Court Services and Offender Supervision Agency for the District of Columbia

FY 2018 Agency Financial Report

November 15, 2018

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 2018 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, 2017 through September 30, 2018. 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 2018 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).

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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 2018 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 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.

CSOSA was certified as an independent Executive Branch agency on August 4, 2000. CSOSA consists of two component programs, the Community Supervision Program (CSP), supervising adult offenders on probation, parole and supervised release, and the Pretrial Services Agency (PSA), supervising 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 is committed to achieving our strategic goals and enhancing public safety. CSP strives to decrease recidivism among our offender population by continuing to develop, implement and evaluate effective evidence-based offender supervision programs and techniques. Though FY 2018 proved to be challenging, CSP realized a reduction in its offender revocation rate and realized a slight increase in its successful supervision completion rate. This is, in part, a result of CSOSA continuing to focus resources on the highest risk and highest need offenders and to employ interventions that are effective at targeting criminogenic needs. PSA's drug testing and innovative supervision and treatment programs are regarded as models for the criminal justice system. PSA continues to improve its identification of defendants who pose a higher risk of pretrial failure, to enhance its supervision and oversight of these defendants, to expand services and support of persons with substance dependence and mental health needs, and to lead efforts in implementing drug testing strategies to keep pace with emerging drug use trends.

For FY 2018, CSOSA is issuing an AFR and will include our complete FY 2018 Annual Performance Report with our FY 2020 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 2018 AFR is reliable and complete. As evidence, CSOSA has received unmodified opinions from our independent auditors since agency inception. An unmodified audit opinion affirms that the CSOSA financial statement(s) were presented fairly in all material respects and in conformity with generally accepted accounting principles. CSOSA's FY 2018 internal evaluation concerning the adequacy of the Agency's management controls did not identify material control weaknesses. CSOSA's evaluation of our financial management system determined compliance with Federal financial management systems requirements, accounting standards and the United States Standard General Ledger at the transaction level

We are committed to managing CSOSA's 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 2018 AFR.

James D. Berry, Jr.
Deputy Director
November 15, 2018

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 D.C. Superior Court Adult Probation Division and its parole function from the D.C. Board of Parole. The Pretrial Services Agency for the District of Columbia (PSA), responsible for supervising adult defendants on pretrial release, 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 U.S. Parole Commission (USPC), and on August 4, 2000, the USPC assumed responsibility for parole and supervised release revocations and modifications 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 2018, 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 2018 Annual Performance Report with its FY 2020 Congressional Budget Justification and will post it on the CSOSA web site, located at www.csosa.gov, in 2019.

The CSOSA appropriation is comprised of two component programs:

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

CSP is responsible for the 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 adults awaiting trial.

[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 2018, CSP supervised approximately 10,250 offenders on any given day and 15,734 different offenders over the course of the year. There were 5,886 offenders who entered CSP supervision in FY 2018; 4,680 men and women sentenced to probation by the Superior Court for the District of Columbia (to include deferred sentence agreements and civil protection orders) and 1,206 individuals on parole or supervised release who were released from incarceration in a Federal Bureau of Prisons (BOP) facility. Supervised release offenders committed their offense on or after August 5, 2000 and must serve a minimum of 85 percent of their sentence in prison with the balance under CSP supervision in the community. Parolees committed their offense prior to August 4, 2000 and serve a portion of their sentence in prison before they are eligible for parole at the discretion of the USPC.

Offenders are typically expected to remain under CSP supervision for the following durations[2]:

Probation: 20.4 to 21.2 months;
Parole[3]: 12.1 to 17.6 years; and
Supervised Release: 40.4 to 41.8 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 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.

Data show that, although there has been some fluctuation throughout the years in revocations by supervision type, the overall percentage of CSP's Total Supervised Population revoked to incarceration has been steadily decreasing since FY 2006. From FYs 2006 to 2010, overall revocations decreased from nearly 14 percent to just over 10 percent. This decrease was driven primarily by parole and supervised release cases supervised on behalf of the U.S. Parole Commission. Revocations of parolees decreased nearly 12 percentage points and revocations of supervised release offenders decreased by almost eight percentage points during that time. From FY 2011 to FY 2015, overall revocations decreased by two

