	\$ 18,291,960	\$ 10,460,913
Less Intragovernmental Revenue - <b>Note 6</b>	-	-
Intragovernmental Net Costs	\$ 18,291,960	\$ 10,460,913
Public Costs	\$ 67,071,218	\$ 82,144,194
Less Earned Revenue from Public - <b>Note 6</b>	(9,304)	(15,251)
Net Public Costs	\$ 67,061,914	\$ 82,128,943
<b>Total Net Cost Strategy 2</b>	<b>\$ 85,353,874</b>	<b>\$ 92,589,856</b>
<b>Strategy 3</b>		
<b>Program Costs</b>		
Intragovernmental Costs	\$ 13,483,567	\$ 7,436,555
Less Intragovernmental Revenue - <b>Note 6</b>	(524,953)	(412,322)
Intragovernmental Net Costs	\$ 12,958,614	\$ 7,024,233
Public Costs	\$ 50,039,055	\$ 58,401,145
Less Earned Revenue from Public - <b>Note 6</b>	(7,346)	(8,554)
Net Public Costs	\$ 50,031,709	\$ 58,392,591
<b>Total Net Cost Strategy 3</b>	<b>\$ 62,990,323</b>	<b>\$ 65,416,824</b>
<b>Strategy 4</b>		
<b>Program Costs</b>		
Intragovernmental Costs	\$ 3,876,271	\$ 1,836,368
Less Intragovernmental Revenue - <b>Note 6</b>	(249,211)	(369,270)
Intragovernmental Net Costs	\$ 3,627,060	\$ 1,467,098
Public Costs	\$ 12,437,798	\$ 14,425,876
Less Earned Revenue from Public - <b>Note 6</b>	(526)	(334)
Net Public Costs	\$ 12,437,272	\$ 14,425,542
<b>Total Net Cost Strategy 4</b>	<b>\$ 16,064,332</b>	<b>\$ 15,892,640</b>
<b>Strategy 5</b>		
<b>Program Costs</b>		
Intragovernmental Costs	\$ 4,748,237	\$ 2,434,334
Less Intragovernmental Revenue - <b>Note 6</b>	-	-
Intragovernmental Net Costs	\$ 4,748,237	\$ 2,434,334
Public Costs	\$ 14,445,394	\$ 19,124,395
Less Earned Revenue from Public - <b>Note 6</b>	-	-
Net Public Costs	\$ 14,445,394	\$ 19,124,395
<b>Total Net Cost Strategy 5</b>	<b>\$ 19,193,631</b>	<b>\$ 21,558,729</b>
<b>Net Cost of Operations</b>	<b>\$ 208,994,376</b>	<b>\$ 224,040,556</b>

The accompanying notes are an integral part of these statements

**Court Services and Offender Supervision Agency**  
**Statements of Changes in Net Position**  
**For the Years Ended September 30, 2013 and 2012**  
(in dollars)

	<b>2013</b>	<b>2012</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
Beginning Balance	\$ (384,051)	\$ 461,562
<b>Budgetary Financing Sources:</b>		
Appropriations Used	197,370,941	212,984,329
Imputed Financing - <b>Note 8</b>	9,804,678	10,210,614
<b>Total Financing Sources</b>	<b>\$ 207,175,619</b>	<b>\$ 223,194,943</b>
<b>Net Cost of Operations</b>	<b>208,994,376</b>	<b>224,040,556</b>
<b>Ending Cumulative Results of Operations</b>	<b>\$ (2,202,808)</b>	<b>\$ (384,051)</b>
 <b>UNEXPENDED APPROPRIATIONS</b>		
Beginning Balance	\$ 34,349,967	\$ 40,961,214
<b>Budgetary Financing Sources</b>		
Appropriations Received	212,983,000	212,983,000
Rescission/Sequestration	(11,140,289)	-
Canceled Funds	(6,907,020)	(6,609,918)
Appropriations Used	(197,370,941)	(212,984,329)
<b>Total Financing Sources</b>	<b>\$ (2,435,250)</b>	<b>\$ (6,611,247)</b>
<b>Ending Unexpended Appropriations</b>	<b>\$ 31,914,717</b>	<b>\$ 34,349,967</b>
 <b>ENDING TOTAL NET POSITION</b>	 <b>\$ 29,711,909</b>	 <b>\$ 33,965,916</b>

