Court Services and Offender Supervision Agency for the District of Columbia

FY 2014 Agency Financial Report

November 14, 2014

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 2014 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, 2013 through September 30, 2014. 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 2014 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 Recovery 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 2014 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 a significant budget decrease in FY 2013 due to Sequestration and a permanent rescission. CSOSA's budget was partially-restored in FY 2014 and we were able to re-instate portions of critical offender and defendant support and supervision programs, to include substance abuse treatment. 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 2014, CSOSA is issuing an AFR and will include our complete FY 2014 Annual Performance Report with our FY 2016 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 2014 AFR is reliable and complete. As evidence, CSOSA has received unmodified (previously referred to as "unqualified") opinions from our independent auditors since agency inception. An unmodified audit opinion provides reasonable assurance that the CSOSA financial statement(s) were presented fairly in all material respects, in conformity with generally accepted accounting principles. CSOSA's FY 2014 internal evaluation concerning the adequacy of the Agency's management controls and systems did not identify material control weaknesses. In addition, the FY 2014 financial audit did not identify any financial reporting material weaknesses.

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 2014 AFR.

Nancy Ware

Nancy Ware
Director
November 14, 2014

AFR Section I: Management's Discussion and Analysis

A. Background

The Court Services and Offender Supervision Agency for the District of Columbia (CSOSA) was established by the National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act[1]). Following a three-year period of trusteeship, CSOSA was certified as an independent Executive Branch agency on August 4, 2000. CSOSA's mission is to increase public safety, prevent crime, reduce recidivism, and support the fair administration of justice in close collaboration with the community.

The Revitalization Act was designed to provide financial assistance to the District of Columbia by transferring full responsibility for several critical, front-line public safety functions to the Federal government. Three separate and disparately functioning entities of the District of Columbia government were reorganized into one federal agency, CSOSA. The new agency assumed its probation function from the DC Superior Court Adult Probation Division and its parole function from the DC Board of Parole. The 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 2014, 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 2014 Annual Performance Report with its FY 2016 Congressional Budget Justification and will post it on the CSOSA web site, located at WWW.CSOSA.GOV, in 2015.

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.

[1] Public Law 105-33, Title XI

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 2014, CSP supervised approximately 13,250 offenders on any given day and 21,000 different offenders over the course of the year. Approximately 7,800 offenders entered CSP supervision in FY 2014; 5,800 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[2]:

Probation: 20.5 to 21.0 months;
Parole[3]: 12.9 to 15.5 years; and
Supervised Release: 43.8 to 44.3 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.

CSP established one outcome indicator and one outcome-oriented performance goal related to public safety that are contained in our FY 2014 – 2018 Strategic Plan:

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 almost 14 percent in FY 2006 to just over 10 percent in FY 2010. From FY 2011 to FY 2014, revocations decreased by one additional percentage point. The decrease in revocations to incarceration since 2006 was driven primarily by parole and supervised release cases supervised on behalf of the U.S. Parole Commission. Between those years, revocations of parolees decreased over 11 percentage points and revocations of supervised release offenders

[2] Values represent the 95% confidence interval around the average length of sentence for offenders supervised on September 30, 2014.
[3] Life sentences have been excluded

decreased by almost six percentage points. The rate of revocation to incarceration among probation cases supervised by CSP on behalf of the Superior Court for the District of Columbia declined by three percentage points from FY 2006 to FY 2014.

CSP Total Supervised Population Revoked to Incarceration[1], by Supervision Type, FYs 2006–2014[2] (New Methodology)

	Parole			Supervised Release			Probation[3]			Total		
	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
2014	2,340	-13.8	6.1	5,166	-3.2	12.7	13,357	-11.0	8.7	20,863	-9.5	9.4

[1] Revocation (incarceration) data excludes a small number of cases that were closed and revoked but the offender was not incarcerated.
[2] Data for FY 2014 are preliminary.
[3] Probation also includes Civil Protection Order (CPO) and Deferred Sentence Agreement (DSA) cases.

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 2014 Annual Performance Report.

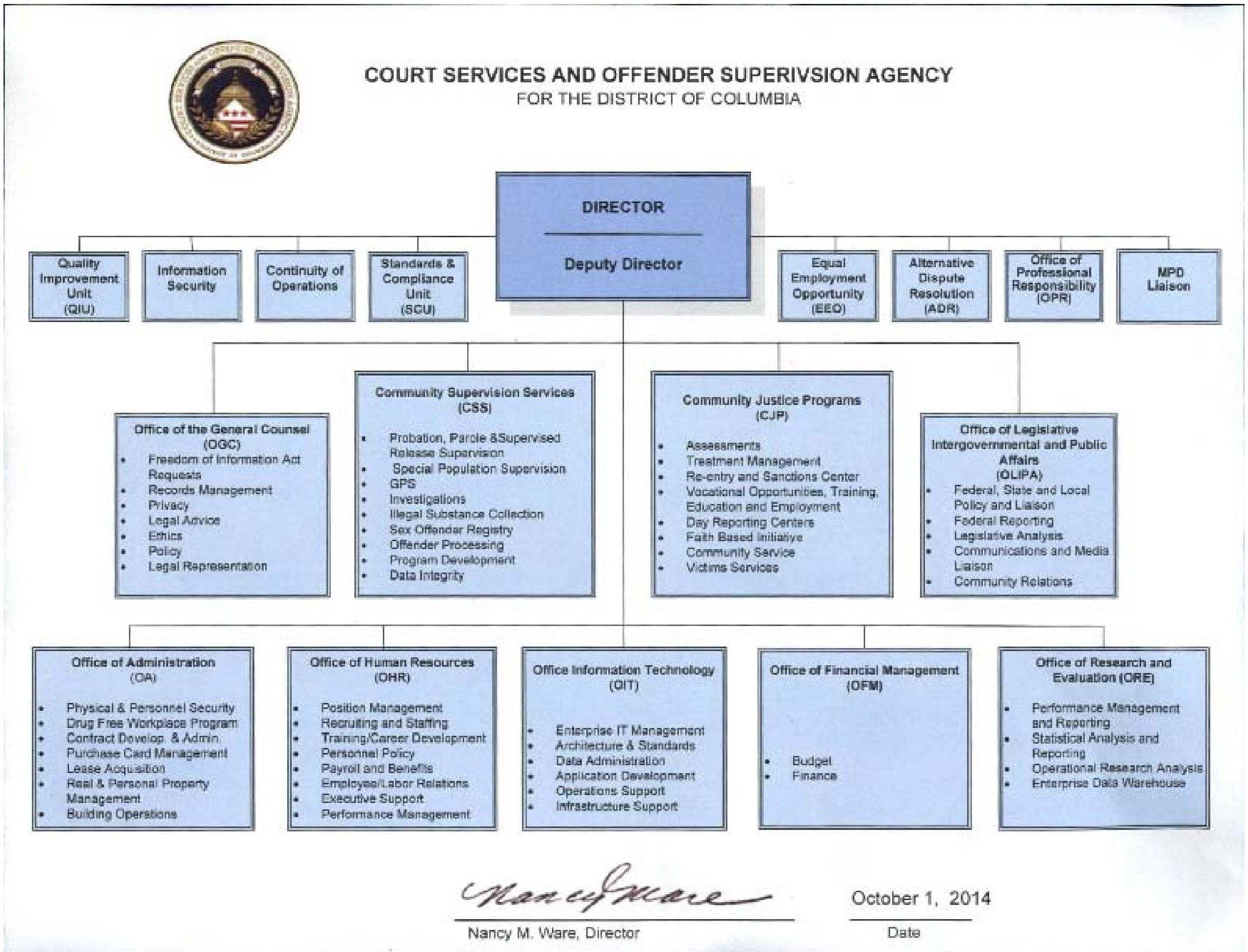
Pretrial Services Agency (PSA): The Pretrial Services Agency for the District of Columbia (PSA) assists judicial officers in both the Superior Court of the District of Columbia and the United States District Court for the District of Columbia by conducting a risk assessment for every arrested person 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 2014, PSA supervised 18,656 defendants including 14.142 defendants who were placed onto supervision during the year and 4,514 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.