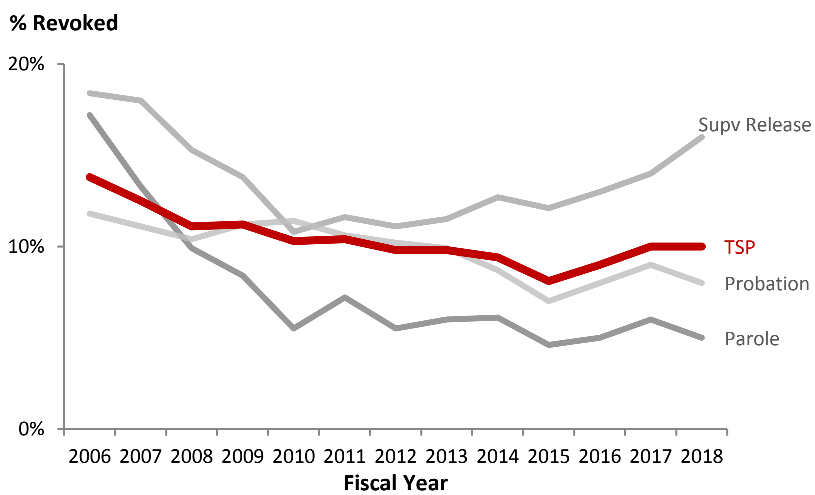
[2] Values represent the 95% confidence interval around the average length of sentence for the CSP's FY 2018 Total Supervised Population. Where applicable, extensions to the original sentence are taken into consideration in the calculation
[3] Life sentences have been excluded

additional percentage points. FY 2015 was the first year since FY 2008 that revocations decreased among all supervision types, resulting in an overall revocation rate that was one and a half percentage points lower than FY 2014. Compared to FY 2015, however, there were slight increases in revocation rates within all supervision types in FY 2016 and more moderate increases the following year, resulting in an overall revocation rate that was just under 10 percent in FY 2017. Although the overall revocation rate in FY 2018 was comparable to that of FY 2017, revocations of offenders on supervised release increased while the percentage of both parolees and probationers revoked that year.

CSP Total Supervised Population Revoked to Incarceration[1], by Supervision Type, FYs 2006–2018 [2]

	Parole			Supervised Release			Probation[3]			Total		
FY	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
2015	1,934	-17.4	4.6	4,857	-6.0	12.1	11,636	-12.9	7.0	18,427	-11.7	8.1
2016	1,659	-14.2	4.8	4,394	-9.5	12.3	10,943	-6.0	7.6	16,996	-7.8	8.5
2017	1,448	-12.7	6.0	3,932	-10.5	14.1	11,027	0.8	8.7	16,407	-3.5	9.8
2018	1,266	-12.6	5.4	3,563	-9.4	15.9	10,905	-1.1	8.0	15,734	-4.1	9.6

[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 2018 are preliminary.
[3] Probation also includes Civil Protection Order (CPO) and Deferred Sentence Agreement (DSA) cases.



CSP views the overall decrease in revocations to incarceration over the last decade as a significant public safety accomplishment. Despite the slight increases in revocations in FYs 2016 and 2017, we believe our evidence-based approach of focusing resources on the highest-risk offenders contributes significantly to reducing recidivism and it will be important, moving forward, to develop other measures of recidivism to show the impact of our strategies.

CSP also monitors the manner in which supervision cases close each year. Cases that close successfully are defined by CSP as those that expire/terminate satisfactorily, expire/terminate unsatisfactorily, are returned to their sending jurisdiction in compliance, or are transferred to U.S. Probation. Cases that close unsuccessfully are those that are revoked to incarceration, revoked unsatisfactorily, returned to their sending jurisdiction out of compliance, are pending USPC institutional hearing, or the offender has been deported. Cases that close for administrative reasons or death are classified as 'Other;' neither successful or unsuccessful. These definitions are in line with how releasing authorities define successful and unsuccessful cases.

In FY 2018, a total of 7,956 CSP supervision cases closed: 5,883 probation/CPO/DSA cases, 1,624 supervised release cases, and 449 parole cases. The table below shows that 5,112 (64.3 percent) of these case closures represented successful completions of supervision and 2,470 (31.0 percent) were unsuccessful. Five percent of cases that closed in FY 2018 were closed administratively or due to death.

The percentage of supervision cases that closed successfully increased steadily from FY 2011 through 2015, with notable declines in FYs 2016 and 2017. The percentage of cases closing successfully increased slightly in FY 2018. We believe our evidence-based strategy of focusing resources on the highest-risk offenders plays a significant role in nearly two-thirds of supervision cases closing successfully each year.

Similar to previous years, a higher percentage of probation cases completed successfully (71.6 percent) compared to parole/supervised release cases (47.0 percent). And, in FY 2018, we realized an increase in the percentage of probation cases closing successfully, while the percentage of successful supervised release cases decreased. This demonstrates a need for us to continue focusing resources on those offenders released from incarceration that demonstrate higher risk and higher needs.