The accompanying notes are an integral part of these statements

**Court Services and Offender Supervision Agency**  
**Statements of Budgetary Resources**  
**For the Years Ended September 30, 2013 and 2012**  
(in dollars)

	<u>2013</u>	<u>2012</u>
<b>Budgetary Resources</b>		
Unobligated Balance brought forward, October 1	\$ 22,557,820	\$ 21,242,264
Recoveries of Prior Year Obligations:	4,060,737	7,648,539
Other changes in unobligated balances	(6,907,020)	(6,491,961)
Unobligated balance from prior year Budget Authority, Net	19,711,537	22,398,842
Appropriation	201,842,711	212,983,000
Spending Authority from Offsetting Collections:	1,056,548	180,383
<b>Total Budgetary Resources</b>	<b>\$ 222,610,796</b>	<b>\$ 235,562,225</b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 201,828,505	\$ 213,004,405
Unobligated Balance, end of year		
Apportioned	\$ 2,288,820	\$ 1,919,655
Unapportioned	18,493,471	20,638,165
Total Unobligated Balance, end of year	20,782,291	22,557,820
<b>Total Budgetary Resources</b>	<b>\$ 222,610,796</b>	<b>\$ 235,562,225</b>
<b>Change in Obligated Balances</b>		
Unpaid obligations, brought forward, October 1	\$ 30,490,713	\$ 40,372,438
Obligations incurred	201,828,505	213,004,405
Outlays (gross)	(207,701,472)	(215,237,591)
Recoveries of prior year unpaid obligations	(4,060,737)	(7,648,539)
<b>Unpaid Obligations, end of year</b>	<b>\$ 20,557,009</b>	<b>\$ 30,490,713</b>
Uncollected Payments:		
Uncollected pymts, Fed Sources, brought forward Oct 1	\$ (346,193)	\$ (1,304,594)
Change in Uncollected pymts, Fed Sources	35,975	958,401
<b>Uncollected pymts, Fed Sources, end of year</b>	<b>\$ (310,218)</b>	<b>\$ (346,193)</b>
<b>Memorandum (non-add) entries:</b>		
Obligated balance, start of year	\$ 30,144,520	\$ 39,067,844
<b>Obligated Balance, end of year</b>	<b>\$ 20,246,791</b>	<b>\$ 30,144,520</b>
<b>Budget Authority and Outlays, Net:</b>		
Budget authority, gross	\$ 202,899,259	\$ 213,163,383
Actual offsetting collections	(1,102,467)	(1,128,711)
Change in uncollected customer pymts from Fed sources	35,975	958,401
<b>Budget authority, net</b>	<b>\$ 201,832,767</b>	<b>\$ 212,993,073</b>
<b>Net Outlays</b>		
Outlay, gross	\$ 207,701,472	\$ 215,237,591
Actual offsetting collections	(1,102,467)	(1,128,711)
<b>Outlays, net</b>	<b>\$ 206,599,005</b>	<b>\$ 214,108,880</b>

The accompanying notes are an integral part of these statements

## D. Notes to the FY 2013 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 Office of National Drug Control Policy (ONDCP) through 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 2013, the Agency was appropriated \$212,983,000 from Congress, of which the following allocation was made:

	<b>CSP</b>	<b>PSA</b>	<b>PSA Multi- Year</b>	<b>TOTAL FY 2013</b>	<b>TOTAL FY 2012</b>
Appropriation	\$153,548,000	\$58,435,000	\$1,000,000	\$212,983,000	\$212,983,000
Less: Rescission	307,096	116,870	2,000	425,966	-0-
Sequestration	7,724,386	2,939,631	50,306	10,714,323	-0-
Total	\$145,516,518	\$55,378,499	947,694	\$201,842,711	\$212,983,000

#### 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.

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

### **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.

### **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. Additional funding is provided through grants from the ONDCP. 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.

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

### **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.

### **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 11.9 percent of employees’ gross pay for normal retirement and 26.3 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.