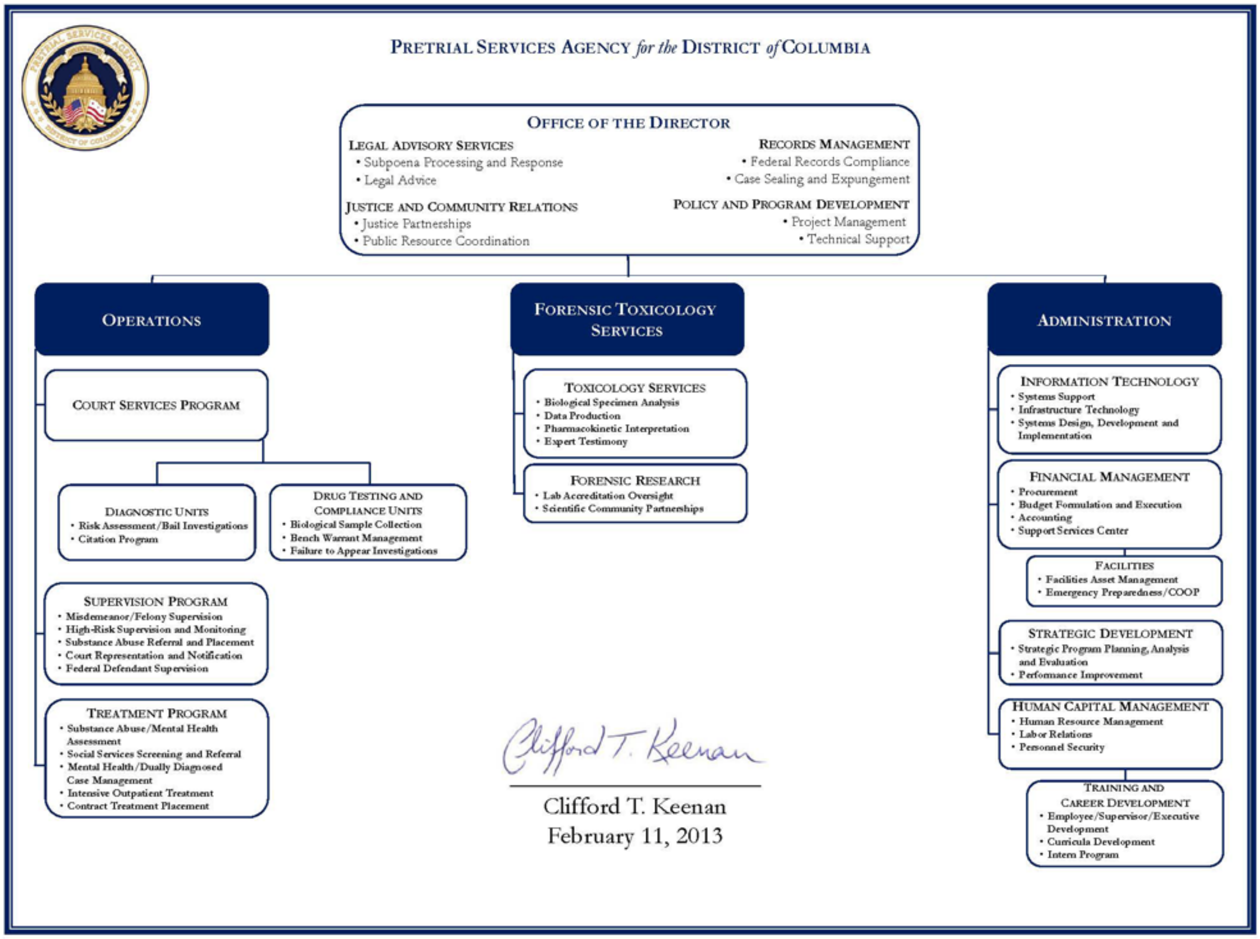
PSA continues to improve its identification and supervision of defendants who pose a higher risk of pretrial failure, and works with local justice and community partners to expand services and support for persons with substance use disorders and mental health needs. PSA emphasizes evidence-based operational and management practices and emphasizes human capital to improve quality. Most importantly, PSA continues its near 50-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:

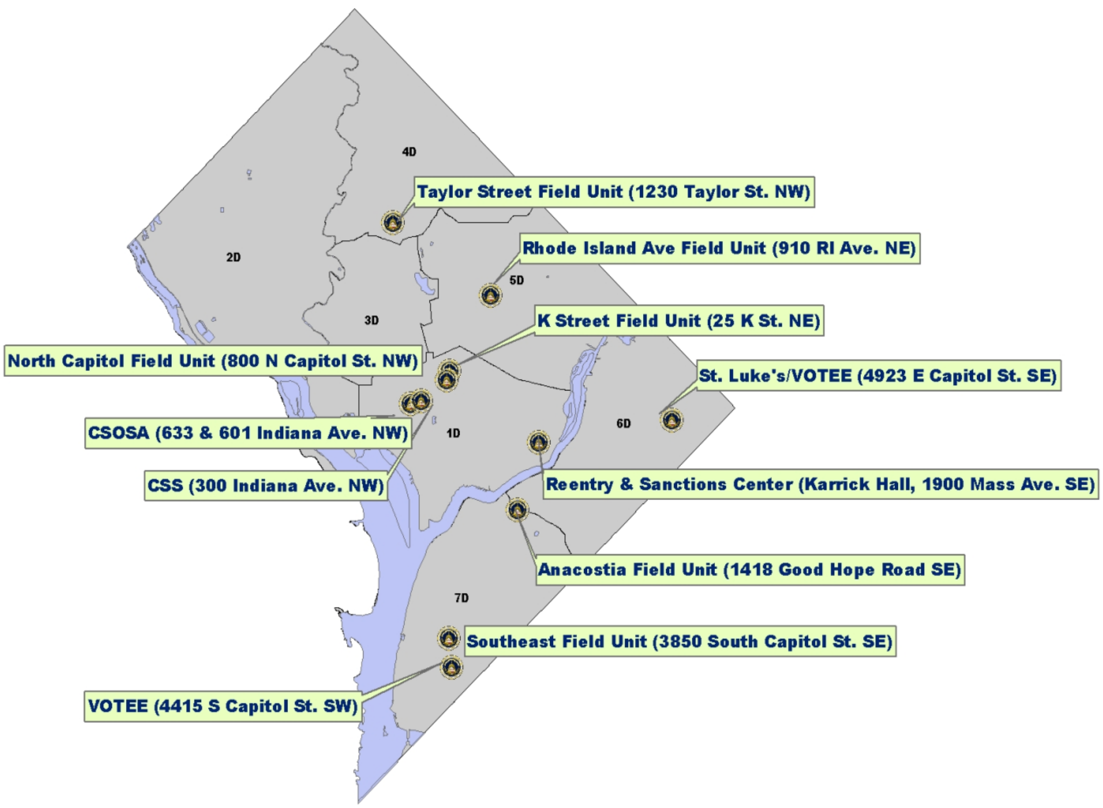


C. CSOSA Locations

CSOSA (CSP/PSA) occupies 16 total locations in the District of Columbia, including three (3) locations shared by CSP and PSA. CSOSA's headquarters is located at 633 Indiana Avenue, NW, Washington, DC.

CSP operates at 13 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 expiring over the next several 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 10th and F Streets N.W.

D. Performance Goals, Objectives and Results

CSOSA's mission is to increase public safety, prevent crime, reduce recidivism, and support the fair administration of justice in close collaboration with the community. Given that 70 percent of convicted offenders serve all or part of their sentence in the community and approximately 80 percent of pretrial defendants are released to the community, CSOSA's functions of effective supervision of pretrial defendants and convicted offenders, along with effective service to the Courts and paroling authority, are critical to public safety.

Although CSP and PSA have two distinct mandates and Strategic Plans, they share common strategic goals for the Agency's management and operations in FY 2014:

- 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 six strategic objectives encompassing all components of community-based supervision. The six strategic objectives are:

Strategic Objective 1.1: Risk and Needs Assessment – Assess an offender's risk and needs in a timely and effective manner to determine appropriate levels of supervision and the need for treatment and support services;

Strategic Objective 1.2: Close Supervision – Provide close supervision of assessed offenders through effective case management practices including incentives for compliance, immediate graduated sanctions for violations of release conditions and ongoing drug testing and monitoring;

Strategic Objective 1.3: Law Enforcement Partnerships – Establish partnerships with public safety agencies to facilitate close supervision of offenders in the community;

Strategic Objective 2.1: Treatment and Support Services – Provide appropriate treatment and support services as determined by the risk and needs assessment to assist offenders in maintaining compliance and reintegrating into the community;

Strategic Objective 2.2: Community Partnerships – Establish partnerships with faith institutions and community organizations to facilitate the delivery of reintegration services to offenders in the community; and

Strategic Objective 3.1: Timely and Accurate Information – 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 strategic objectives 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.

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 2014 Annual Performance Report, reporting all agency performance measures, will be included in the FY 2016 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 six **Strategic Objectives** that support the Agency's mission and drive the allocation of resources.

Strategic Objective 1.1: Risk and Needs Assessment. In FY 2014, 7,724 offenders entered CSP supervision; a five percent decrease from the 8,151 offenders who entered supervision in FY 2013. 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.

Strategic Objective 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, 2014 CSP supervised 12,320 total adult offenders, including 6,959 probationers and 5,361 offenders on supervised release or parole. The total number of offenders supervised on September 30, 2014 represents a ten percent decrease from the number offenders supervised on September 30, 2013 (13,693). 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, 2014 (1,373) has, in part, contributed to a reduction in the number of supervised offenders in FY 2014. Other factors contributing to the reduction may include:

- A significant decrease in the number of adults entering supervision in FYs 2013 and 2014 compared to previous years, possibly due to a decrease in crime (e.g., fewer people getting arrested);
- The closing out by CSP of an increased number of old warrant cases in FYs 2012 and 2013 as a result of a new Warrant Team created by CSP;
- A decrease in the parole population since parole was abolished in the District of Columbia in 2000;
- Quicker closing by CSP of monitored cases and cases past expiration;
- Increased CSP focus on requesting early termination of supervision for compliant offenders; and
- Demographic shifts in Washington, DC.

CSP Supervised Offenders by Supervision Type on September 30, 2012/2013/2014

	September 30, 2012		September 30, 2013		September 30, 2014[2]	
Supervision Type	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[1]	9,338	60.6%	8,013	58.5%	6,959	56.5%
Parole	2,027	13.2%	1,813	13.2%	1,632	13.2%
Supervised Release	4,034	26.2%	3,867	28.3%	3,729	30.3%
Total Supervised Offenders	15,399	100.0%	13,693	100.0%	12,320	100.0%

[1]Probation includes offenders with Civil Protection Orders and those with Deferred Sentence Agreements.
[2]Data for FY 2014 are preliminary.

On September 30, 2014, the average number of supervision cases per on-board supervision CSO was 51.4 offenders. CSP has frozen the hiring of CSO positions for the last three years due to budget shortages. 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 supervison levels increase to typical levels (e.g., 15,000), supervision ratios, and workload, will increase proportionally.

CSP Total Supervision Caseload Ratio on September 30, 2012/2013/2014

Fiscal Year	Total Supervised Offenders as of September 30th	On-Board Supervision CSOs [1]	On-Board CSO Caseload Ratio
FY 2012	15,399	272	56.6:1
FY 2013	13,693	259	52.9:1
FY 2014[2]	12,320	240	51.4:1

[1] Note: Additional CSO positions perform diagnostic and investigative functions.
[2] Data for FY 2014 are preliminary.

Effective in FY 2013 CSP uses a supervision workload re-balancing and realignment process that standardizes caseloads by offender risk and supervision type and has resulted in the re-allocation of resources to new, specialized supervision teams. 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. Offender caseload ratios for most of these specialized caseloads are lower than the overall 51.4:1 ratio. 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.

As of September 30, 2014, 293 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 2015. Moving low risk offenders to Kiosk reporting will allow supervision CSOs to place increased focus on our higher-risk offenders and better manage caseloads.