Supervision Completions[1] by Supervision Type, FYs 2011 – 2018 [2]

	Parole			Supervised Release			Probation[3]			Total		
	N	% Succ	% Unsucc	N	% Succ	% Unsucc	N	% Succ	% Unsucc	N	% Succ	% Unsucc
2011	1,089	48.9	37.5	1,767	37.8	53.2	8,852	67.6	28.2	11,708	61.4	32.8
2012	988	50.6	35.5	1,972	36.9	55.7	8,962	69.8	25.2	11,922	62.8	31.1
2013	896	46.5	40.2	2,135	39.0	53.3	9,055	70.6	24.1	12,086	63.2	30.5
2014	633	49.3	41.7	1,990	39.7	52.4	7,649	72.0	22.5	10,272	64.3	29.5
2015	727	57.5	30.3	1,972	44.9	48.4	7,009	75.7	20.4	9,708	68.1	26.9
2016	587	61.2	28.6	1,849	44.7	47.1	6,125	72.6	23.2	8,561	65.8	28.7
2017	577	57.7	29.1	1,763	42.6	49.5	6,227	69.6	26.6	8,567	63.2	31.5
2018	449	57.7	27.4	1,624	39.3	52.4	5,883	71.6	25.4	7,956	64.3	31.0

[1] Data reflects supervision **cases**, not offenders supervised. Within-group percentages do not equal 100 due to cases closing administratively or due to death.
[2] Data for FY 2018 are preliminary.
[3] Probation also includes Civil Protection Order (CPO) and Deferred Sentence Agreement (DSA) cases.

Pretrial Services Agency (PSA): The mission of the Pretrial Services Agency for the District of Columbia (PSA) is to promote pretrial justice and enhance community safety. In fulfilling this mission, PSA assists judicial officers in both the Superior Court of the District of Columbia (DCSC) and the United States District Court for the District of Columbia (USDC) by conducting a risk assessment for every arrested person who will be presented in court, identifying detention eligibility and formulating release recommendations, as appropriate, based upon the arrestee's demographic information, criminal history, and substance use 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 District of Columbia (DC or District) operates an "in or out" bail system that promotes open and transparent decisions about release or detention. The foundation of this system is the DC bail statute, which includes a presumption in favor of pretrial release for all non-capital defendants, emphasizes the use of least restrictive release conditions for eligible defendants, provides an option of preventive detention for those who pose an unacceptable risk to the community, and limits the use of money-based detention. PSA employs evidence-based practices to help judicial officers in the city's local and Federal courts make appropriate and effective bail decisions.

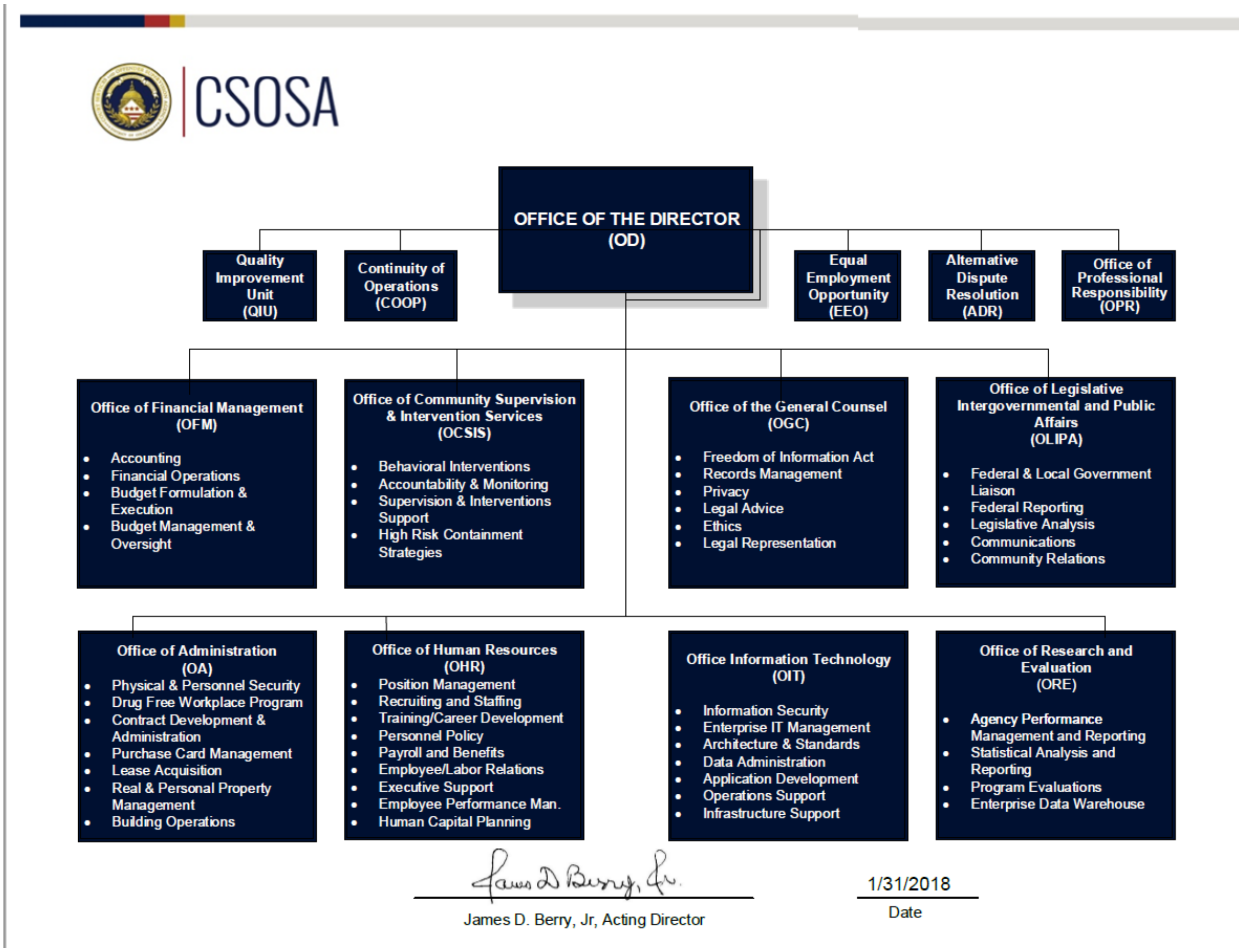
PSA's efforts focus on a creating a customer-centric culture that meets the needs of the judges, protects the rights of defendants and remains cognizant of the Agency's responsibility to the DC community. The result is judicious use of jail resources, enhanced public safety, and a fairer and more effective system of release and detention.