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

### **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.

**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.

### **Funds from Dedicated Collections**

Funds from Dedicated Collections 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. 43, *Funds from Dedicated Collections*, 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 FY2012 financial statements were reclassified to conform to the FY2013 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, 2013 and 2012:

**Note 2: Fund Balance with Treasury (con’t)**

<b>Fund Balance</b>	<b>CSP</b>	<b>PSA</b>	<b>Total FY 2013</b>	<b>Total FY 2012</b>
Appropriated Funds	\$30,171,872	\$10,838,711	\$41,010,583	\$52,673,897

Status of the Fund Balance with Treasury consists of the following as of September 30, 2013 and 2012:

<b>Status of Fund Balance</b>	<b>CSP</b>	<b>PSA</b>	<b>Total FY 2013</b>	<b>Total FY 2012</b>
Unobligated Balance				
Available	\$837,069	\$1,451,751	\$2,288,820	\$1,919,655
Unavailable	13,902,916	4,590,555	18,493,471	20,638,165
Obligated Balance not yet Disbursed	15,419,338	4,827,453	20,246,791	30,144,519
Less: Accounts Receivable	143,439	31,048	174,487	28,442
<b>Total</b>	<b>\$30,015,884</b>	<b>\$10,838,711</b>	<b>\$40,854,595</b>	<b>\$52,673,897</b>

The Status of Fund Balance may differ from the Fund Balance due to reimbursable obligations that are in an Undelivered Order and/or Accounts Receivable status.

**Note 3: Accounts Receivable**

CSOSA’s Accounts Receivable consists of services provided in conjunction with reimbursable grants from the ONDCP and the DC Superior Court and Child and Family Services. The Receivables consists of the following:

<b>Receivables</b>	<b>CSP</b>	<b>PSA</b>	<b>Total FY 2013</b>	<b>Total FY 2012</b>
Federal Receivable	\$143,439	\$ -0-	\$143,439	\$262,281
Public Receivable	-0-	31,048	31,048	10,073
<b>Total Receivables</b>	<b>\$143,439</b>	<b>\$31,048</b>	<b>\$174,487</b>	<b>\$272,354</b>

**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

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

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.

Property, Plant and Equipment balances as of September 30, 2013 and 2012 are as follows:

<b>CSP</b>	<b>Estimated Useful Life</b>	<b>Purchase Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value FY 2013</b>	<b>Net Book Value FY 2012</b>
Equipment	5yrs	\$2,724,795	\$2,423,282	\$301,513	\$ 228,641
Leasehold Improvements	Based on life of lease	2,152,617	1,285,391	867,226	1,283,669
Internal Use Software	2yrs	18,543,444	16,881,301	1,662,143	2,113,314
<b>Total CSP</b>		<b>\$23,420,856</b>	<b>\$20,589,974</b>	<b>\$2,830,882</b>	<b>\$3,625,624</b>

<b>PSA</b>	<b>Estimated Useful Life</b>	<b>Purchase Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value FY 2013</b>	<b>Net Book Value FY 2012</b>
Equipment	5yrs	\$985,484	\$772,665	\$212,819	\$147,870
Leasehold Improvements	Based on life of lease	172,305	86,152	86,153	103,383
Internal Use Software	2yrs	7,272,689	4,178,856	3,093,833	3,383,108
<b>Total PSA</b>		<b>\$8,430,478</b>	<b>\$5,037,673</b>	<b>\$3,392,805</b>	<b>\$3,634,361</b>
<b>Total CSOSA</b>		<b>\$31,851,334</b>	<b>\$25,627,647</b>	<b>\$6,223,687</b>	<b>\$7,259,985</b>

**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, 2013 and 2012:

	<b>CSP</b>	<b>PSA</b>	<b>Total FY 2013</b>	<b>Total FY 2012</b>
Accrued Unfunded Liability	\$5,805,561	\$2,212,794	\$8,018,355	\$7,237,351
Actuarial FECA Liability	295,371	165,779	461,150	316,803
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$6,100,932</b>	<b>\$2,378,573</b>	<b>\$8,479,505</b>	<b>\$7,554,154</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>7,141,481</b>	<b>2,075,862</b>	<b>9,217,343</b>	<b>18,686,166</b>
<b>Total Liabilities</b>	<b>\$13,242,413</b>	<b>\$4,454,435</b>	<b>\$17,696,848</b>	<b>\$26,240,320</b>

**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

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

inter-agency agreements as either exchange or transfers in. Revenues consist of the following as of September 30, 2013 and 2012:

<b>Exchange/Earned Revenue</b>	<b>Intragovernmental Revenue</b>	<b>Earned Revenue from Public</b>	<b>Total FY2013</b>	<b>Total FY 2012</b>
CSP	\$774,165	\$-0-	\$774,165	\$781,592
PSA	-0-	20,240	20,240	30,000
<b>Total CSOSA</b>	<b>\$774,165</b>	<b>\$20,240</b>	<b>\$794,405</b>	<b>\$811,592</b>