In FY 2014, CSP's Total Supervised Population from October 1, 2013 through September 30, 2014 was 20,863 unique offenders. Total Supervised Population (TSP) includes all Probation, Parole, Supervised Release, Civil Protection Orders, and Deferred Sentence Agreement offenders who were assigned to a Community Supervision Officer and supervised for at least one day within the reporting period. It is used by CSP as the basis for several performance goals. The FY 2014 Total Supervised Population represents almost a ten percent decrease from the FY 2013 Total Supervised Population (23,065).

CSP Total Supervised Population (TSP) by Supervision Type FY 2012 – FY 2014

	FY 2012 (October 1, 2011 – September 30, 2012)		FY 2013 (October 1, 2012 – September 30, 2013)		FY 2014 (October 1, 2013 – September 30, 2014)[2]	
Supervision Type	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[1]	16,087	65.7%	15,011	65.1%	13,357	64.0%
Parole	3,060	12.5%	2,716	11.8%	2,340	11.2%
Supervised Release	5,350	21.8%	5,338	23.1%	5,166	24.8%
TSP	24,497	100.0%	23,065	100.0%	20,863	100.0%

[1] Probation also includes offenders with Civil Protection Orders and those with Deferred Sentence Agreements.
[2] Data for FY 2014 are preliminary.

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 expiring over the next several 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 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.

On September 26, 2014, 289 high-risk offenders were placed on GPS Electronic Monitoring based on the request of their supervision CSO. CSP shares offender GPS data with other law enforcement entities, including the D.C. Metropolitan Police Department (MPD), the US Attorney's office and the U.S Marshals Service (USMS).

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 up to 32 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.

Strategic Objective 1.3: Law Enforcement Partnerships. Establishing effective partnerships with other criminal justice agencies facilitates close supervision of offenders in the community. The DC MPD, DC Housing Authority Police, Department of Youth Rehabilitation Services (DYRS), PSA, and Family Court Social Services are key players in CSP's public safety goal. Since MPD police officers and DC Housing Authority Police are in the community every day responding to law violations and are responsible for arresting individuals, they assist CSP with close supervision. DYRS and Family Court Social Services play important roles in relation to those offenders on CSP supervision who also have active cases in the juvenile justice system. PSA helps CSP with the detection of new charges for offenders already under CSP supervision. Additionally, CSP works closely with the USMS on warrant initiatives and the agency collaborates with the surrounding jurisdictions on cross-border crime issues.

CSP CSOs and DC MPD 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 also 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.

Strategic Objective 2.1: 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 in recent 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.

Strategic Objective 2.2: Community Partnerships. Establishing effective partnerships with faith institutions and community organizations helps to facilitate and enhance the delivery of reintegration services to offenders in the community. 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.

Strategy 2.1: Timely and Accurate Information. 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 informs 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 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, 2014, 18.3 percent of CSP's FY 2014 total supervised population had been rearrested in DC, MD, or VA (all charges considered) while under supervision. This rate has been steadily decreasing over the past several years.

As of June 30, 2014, 17.1 percent of supervised offenders were rearrested in the District (excluding MD/VA) when all charges were considered, but this percentage dropped to 13.1 percent when arrests for parole/probation violations were excluded. Although the percentage of offenders arrested on new charges is higher in FY 2014 compared to previous years, these data still indicate that a significant number of supervised offenders are rearrested each year in DC due to 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 2014 with almost one-fourth of supervised release offenders rearrested as of June 30, 2014 (DC, MD, and VA; all charges considered). Interestingly, when looking at the rearrests of offenders in DC only by supervision type, offenders on supervised release show the largest percentage point decrease 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 much new crime as previously suggested.

Percentage of Total Supervised Population Rearrested[1], FY 2010 - FY 2014

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Probation					
DC Arrests	18%	16%	14.1%	14.2%	15.3%
DC Arrests (new charges)[2]	N/A	N/A	10.3%	10.4%	11.9%
DC/MD/VA Arrests	23%	22%	18.1%	17.0%	16.5%
Parole					
DC Arrests	17%	17%	13.2%	14.7%	12.9%
DC Arrests (new charges)[2]	N/A	N/A	10.0%	10.0%	10.3%
DC/MD/VA Arrests	20%	20%	15.2%	16.2%	13.7%
Supervised Release					
DC Arrests	26%	25%	23.4%	23.7%	23.8%
DC Arrests (new charges)[2]	N/A	N/A	17.4%	16.4%	17.6%
DC/MD/VA Arrests	31%	30%	27.1%	26.3%	24.8%
Total Supervised Population					
DC Arrests	19%	18%	16.0%	16.5%	17.1%
DC Arrests (new charges)[2]	N/A	N/A	11.9%	11.8%	13.1%
DC/MD/VA Arrests	24%	23%	19.8%	19.1%	18.3%

[1] 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.
[2] Excludes arrests made for parole or probation violations.

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

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 21,621 samples from 6,650 unique offenders each month in FY 2014. This is a decrease from FY 2013 when, on average, CSP drug tested 26,154 samples from 7,962 unique offenders per month.

Of the tested population, 56.3 percent tested positive for illicit drugs at least one time (excluding alcohol) during FY 2014, which is comparable to the percentage of the population that tested positive in FY 2013.

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. In FYs 2010 and 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, a focus that is in line with our current FY 2014–2018 Strategic Plan.

Percentage of Active Tested Population Reporting at Least One Positive Drug Test, FY 2010 – FY 2014

	FY 2010[1]	FY 2011[1]	FY 2012[2]	FY 2013[2]	FY 2014[2,3]
Tests including alcohol	48%	45.2%	(62.5%)	(61.3%)	(61.6%)
Tests excluding alcohol	42%	39.8%	(57.7%)	(56.7%)	(56.3%)

[1]FYs 2010 – 2011: Only offenders who were in active status throughout the entire year, regardless of supervision level, are included in reporting.
[2]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). FY 2012-2014 data in parentheses represent the percentages derived using the new methodology.
[3]Data for FY 2014 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 FYs 2010 and 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 FYs 2012 - 2014 show that marijuana, cocaine and PCP use is much more prevalent in medium- through intensive-risk offenders, compared to minimum-level offenders. In FYs 2013 and 2014, roughly one-third of the higher risk population that tested positive for illicit substances used marijuana. Although there was a decrease from FY 2013 to FY 2014, roughly one out of six offenders that tested positive used cocaine during the most recent fiscal year. Over ten percent of the population that tested positive in FYs 2012 - 2014 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

Drug	FY 2010[1]	FY 2011[1]	FY 2012[2]	FY 2013[2]	FY 2014[2,3]
Marijuana	16%	16%	31.4%	32.9%	34.4%
PCP	4%	3%	11.3%	10.4%	11.5%
Opiates	18%	18%	18.1%	18.2%	16.9%
Methadone	5%	5%	1.5%	1.1%	1.2%
Cocaine	15%	13%	20.6%	17.9%	16.5%
Amphetamines	3%	3%	3.9%	4.8%	4.4%

[1]FYs 2010 – 2011: Only offenders who were in active status throughout the entire year, regardless of supervision level, are included in reporting.
[2]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.
[3] Data for FY 2014 are preliminary.