PSA has responsibility for over 17,000 defendants each year, and an average of 4,227 individuals on any given day.[4] The vast majority of defendants are awaiting trial in DCSC, with a smaller number awaiting trial in USDC. PSA's current caseloads include individuals being supervised on a full range of charges, from misdemeanor property offenses to felony murder. On average, defendants remain under supervision for 90 days. During this period, PSA administers evidence-based and data informed risk assessment and supervision practices to identify factors related to pretrial misconduct and maximize the likelihood of arrest-free behavior and court appearance during the pretrial period.

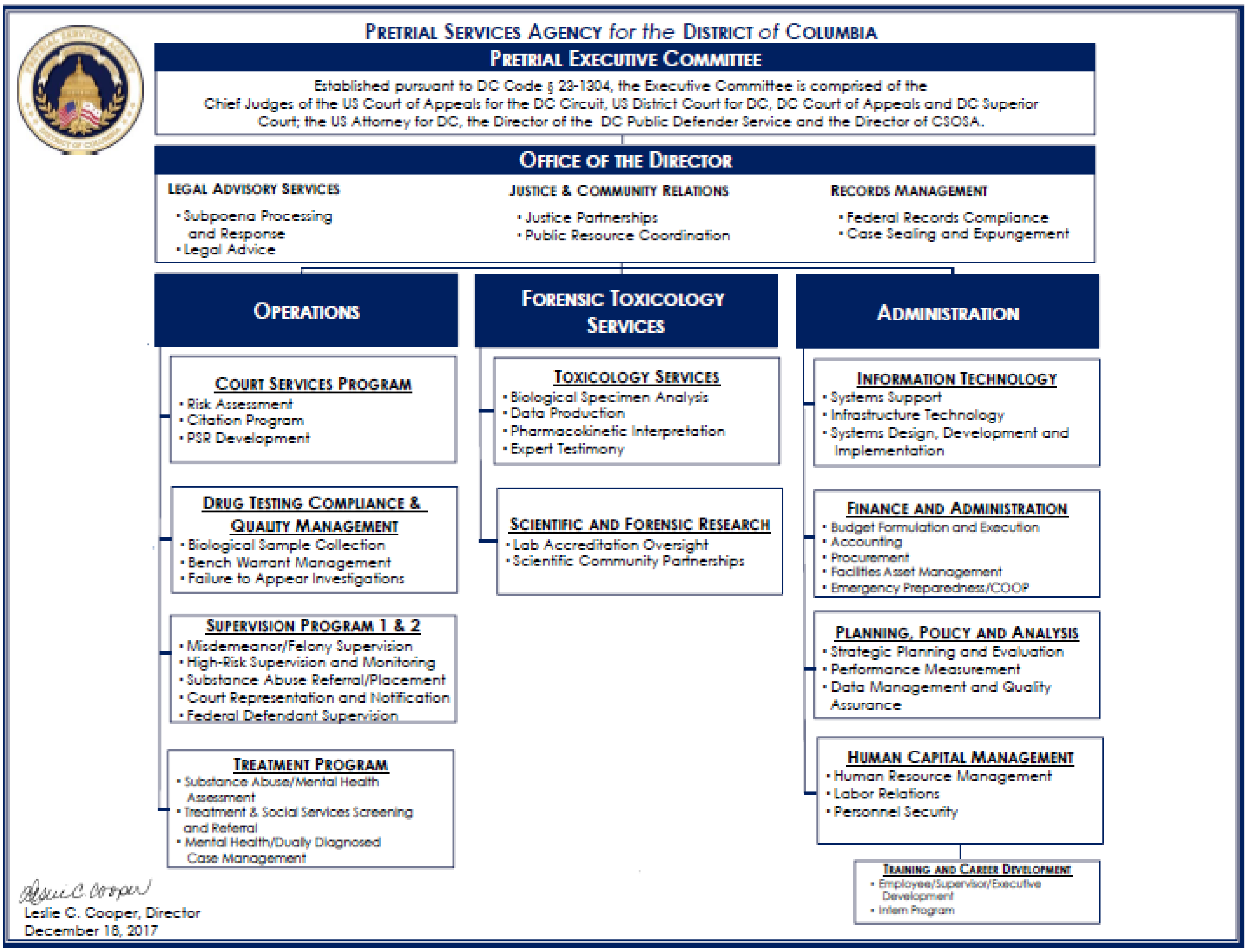
[4] Represents data for the first three quarters of FY 2018.