**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.

<b>Future Operating Lease Payments Due</b>	
Fiscal Year 2014	6,862,326
Fiscal Year 2015	6,052,151
Fiscal Year 2016	5,462,251
Fiscal Year 2017	5,220,942
Fiscal Year 2018	5,428,517
Fiscal Year 2019	5,325,713
Fiscal Year 2020 and beyond	9,216,663
<b>Total Future Operating Lease Payments Due</b>	<b>\$43,568,563</b>

**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 (FGLI), 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 14.2 percent and 30.7 percent for FERS and 32.3 percent and 48.1 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, 2013 and 2012:

**Note 8: Imputed Financing Sources (con't)**

	<b>CSP</b>	<b>PSA</b>	<b>Total FY 2013</b>	<b>Total FY 2012</b>
FEHB	\$3,931,290	\$1,668,495	\$5,599,785	\$6,299,217
FEGLI	13,430	4,032	17,462	16,937
Pensions	2,834,348	1,353,083	4,187,431	3,894,460
<b>Total</b>	<b>\$6,779,068</b>	<b>\$3,025,610</b>	<b>\$9,804,678</b>	<b>\$10,210,614</b>

**Note 9: Contingencies and Commitments**

CSOSA is a party to various administrative proceedings, legal actions and claims. As of September 30, the estimated amount of losses relating to the cases classified as probable range from \$1 to \$7,821 and the estimated amount of losses relating to the cases classified as reasonably possible range from \$1 to \$354,892. CSOSA does not have any known obligations related to cancelled appropriations for contractual agreements which may require future financial obligations.

**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 2013 are:

<b>Fiscal Year September 30, 2013 Obligations Apportioned Under:</b>	<b>Direct Obligations</b>	<b>Reimbursable Obligations</b>	<b>Total FY 2013</b>	<b>Total FY 2012</b>
<b>CSP</b>				
Category A	\$146,226,430	\$788,399	\$147,014,829	\$154,657,299
<b>PSA</b>				
Category A	54,789,778	23,898	54,813,676	58,347,106
<b>Total</b>	<b>\$201,016,208</b>	<b>\$812,297</b>	<b>\$201,828,505</b>	<b>\$213,004,405</b>

**Note 11: Explanation of Differences Between the Statement of Budgetary Resources and the 2012 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 2014, which contain actual budget results for fiscal year 2012, was released in February 2013.

There were no material differences between the amounts for fiscal year 2012 published in the President's FY 2014 Budget and that reported in the accompanying SBRs for the fiscal year ending on September 30, 2012 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 2012 SBR to the 2013 President's budget.

**Note 11: Explanation of Differences Between the Statement of Budgetary Resources and the 2012 Budget of the United States Government (con't)**

Fiscal Year 2012	Budget Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources:	\$236	\$213	\$214
Differences:			
Prior Year Unobligated brought forward	(22)		
Other	(1)	(1)	
Budget of the United States	\$213	\$212	\$214

**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, 2013 and 2012.

	2013	2012
Resources used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred – Direct	\$201,016,208	\$212,220,520
Obligations Incurred – Reimbursable	812,297	783,885
Total Obligations Incurred	\$201,828,505	\$213,004,405
Less: Spending Authority from Off-setting collections and recoveries		
Earned Reimbursements		
Collected	1,102,467	1,128,710
Receivable from Federal Sources	(86,648)	(285,242)
Change in Unfilled Customers Orders without Advance	40,729	(663,085)
Recoveries of Prior Year Obligations	4,060,737	7,648,539
Total Spending Authority from Off-setting collections and recoveries	\$5,117,285	\$7,828,922
Obligations Net of Offsetting Collections and Recoveries	\$196,711,220	205,175,483
Net Obligations	\$196,711,220	\$205,175,483
Other Resources		
Imputed Financing from Costs Absorbed by Others	9,804,678	10,210,614
Net Other Resources	\$9,804,678	\$10,210,614
Total Resources Used to Finance Activities	\$206,515,898	\$215,386,097
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	\$505,480	\$7,965,690
Resources that Finance the Acquisition of Assets	(1,036,298)	(1,780,719)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(\$530,818)	\$6,184,971
Total Resources used to Finance the Net Cost of Operations	\$205,985,080	\$221,571,068
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	741,814	90,251
Increase in Exchange Revenue Receivable from the Public	20,976	30,000
Change in Other	(183,537)	(97,869)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	\$579,253	\$22,382
Components not Requiring or Generating Resources		
Depreciation and Amortization	2,444,689	2,573,857
Other	(14,646)	(126,751)
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	\$2,430,043	\$2,447,106
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	\$3,009,296	\$2,469,488
Net Cost of Operations	\$208,994,376	\$224,040,556

**Note 13: Undelivered Orders at the end of the Period**

CSOSA had Undelivered Orders totaling \$11,339,796 and \$11,804,677 as of September 30, 2013 and 2012 respectively.