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 2014 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 2014 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 supports the CSOSA strategic goals of 1) Establishing strict accountability and preventing the population supervised from engaging in criminal activity; 2) Delivering preventative interventions to the population supervised based on assessed need; and 3) Supporting the fair administration of justice by providing accurate information and meaningful recommendations to criminal justice decision-makers.

Strategic Outcomes

Consistent with its mission-and the legal status of pretrial defendants-PSA's three key strategic outcomes are:

- *Minimizing rearrests* among defendants released while pending trial to help assure public safety.

- *Reducing failures to appear for scheduled court appearances* to help promote more efficient administration of justice.

- *Maximizing the number of defendants who remain on release at the conclusion of their pretrial status with no pending requests for removal or revocation at the conclusion of their pretrial status* to encourage defendant accountability.

Strategic Goals

To translate the strategic goals and outcomes into operational terms, PSA has adopted four Strategic Goals that are linked to the outcomes of promoting public safety, court appearance and defendant accountability.

Strategic Goal 1 – *Help judicial officers make informed release and detention decisions throughout the pretrial period.* 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 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 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 substance use disorder, 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 release conditions including, but not limited to, drug testing, substance use disorder treatment, mental health treatment, orders to stay-away from specified persons or places, regular and frequent face-to-face contact with a Pretrial Services Officer (PSO), halfway house placement, GPS and electronic monitoring.

Strategic Goal 2 – *Supervise defendants to support court appearance and enhance public safety.* 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 use disorder 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 presentments. 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.

Strategic Goal 3 – *Integrate treatment and pro-social interventions into supervision to support court appearances and enhance public safety.* PSA provides or makes referrals to effective substance use disorder, 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 illicit drug use, problematic alcohol use, and other criminogenic needs; 2) delivering and facilitating evidence-based substance use disorder treatment; 3) using motivational strategies and program incentives to encourage treatment initiation, engagement, and retention; 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 use disorders, mental health disorders, or both (referred to as "dual diagnosis"). Treatment, either for substance use or mental health disorders, 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 involvement and crime. In addition to public safety benefits, the community also benefits from the cost savings of providing supervision with appropriate treatment in lieu of incarceration. A study conducted by the Department of Justice found that drug courts significantly reduce drug use, crime, and costs.[4] 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 levels of care, modalities and interventions. Each program provides centralized case management of defendants, with Drug Court also providing direct treatment services. This organizational structure facilitates specialized supervision practices and consistent responses to positive and problem behaviors, which lead to better interim outcomes for defendants. In addition to drug use, other factors such as unemployment, low educational attainment, and homelessness can contribute to

[4] 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.

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.

Strategic Goal 4 – *Partner with stakeholders to address defendant needs and produce better system outcomes.* PSA's partnerships with the judicial system agencies, local government, law enforcement and the community enhance its ability to provide effective community supervision, enforce accountability, increase community awareness of PSA's public safety role, and develop opportunities for defendants under pretrial supervision and pretrial diversion.

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 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2014-2017 Target
Percentage of Defendants Who Remain Arrest-free During the Pretrial Release Period						
Any crimes	88%	88%	89%	90%	89%	88%
Violent crimes	97%	99%	99%	>99%	99%	98%
Percentage of Defendants Who Make All Scheduled Court Appearances						
Any defendants	88%	88%	89%	88%	88%	87 %
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						
	83%	88%	88%	87%	88%	85%

* 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 2014 CSOSA financial statements report appropriated and reimbursable budget authority.

CSOSA's largest asset is Fund Balance with U.S. Treasury which totaled $65,457,243 and $41,010,583 as of September 30, 2014 and 2013, respectively. This represented 92.4 percent and 86.5 percent of total assets as of September 30, 2014 and 2013, 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 $16,299,537 and $15,803,668, as of September 30, 2014 and 2013, respectively. Collectively they comprised 93.1 percent and 89.3 percent of total liabilities, as of September 30, 2014 and 2013, respectively. The increase in liabilities from one year to the next is due in part to a higher percentage rate for the Accrued Payroll and Benefits.

CSOSA's FY 2014 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 2014 budget authority, unobligated balances of the five prior fiscal years (FY 2009 – 2013) as of October 1, 2013, recoveries of prior year obligations, and any adjustments to these resources.

CSP has FY 2014 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 Department of Justice, U.S. Parole Commission for a reimbursable employee detail.
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 $247,210,474 and $222,610,796 as of September 30, 2014 and 2013, respectively. These amounts include FY 2014 Budgetary Authority of $226,484,000 in direct annual funding, $1,482,343 in direct 3-year funding and $2,605,297 in net reimbursable transactions as of September 30, 2014, and $200,842,711 in FY 2013 direct annual funding, $1,000,000 in direct 3-year funding and $1,056,548 in net reimbursable transactions as of September 30, 2013.

Total Obligations Incurred was $226,819.184 and $201,828,505 as of September 30, 2014 and 2013, respectively. These amounts include direct obligations of $226,026,811 and reimbursable obligations of $792,373 as of September 30, 2014 and $201,016,208 and reimbursable obligations of $812,297 as of September 2013.

CSOSA's FY 2014 Statement of Budgetary Resources shows $195,947,323 in net outlays, a decrease of $10,651,682 from the previous year's total net outlays of $206,599,005.

Statement of Budgetary Resources Summary

	FY2014			FY2013		
	CSP	**PSA**	**CSOSA**	**CSP**	**PSA**	**CSOSA**
Budgetary Resources:						
Direct	$ 183,598,524	$ 62,819,577	$ 246,418,101	$ 158,904,789	$ 62,649,459	$ 221,554,248
Reimbursable	779,811	12,562	792,373	972,388	84,160	1,056,548
Total	$ 184,378,335	$ 62,832,139	$ 247,210,474	$ 159,877,177	$ 62,733,619	$ 222,610,796
Obligations Incurred:						
Direct	$ 165,828,072	$ 60,198,739	$ 226,026,811	$ 146,226,430	$ 54,789,778	$ 201,016,208
Reimbursable	772,908	19,465	792,373	788,399	23,898	812,297
Total	$ 166,600,980	$ 60,218,204	$ 226,819,184	$ 147,014,829	$ 54,813,676	$ 201,828,505
Net Outlays:						
Gross Direct	$144,412,933	$ 55,419,764	$ 199,832,697	$ 152,238,813	$ 55,462,659	$ 207,701,472
Less: Offsetting Collections	3,854,988	30,386	3,885,374	1,096,052	6,415	1,102,467
Total	$ 140,557,945	$ 55,389,378	$ 195,947,323	$ 151,142,761	$ 55,456,244	$ 206,599,005

The Net Cost of Operations in FY 2014 was $208,458,334 on CSOSA's Statement of Net Cost, a decrease of $536,042 over the previous year's Net Cost of Operations of $208,994,376.