B. CSOSA Organizational Structure

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



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



C. CSOSA Locations

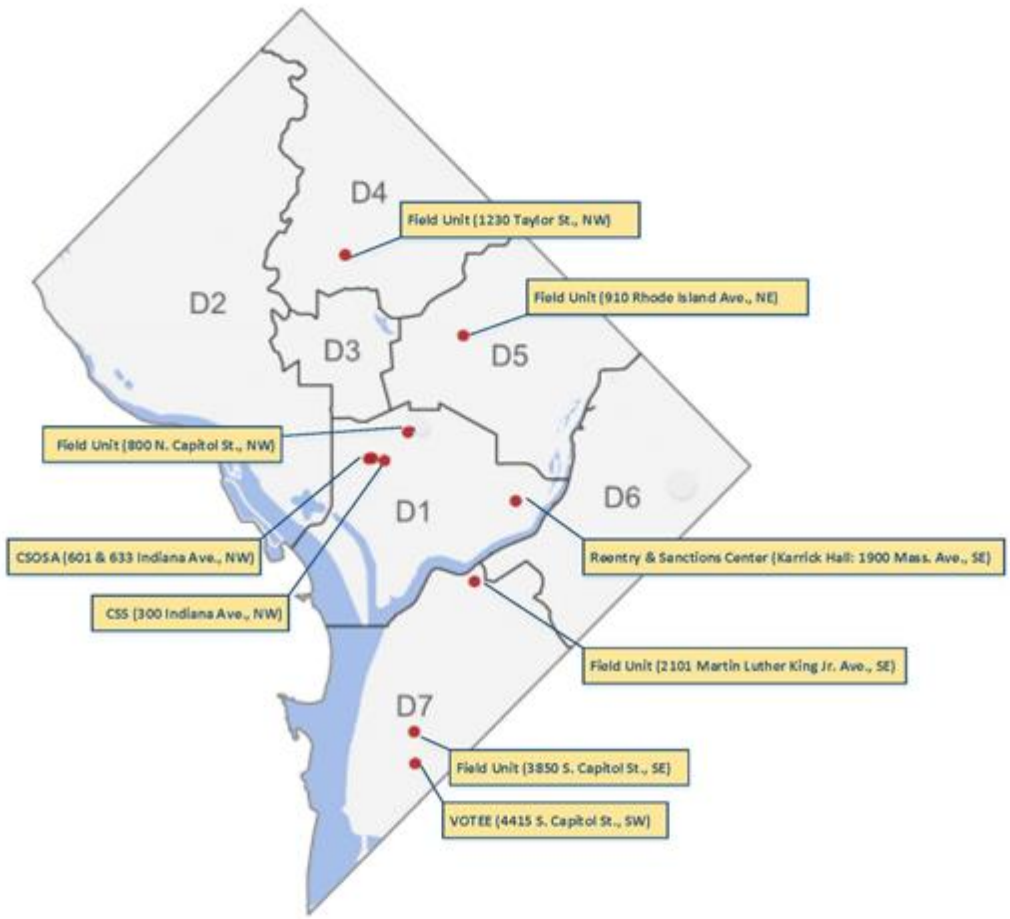
CSOSA (CSP/PSA) occupies 13 total locations in the District of Columbia, including two (2) locations shared by CSP and PSA.

CSOSA's headquarters is located at 633 Indiana Avenue, NW, Washington, D.C. The lease for this location expires September 2020 and CSOSA is working with GSA to find replacement space.

CSP: In FY 2018, CSP operates nine (9) total locations throughout the city. CSP's program model emphasizes decentralizing supervision from a single headquarters office to the neighborhoods where offenders live and work. By doing so, Community Supervision Officers maintain a more active, visible and accessible community presence, collaborating with neighborhood police in the various Police Service Areas, as well as spending more of their time conducting home visits, work site visits, and other activities that make community supervision a visible partner in public safety. Continued real estate development of the District creates challenges for CSP in obtaining space for offender supervision operations and CSP is in the midst of a multi-year project with the General Services Administration (GSA) to obtain space to replace expiring leases and sub-standard space.

