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Independent Auditors' Report on Compliance and Other Matters

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

We have audited the consolidated balance sheet of the Court Services and Offender Supervision Agency as of September 30, 2005, and the related consolidated statement of net cost, changes in net position, and financing, and the combined statement of budgetary resources (hereinafter referred to as consolidated financial statements) for the year then ended, and have issued our report thereon dated July 15, 2008. Our report was modified to indicate that these consolidated financial statements have been restated.

We conducted our audit 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. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The management of CSOSA is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CSOSA. As part of obtaining reasonable assurance about whether CSOSA's fiscal year 2005 consolidated financial statements are free of material misstatement, we performed tests of CSOSA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CSOSA. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report, exclusive of those referred to in FFMIA, disclosed an instance of noncompliance or other matters that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02 as described below.

The Accountability of Tax Dollars Act of 2002 requires that agencies submit quarterly financial statements 45 days after each quarter-end, and audited financial statements (included in a Performance and Accountability Report) within 45 days after the end of the fiscal year. However, CSOSA did not submit quarterly financial statements and did not submit its Performance and Accountability Report within the 45-day time requirement.



The results of our tests of compliance discussed in the third paragraph of this report, exclusive of those referred to in FFMIA, disclosed no other instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether CSOSA's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements. The results of our tests of FFMIA disclosed instances, described in Exhibit I of the September 30, 2005 *Independent Auditors' Report on Internal Control Over Financial Reporting*, where CSOSA's financial management systems did not substantially comply with applicable Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which CSOSA's financial management systems did not substantially comply with Federal financial management systems requirements or the United States Government Standard General Ledger at the transaction level.

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

KPMG LLP

July 15, 2008