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 2014. 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 2014.

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 fifteenth consecutive year, CSOSA has earned an unmodified (previously referred to as "unqualified") audit opinion on its financial statements from our independent public accountants, KPMG LLP. FY 2014 represents the fourth 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 2014 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 2015.

Paul Girardo
Chief Financial Officer
November 14, 2014

B. FY 2014 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, 2014 and 2013, and the related statements of net cost, and changes in net position, and 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.

KPMG

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Court Services and Offender Supervision Agency as of September 30, 2014 and 2013, 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 November 14, 2014 on our consideration of CSOSA's internal control over financial reporting and our report dated November 14, 2014 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
November 14, 2014

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, 2014 and 2013, 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 November 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2014, 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.

KPMG

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
November 14, 2014

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, 2014 and 2013, 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 November 14, 2014.

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
November 14, 2014

C. FY 2014 Financial Statements

Court Services and Offender Supervision Agency
Balance Sheets
As of September 30, 2014 and 2013
(in dollars)

		2014		2013
Assets				
Intragovernmental				
Fund Balance with Treasury - **Note 2**	$	65,457,243	$	41,010,583
Accounts Receivable - Federal - **Note 3**		33,970		143,439
With The Public				
Accounts Receivable - **Note 3**		9,491		31,048
Property, Plant and Equipment - **Note 4**		5,334,450		6,223,687
Total Assets	**$**	**70,835,154**	**$**	**47,408,757**
Liabilities				
Intragovernmental Liabilities:				
Accounts Payable	$	720,166	$	1,432,030
Advances from Other Federal Agencies				
With The Public				
Accounts Payable		4,008,065		4,356,614
Accrued Payroll & Benefits		4,331,931		3,428,699
Actuarial FECA Liability		487,890		461,150
Accrued Unfunded Liabilities		7,959,541		8,018,355
Total Liabilities - Note 5	**$**	**17,507,593**	**$**	**17,696,848**
Net Position				
Unexpended Appropriation	$	56,411,599	$	31,914,717
Cumulative Results of Operations		(3,084,038)		(2,202,808)
Total Net Position	**$**	**53,327,561**	**$**	**29,711,909**
Total Liabilities and Net Position	**$**	**70,835,154**	**$**	**47,408,757**

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, 2014 and 2013
(in dollars)

	2014	2013
Strategy 1.1		
Program Costs		
Intragovernmental Costs	$ 4,648,034	$ 5,351,924
Less Intragovernmental Revenue - **Note 6**	(49,334)	-
Intragovernmental Net Costs	$ 4,598,700	$ 5,351,924
Public Costs	$ 26,095,964	$ 20,043,356
Less Earned Revenue from Public - **Note 6**	739	(3,064)
Net Public Costs	$ 26,096,703	$ 20,040,292
Total Net Cost Strategy 1.1	**$ 30,695,403**	**$ 25,392,216**
Strategy 1.2		
Program Costs		
Intragovernmental Costs	$ 12,083,515	$ 18,291,960
Less Intragovernmental Revenue - **Note 6**	(124,106)	-
Intragovernmental Net Costs	$ 11,959,409	$ 18,291,960
Public Costs	$ 67,875,889	$ 67,071,218
Less Earned Revenue from Public - **Note 6**	2,031	(9,304)
Net Public Costs	$ 67,877,920	$ 67,061,914
Total Net Cost Strategy 1.2	**$ 79,837,329**	**$ 85,353,874**
Strategy 1.3		
Program Costs		
Intragovernmental Costs	$ 1,090,837	$ 13,483,567
Less Intragovernmental Revenue - **Note 6**	(16,573)	(524,953)
Intragovernmental Net Costs	$ 1,074,264	$ 12,958,614
Public Costs	$ 6,071,023	$ 50,039,055
Less Earned Revenue from Public - **Note 6**	-	(7,346)
Net Public Costs	$ 6,071,023	$ 50,031,709
Total Net Cost Strategy 1.3	**$ 7,145,287**	**$ 62,990,323**
Strategy 2.1		
Program Costs		
Intragovernmental Costs	$ 9,175,930	$ 3,876,271
Less Intragovernmental Revenue - **Note 6**	(229,077)	(249,211)
Intragovernmental Net Costs	$ 8,946,853	$ 3,627,060
Public Costs	$ 51,543,050	$ 12,437,798
Less Earned Revenue from Public - **Note 6**	1,542	(526)
Net Public Costs	$ 51,544,592	$ 12,437,272
Total Net Cost Strategy 2.1	**$ 60,491,445**	**$ 16,064,332**
Strategy 2.2		
Program Costs		
Intragovernmental Costs	$ 1,639,114	$ 4,748,237
Less Intragovernmental Revenue - **Note 6**	(21,584)	-
Intragovernmental Net Costs	$ 1,617,530	$ 4,748,237
Public Costs	$ 9,160,003	$ 14,445,394
Less Earned Revenue from Public - **Note 6**	122	-
Net Public Costs	$ 9,160,125	$ 14,445,394
Total Net Cost Strategy 2.2	**$ 10,777,655**	**$ 19,193,631**
Strategy 3.1		
Program Costs		
Intragovernmental Costs	$ 2,979,011	$ -
Less Intragovernmental Revenue - **Note 6**	(47,407)	-
Intragovernmental Net Costs	$ 2,931,604	$ -
Public Costs	$ 16,579,611	$ -
Less Earned Revenue from Public - **Note 6**	-	-
Net Public Costs	$ 16,579,611	$ -
Total Net Cost Strategy 3.1	**$ 19,511,215**	**$ -**
Net Cost of Operations	**$ 208,458,334**	**$ 208,994,376**

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, 2014 and 2013
(in dollars)

		2014		2013
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance	$	(2,202,808)	$	(384,051)
Budgetary Financing Sources:				
Appropriations Used		195,868,733		197,370,941
Imputed Financing - **Note 8**		11,708,371		9,804,678
Total Financing Sources	$	207,577,104	$	207,175,619
Net Cost of Operations		208,458,334		208,994,376
Ending Cumulative Results of Operations	**$**	**(3,084,038)**	**$**	**(2,202,808)**
UNEXPENDED APPROPRIATIONS				
Beginning Balance	$	31,914,717	$	34,349,967
Budgetary Financing Sources				
Appropriations Received		226,484,000		212,983,000
Rescission/Sequestration		-		(11,140,289)
Canceled Funds		(6,118,385)		(6,907,020)
Appropriations Used		(195,868,733)		(197,370,941)
Total Financing Sources	$	24,496,882	$	(2,435,250)
Ending Unexpended Appropriations	**$**	**56,411,599**	**$**	**31,914,717**
ENDING TOTAL NET POSITION	**$**	**53,327,561**	**$**	**29,711,909**