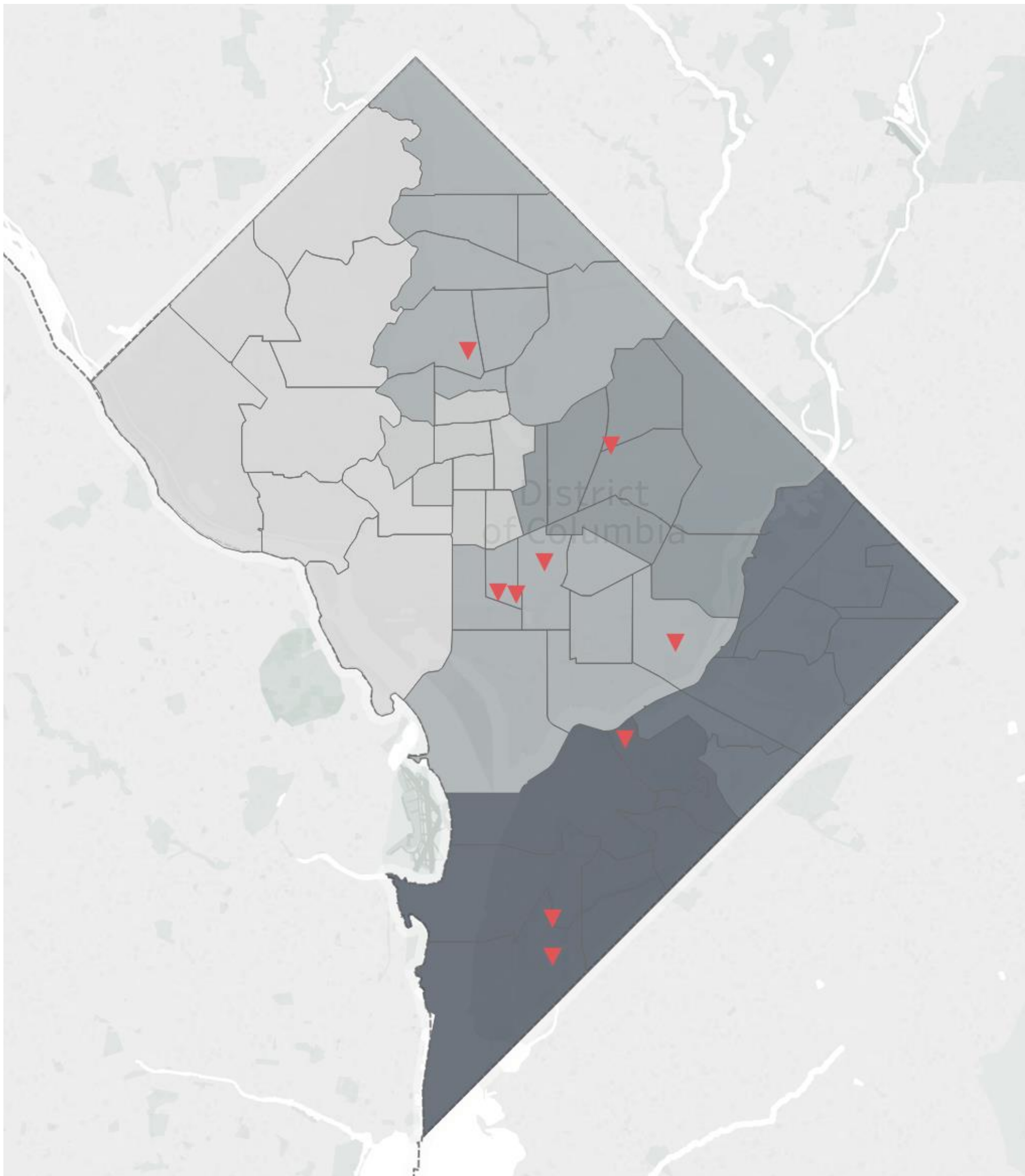
As part of our GSA space replacement and reduction project, CSP relocated from our 1418 Good Hope Road, SE and 4923 E. Capitol Street, SE, locations in May 2017. In addition, CSP relocated from our 25 K Street, NE, location in September 2017. CSP occupied a new supervision office in 2017 located at 2101 Martin Luther King Jr. Avenue, SE, and has increased occupancy at our 800 North Capitol Street, NW, location.

CSP has specialized offender supervision operations co-located with the D.C. Metropolitan Police Department at 300 Indiana Avenue, NW, for sex offenders and those with behavioral health issues. CSP operates on a year-to-year lease at 300 Indiana Avenue, NW, and plans to relocate from this location in 2019. CSP's lease at our 910 Rhode Island Avenue, NE, field unit expires January 2021 and we plan to find replacement space to maintain our presence in the NE quadrant of the District of Columbia.