## AFR Section III: Other Information

### Summary of Financial Statement Audit and Management Assurances

The tables below summarize material weaknesses identified by the financial statement audit and/or by the Agency through Federal Managers' Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA) management assurances. There were no material weaknesses identified by the auditors or management for FY 2013.

#### Summary of Financial Statement Audit:

<b>FY 2013 Audit Opinion:</b>		Unqualified			
<b>Restatement:</b>		No			
<u>Material Weakness</u>	<u>Beginning Balance</u>	<u>New</u>	<u>Resolved</u>	<u>Consolidated</u>	<u>Ending Balance</u>
NA	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Summary of Management Assurances:

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>					
<b>FY 2013 Statement of Assurance:</b>		Unqualified			
<u>Material Weakness</u>	<u>Beginning Balance</u>	<u>New</u>	<u>Resolved</u>	<u>Consolidated</u>	<u>Ending Balance</u>
NA	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>					
<b>FY 2013 Statement of Assurance:</b>		Unqualified			
<u>Material Weakness</u>	<u>Beginning Balance</u>	<u>New</u>	<u>Resolved</u>	<u>Consolidated</u>	<u>Ending Balance</u>
NA	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Conformance with Financial Management System Requirements (FMFIA § 4)</b>					
<b>FY 2013 Statement of Assurance:</b>		Systems conform to financial management system requirements			
<u>Material Weakness</u>	<u>Beginning Balance</u>	<u>New</u>	<u>Resolved</u>	<u>Consolidated</u>	<u>Ending Balance</u>
NA	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>		
	<b>Agency</b>	<b>Auditor</b>
Overall Substantial Compliance	Yes	Yes
1. System Requirements		Yes
2. Accounting Standards		Yes
3. USSGL at the Transaction Level		Yes

### **Improper Payments**

The Improper Payment Information Act (IPIA) of 2002 (P.L. 107-300), as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (P.L. 111-204), extends erroneous payment reporting requirements to all Federal programs and activities. IPERA 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 2012 payment transactions, CSOSA has determined that neither program poses the risk of improper payments exceeding both 2.5% and \$10 million.

### **Schedule of Spending**

The Schedule of Spending (SOS) presents an overview of how and where agencies are spending money. The SOS presents total budgetary resources, gross outlays, and fiscal year-to-date total obligations for the reporting entity. The following is CSOSA's SOS:

Court Services and Offender Supervision Agency  
Schedule of Spending  
For the Years Ended September 30, 2013 and 2012

	2013	2012
<b>What Money is Available to be Spent</b>		
Total Resources	\$ 222,610,795	\$ 235,562,225
Less Amount Available but Not Agreed to be Spent	2,288,820	1,919,655
Less Amount Not Available to be Spent	18,493,471	20,638,165
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 201,828,504</b>	<b>\$ 213,004,405</b>
 <b>How was the Money Spent</b>		
Category A		
Personnel Compensation	\$ 74,300,900	\$ 102,814,136
Personnel Benefits	28,170,204	39,179,650
Travel and Transportation	1,206,777	1,598,644
Transportation of Things	381,893	337,742
Rent, Communication and Utilities	14,911,029	19,156,833
Printing and Reproductions	85,828	199,640
Other contractual Services	41,764,870	45,714,044
Supplies and Materials	1,460,961	2,853,083
Equipment	2,311,624	2,553,474
Land and Structures	-	830,345
<b>Total Spending</b>	<b>\$ 164,594,086</b>	<b>\$ 215,237,591</b>
<b>Amounts Remaining to be Spent</b>	<b>37,234,418</b>	<b>(2,233,186)</b>
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 201,828,504</b>	<b>\$ 213,004,405</b>
 <b>Who did the Money go to</b>		
Federal	\$ 7,866,365	\$ 8,834,562
Non-Federal	193,962,139	204,169,843
<b>Total Amounts Agreed to be Spent</b>	<b>\$ 201,828,504</b>	<b>\$ 213,004,405</b>