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, 2014 and 2013
(in dollars)

	2014	2013
Budgetary Resources		
Unobligated Balance brought forward, October 1	$ 20,782,291	$ 22,557,820
Recoveries of Prior Year Obligations:	1,965,060	4,060,737
Other changes in unobligated balances	(6,108,517)	(6,907,020)
Unobligated Balance from prior year Budget Authority, Net	16,638,834	19,711,537
Appropriation	226,484,000	201,842,711
Spending Authority from Offsetting Collections:	4,087,640	1,056,548
Total Budgetary Resources	**$ 247,210,474**	**$ 222,610,796**
Status of Budgetary Resources		
Obligations Incurred	$ 226,819,184	$ 201,828,505
Unobligated Balance, end of year		
Apportioned	$ 5,345,339	$ 2,288,820
Unapportioned	15,045,951	18,493,471
Total Unobligated Balance, end of year	20,391,290	20,782,291
Total Budgetary Resources	**$ 247,210,474**	**$ 222,610,796**
Change in Obligated Balances		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	$ 20,557,009	$ 30,490,713
Obligations incurred	226,819,184	201,828,505
Outlays (gross)	(199,832,697)	(207,701,472)
Recoveries of prior year unpaid obligations	(1,965,060)	(4,060,737)
Unpaid Obligations, end of year	**$ 45,578,436**	**$ 20,557,009**
Uncollected Payments:		
Uncollected pymts, Fed Sources, brought forward Oct 1	$ (310,218)	$ (346,193)
Change in Uncollected pymts, Fed Sources	(202,266)	35,975
Uncollected pymts, Fed Sources, end of year	**$ (512,484)**	**$ (310,218)**
Memorandum (non-add) entries:		
Obligated balance, start of year	$ 20,246,791	$ 30,144,520
Obligated balance, end of year	**$ 45,065,952**	**$ 20,246,791**
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 230,571,640	$ 202,899,259
Actual offsetting collections	(3,885,374)	(1,102,467)
Change in uncollected customer pmts from Fed sources	(202,266)	35,975
Budget authority, net	**$ 226,484,000**	**$ 201,832,767**
Net Outlays		
Outlay, gross	$ 199,832,697	$ 207,701,472
Actual offsetting collections	(3,885,374)	(1,102,467)
Outlays, net	**$ 195,947,323**	**$ 206,599,005**

The accompanying notes are an integral part of these statements

D. Notes to the FY 2014 Financial Statements

Note 1: Summary of Significant Accounting Policies:

<u>Description of Entity</u>

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 2014, the Agency was appropriated $226,484,000 from Congress, of which the following allocation was made:

	CSP	PSA	TOTAL FY 2014	TOTAL FY 2013
Appropriation	$167,269,000	$59,215,000	$226,484,000	$212,983,000
Multi-Year Fund	-0-	1,482,343	1,482,343	-0-
Less: Rescission	-0-	-0-	-0-	425,966
Sequestration	-0-	-0-	-0-	10,714,323
Total	$167,269,000	$60,697,343	$227,966,343	$201,842,711

<u>Basis of Presentation</u>

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.

<u>Basis of Accounting</u>

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.

Liabilities

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

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

Contingencies and Commitments

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

Annual, Sick and Other Leave

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

Interest on Late Payments

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

Retirement Plans

CSOSA participates in the retirement plans offered by the Office of Personnel Management (OPM) and does not maintain any private retirement plans. CSOSA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). For employees covered by the CSRS, CSOSA contributes 7.0 percent of the employees' gross pay for normal retirement and 7.5 percent for law enforcement retirement. For employees covered by the FERS, CSOSA contributes 11.9 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.

Federal Employees Compensation Benefits

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

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

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

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

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

Earmarked Funds

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

Use of Estimates

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

Reclassifications

The FY2013 financial statements were reclassified to conform to the FY2014 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, 2014 and 2013:

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

Fund Balance	CSP	PSA	Total FY 2014	Total FY 2013
Appropriated Funds	$53,571,929	$11,885,314	$65,457,243	$41,010,583

Status of the Fund Balance with Treasury consists of the following as of September 30, 2014 and 2013:

Status of Fund Balance	CSP	PSA	Total FY 2014	Total FY 2013
Unobligated Balance				
Available	$5,185,841	$159,498	$5,345,339	$2,288,820
Unavailable	12,591,514	2,454,437	15,045,951	18,493,471
Obligated Balance not yet Disbursed	35,794,573	9,271,379	45,065,952	20,246,791
Total	$53,571,928	$11,885,314	$65,457,242	$40,029,082

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:

Receivables	CSP	PSA	Total FY 2014	Total FY 2013
Federal Receivable	$33,970	$ -0-	$33,970	$143,439
Public Receivable	3,417	6,074	9,491	31,048
Total Receivables	$37,387	$6,074	$43,461	$174,487

Note 4: General Property, Plant and Equipment, Net

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

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

Property, Plant and Equipment balances as of September 30, 2014 and 2013 are as follows:

CSP	Estimated Useful Life	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2014	Net Book Value FY 2013
Equipment	5yrs	$2,731,086	$2,499,655	$231,431	$ 301,513
Leasehold Improvements	Based on life of lease	2,152,617	1,557,978	594,639	867,226
Internal Use Software	2yrs	18,878,221	17,647,162	1,231,059	1,662,143
Total CSP		$23,761,924	$21,704,795	$2,057,129	$2,830,882

PSA	Estimated Useful Life	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2014	Net Book Value FY 2013
Equipment	5yrs	$1,140,805	$852,983	$287,822	$212,819
Leasehold Improvements	Based on life of lease	172,305	103,383	68,922	86,153
Internal Use Software	2yrs	7,272,689	4,468,130	2,804,559	3,093,833
Construction in Process		116,018	-0-	116,018	-0-
Total PSA		$8,701,817	$5,424,496	$3,277,321	$3,392,805
Total CSOSA		$32,463,741	$27,129,291	$5,334,450	$6,223,687

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, 2014 and 2013:

	CSP	PSA	**Total** FY 2014	**Total** FY 2013
Accrued Unfunded Liability	$5,652,445	$2,307,096	$7,959,541	$8,018,355
Actuarial FECA Liability	363,538	124,352	487,890	461,150
Total Liabilities Not Covered by Budgetary Resources	$6,015,983	$2,431,448	$8,447,431	$8,479,505
Total Liabilities Covered by Budgetary Resources	6,786,055	2,274,107	9,060,162	9,217,343
Total Liabilities	$12,802,038	$4,705,555	$17,507,593	$17,696,848

Note 6: Exchange/Earned Revenue

CSOSA earns exchange revenue through inter-agency agreements with other Federal and state entities for which CSOSA provides grant administration services. Revenues are recognized at the time related program or administrative expenses are incurred. CSOSA reviews and classifies their inter-agency agreements as either exchange or transfers in. Revenues consist of the following as of September 30, 2014 and 2013:

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

Exchange/Earned Revenue	**Intragovernmental Revenue**	**Earned Revenue from Public**	**Total FY2014**	**Total FY 2013**
CSP	$479,214	$-0-	$479,214	$774,165
PSA	-0-	4,433	4,433	20,240
Total CSOSA	$479,214	$4,433	$483,647	$794,405

Note 7: Leases

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

Future Operating Lease Payments Due	
Fiscal Year 2015	$5,904,326
Fiscal Year 2016	5,371,536
Fiscal Year 2017	5,085,136
Fiscal Year 2018	5,203,637
Fiscal Year 2019	5,211,111
Fiscal Year 2020	5,329,996
Fiscal Year 2021 and beyond	4,238,780
Total Future Operating Lease Payments Due	$36,344,522

Note 8: Imputed Financing Sources

Imputed financing recognizes actual cost of future benefits to employees, the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and the Retirement Plans that are paid by other Federal entities. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate these costs. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees. For "regular" and "law enforcement" employees of FERS and CSRS, OPM calculated that 15.1 percent and 33.3 percent for FERS and 32.8 percent and 48.8 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, 2014 and 2013:

	CSP	**PSA**	**Total FY 2014**	**Total FY 2013**
FEHB	$3,825,045	$1,630,759	$5,455,804	$5,599,785
FEGLI	14,116	4,191	18,307	17,462
Pensions	4,156,089	2,078,171	6,234,260	4,187,431
Total	$7,995,250	$3,713,121	$11,708,371	$9,804,678

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 $30,131 and the estimated amount of losses relating to the cases classified as reasonably possible range from $1 to $2,850,000. There are a total of 9 cases classified as either probable or reasonably possible. Included in these 9 cases are 4 cases that are being disclosed because the amounts of the potential loss cannot be estimated. As stated in SFFAS5, "A contingent liability should be disclosed if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred".

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 2014 are:

Fiscal Year September 30, 2014 Obligations Apportioned Under:	Direct Obligations	Reimbursable Obligations	Total FY 2014	Total FY 2013
CSP				
Category A	$165,828,072	$772,908	$166,600,980	$147,014,829
PSA				
Category A	60,198,739	19,465	60,218,204	54,813,676
Total	$226,026,811	$792,373	$226,819,184	$201,828,505

Note 11: Explanation of Differences Between the Statement of Budgetary Resources and the 2015 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 2015, which contain actual budget results for fiscal year 2013, was released in March 2014.

There were no material differences between the amounts for fiscal year 2013 published in the President's FY 2015 Budget and that reported in the accompanying SBRs for the fiscal year ending on September 30, 2013 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 2013 SBR to the 2014 President's budget.

Fiscal Year 2013	Budget Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources:	$223	$202	$207
Differences:			
Prior Year Unobligated brought forward	(19)		
Prior Year Collections from offsetting collections	(1)		
Other	1	(1)	
Budget of the United States	$204	$201	$207

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, 2014 and 2013.

Resources used to Finance Activities: Budgetary Resources Obligated	2014	2013
Total Obligations Incurred	$226,819,184	$201,828,505
Less: Spending Authority from Off-setting collections and recoveries		
Earned Reimbursements		
Collected	3,885,374	1,102,467
Receivable from Federal Sources	(133,366)	(86,648)
Change in Unfilled Customers Orders without Advance	335,632	40,729
Recoveries of Prior Year Obligations	1,965,060	4,060,737
Total Spending Authority from Off-setting collections and recoveries	$6,052,700	$5,117,285
Obligations Net of Offsetting Collections and Recoveries	$220,766,484	$196,711,220
Net Obligations	$220,766,484	$196,711,220
Other Resources		
Imputed Financing from Costs Absorbed by Others	11,708,371	9,804,678
Net Other Resources	$11,708,371	$9,804,678
Total Resources Used to Finance Activities	$232,474,855	$206,515,898
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	($24,842,975)	$505,480
Resources that Finance the Acquisition of Assets	(889,237)	(1,036,298)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	($25,732,212)	($530,818)
Total Resources used to Finance the Net Cost of Operations	$206,742,643	$205,985,080
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	57,571	741,814
Increase in Exchange Revenue Receivable from the Public	24,974	20,976
Change in Other	25,496	(183,537)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$108,041	$579,253
Components not Requiring or Generating Resources		
Depreciation and Amortization	1,501,643	2,444,689
Other	106,007	(14,646)
Total Components of Net Cost of Operations that will not Require or Generate Resources	$1,607,650	$2,430,043
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	$1,715,691	$3,009,296
Net Cost of Operations	$208,458,334	$208,994,376

Note 13: Undelivered Orders at the end of the Period

CSOSA had Undelivered Orders totaling $36,518,403 as of September 30, 2014.

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 2014.

Summary of Financial Statement Audit:

FY 2014 Audit Opinion:	Unqualified				
Restatement:	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NA	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

Summary of Management Assurances:

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
FY 2014 Statement of Assurance:	Unqualified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NA	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

Effectiveness of Internal Control over Operations (FMFIA § 2)					
FY 2014 Statement of Assurance:	Unqualified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NA	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

Conformance with Financial Management System Requirements (FMFIA § 4)					
FY 2014 Statement of Assurance:	Systems conform to financial management system requirements				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NA	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
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 2014 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, 2014 and 2013

	2014	2013
What Money is Available to be Spent		
Total Resources	$ 247,210,474	$ 222,610,795
Less Amount Available but Not Agreed to be Spent	5,345,339	2,288,820
Less Amount Not Available to be Spent	15,045,951	18,493,471
Total Amounts Agreed to be Spent	$ 226,819,184	$ 201,828,504
How was the Money Spent		
Category A		
Personnel Compensation	$ 106,939,871	$ 105,421,423
Personnel Benefits	40,941,265	40,971,559
Benefits for former Personnel	225,000	-
Travel and Transportation	1,379,474	1,254,643
Transportation of Things	333,220	391,127
Rent, Communication and Utilities	19,619,045	20,172,781
Printing and Reproductions	141,507	103,765
Other Contractual Services	59,745,949	46,754,071
Supplies and Materials	4,568,568	2,145,261
Equipment	4,729,473	2,581,773
Land and Structures	3,485,644	-
Insurance Claims and Indemnities	28,261	21,889
Interest and Dividens	5,444	-
Total Spending	$ 242,142,722	$ 219,818,292
Amounts Remaining to be Spent	(15,323,538)	(17,989,788)
Total Amounts Agreed to be Spent	$ 226,819,184	$ 201,828,504
Who did the Money go to		
Federal	$ 6,532,768	$ 7,866,365
Non-Federal	220,286,416	193,962,139
Total Amounts Agreed to be Spent	$ 226,819,184	$ 201,828,504