CSOSA Offices and Learning Labs by Police District

CSP Office Locations and Offender Residences
(shaded areas represent higher concentrations of offender residence)



July 2018

PSA: operations are located at six locations in the downtown area, including: (1) D.C. Superior Court building located at 500 Indiana Avenue for defendant interviews and risk assessments, court support, and specimen collection; (2) Elijah Barrett Prettyman building (U.S. District Court) located at 333 Constitution Avenue for federal defendant interviews, risk assessments, and court support; (3) 633 Indiana Avenue, which houses its Headquarters office, supervision and treatment programs; (4) 601 Indiana Avenue for supervision and treatment programs; (5) 1025 F Street for training and information technology; and (6) 90 K Street, NE, which houses its drug testing laboratory.

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 85 to 90 percent of pretrial defendants are released to the community, CSOSA's functions of effective supervision for pretrial defendants and convicted offenders, along with effective service to the courts and paroling authority, are critical to public safety. Although CSP and PSA have two distinct mandates, they share common strategic goals for the Agency's management and operations. The primary elements of CSP's 2014–2018 Strategic Plan are outlined below:

- Establish strict accountability and prevent the population supervised by CSOSA from engaging in criminal activity.
- Deliver interventions to the population supervised by CSOSA based on assessed need.
- Support the fair administration of justice by providing timely and accurate information and meaningful recommendations to criminal justice decision-makers.

To achieve these goals, CSOSA has developed strategic objectives encompassing all components of community-based supervision. These strategic objectives include:

- Establish and implement: (a) an effective risk and needs assessment and case management process to determine the appropriate level of supervision, and (b) an ongoing evaluation process that assesses a defendant's compliance with release conditions and an offender's progress in reforming his/her behavior.
- Provide close supervision of high-risk defendants and offenders, with intermediate graduated sanctions for violations of release conditions and incentives to encourage compliance.
- Provide appropriate treatment and support services, as determined by the needs assessment, to assist defendants in complying with release conditions and offenders in reintegrating into the community.
- Establish partnerships with other law enforcement agencies and community organizations.
- 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 strategic objectives are fundamental to CSOSA's efforts. 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 2018 Annual Performance Report, reporting on all agency performance measures, will be included in the FY 2020 Congressional Budget Justification to be submitted in 2019.

Strategies and Resources

CSP employs a number of evidence-based 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 2018, 5,886 offenders entered CSP supervision; approximately, a four percent decrease from the 6,162 offenders who entered supervision in FY 2017. 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 eligible offenders are reassessed every 180 days while under supervision, and after any re-arrest or significant life event.

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 their 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.

One of 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, 2018, CSP supervised 9,669 total adult offenders, including 6,337 probationers[5] and 3,332 offenders on supervised release or parole. The total number of offenders supervised on September 30, 2018 represents a four percent decrease from the number of offenders supervised on September 30, 2017 (10,110). The main factor contributing to the caseload reduction is that there are fewer offenders returning to the District of Columbia on parole and supervised release. There were roughly 10 percent fewer parole/supervised release intakes in FY 2018 compared to FY 2017 and, as of September 30, 2018, CSOSA was supervising 11 percent fewer re-entrants (e.g., parolees and persons on supervised release) compared to September 30, 2017.

CSP Supervised Offenders by Supervision Type on September 30, 2016/2017/2018 [2]

Supervision Type	September 30, 2016		September 30, 2017		September 30, 2018	
	N	%	N	%	N	%
Probation[1]	6,321	59.6	6,369	63.0	6,337	65.6
Parole	1,228	11.6	1,045	10.3	950	9.8
Supervised Release	3,053	28.8	2,696	26.7	2,382	24.6
TOTAL	**10,602**	**100.0**	**10,110**	**100.0**	**9,669**	**100.0**

[1] Includes clients with Civil Protection Orders and offenders with Deferred Sentence Agreements
[2] Data for FY 2018 are preliminary.

[5] Includes clients with Civil Protection Orders and offenders with Deferred Sentence Agreements

On September 30, 2018 the average number of supervision cases per on-board supervision CSO employee was 45.6 offenders. Despite a net reduction of supervised offenders, the overall supervision caseload ratio has increased since September 30, 2017 due to a net decrease of eighteen (18) on-board supervision CSOs. Should offender supervison levels increase to historical levels due to changes in crime, sentencing and/or release conditions, supervision ratios and workload would increase proportionally.

CSP Total Supervision Caseload Ratios on September 30, 2013/2014/2015/2016/2017/2018

Fiscal Year	Total Supervised Offenders as of September 30th	On-Board Supervision CSOs [1]	On-Board CSO Caseload Ratio
FY 2013	13,693	259	52.9:1
FY 2014	12,320	240	51.4:1
FY 2015	11,150	235	47.5:1
FY 2016	10,602	227	46.7:1
FY 2017	10,110	230	44.0:1
FY 2018	9,669	212	45.6:1

[1] Note: Additional CSO positions perform diagnostic and investigative functions.

CSP uses a supervision workload re-balancing and realignment process that standardizes caseloads by offender risk and supervision type. This process has resulted in the re-allocation of resources to specialized supervision teams. As a result, increased supervision resources are provided to higher-risk offenders on specialized caseloads, such as behavioral health, sex offender, young adult and female offenders. Offender caseload ratios for most of these specialized caseloads are lower than the overall 45.6:1. 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 needed for these offenders.

In FY 2018, CSP's Total Supervised Population from October 1, 2017 through September 30, 2018 was 15,734 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 2018 Total Supervised Population represents a roughly four percent decrease from the FY 2017 Total Supervised Population (16,407).

CSP Total Supervised Population (TSP) by Supervision Type, FYs 2016 – 2018 [2]

Supervision Type	FY 2016		FY 2017		FY 2018	
	N	%	N	%	N	%
Probation[1]	10,943	64.4	11,027	67.2	10,905	69.3
Parole	1,659	9.8	1,448	8.8	1,266	8.0
Supervised Release	4,394	25.8	3,932	24.0	3,563	22.7
TSP	**16,996**	**100.0**	**16,407**	**100.0**	**15,734**	**100.0**

[1] Includes clients with Civil Protection Orders and offenders with Deferred Sentence Agreements
[2] Data for FY 2017 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. CSP supervises offenders in the community where they live. CSP supervision CSOs work in any of seven field sites located throughout the community. Offenders are assigned to the field site closest to their geographic location, District/Police Service Areas (PSAs), thereby allowing CSOs to supervise offenders in the same area and develop an understanding of and partnership with 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 **graduated sanctions,** which are implemented in response to offenders' 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 (D.C. Superior Court and the U.S. Parole Commission) to develop a range of graduated 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. Examples of sanction options include:

- Increase frequency of drug testing and/or supervision contacts,
- Assignment to Community Service,
- Placement in a residential sanctions program (including the Re-entry and Sanctions Center and the Halfway Back program), and
- Placement on Global Positioning System (GPS) monitoring.

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.

GPS is an added supervision tool for CSOs that is used to enforce curfews and stay away orders, as well as to sanction non-compliant behavior. Offenders may be placed on GPS monitoring at the request of their supervision CSO and/or as directed by the releasing authority. As of September 30, 2017, there were approximately 200 high-risk offenders on GPS. CSP shares offender GPS data with other law enforcement entities, including the D.C. Metropolitan Police Department (MPD), the U.S. Attorney's Office and the U.S. Marshals Service (USMS).

A fourth component of effective community supervision is routine **drug testing,** which is an essential element of supervision and sanctions. Given that roughly 80 percent 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 serves male and female offenders/defendants with severe substance abuse, behavioral and dually-diagnosed (mental health and substance abuse) needs.

Strategic Objective 1.3: Law Enforcement Partnerships. Establishing effective partnerships with other criminal justice agencies facilitates close supervision of offenders in the community. The D.C. MPD, D.C. 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 D.C. 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 D.C. 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 D.C. 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 significantly over the past two years due to budget reductions.

CSP also is committed to helping offenders build skills and support systems to improve their chances for success in the community. CSP aims to increase employment and improve educational achievement through both in-house service delivery and partnerships. The Vocational Opportunities for Training, Education, and Employment (VOTEE) unit assesses and responds to the individual educational and vocational needs of offenders. The unit provides adult basic education and GED preparation at our four learning labs staffed by CSOSA Learning Lab Specialists. VOTEE also includes transitional employment programs that prepare offenders for training and/or employment, and provides job development and tracking. Additionally, CSP maintains partnerships with the Community College of the District of Columbia, the D.C. Office of the State Superintendent of Education, and the D.C. 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-based institutions and community organizations helps to facilitate and enhance the delivery of reintegration services to offenders in the community. CSP's Intergovernmental and Community Affairs Specialists (ICAS) 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 (CJANs) and the CSP/Faith-based 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 inform the releasing authority (D.C. Superior Court or the U.S. Parole Commission) by filing an Alleged Violation Report (AVR). AVRs are submitted to inform the releasing authority of a violation of release conditions as imposed. An AVR is always issued by CSP for any re-arrest that includes a new charge or when an offender becomes a loss of contact. 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 by the Court in sentencing determinations and by the BOP in designating offenders to an appropriate correctional facility. CSOs in CSP's Investigations, Diagnostics, and Evaluations Branch (Branch I) conduct investigations 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 (defined as a 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 also to 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 as compared to arrests made in response to parole or probation violations. The acquisition of these data allows for more comprehensive reporting of offender rearrests.

All charges considered, just under one-fourth of CSP's FY 2018 total supervised population was rearrested in D.C., MD, or VA) while under supervision. This is comparable to FY 2017.

As of September 30, 2018, 23.3 percent of supervised offenders were rearrested in D.C. (excluding MD/VA) when all charges were considered, but this percentage dropped to 18.3 percent when arrests for parole and probation violations were excluded. These data still indicate that a significant number of supervised offenders are rearrested each year due to violations of release conditions, rather than for the commission of a new crime.

Offenders on supervised release are consistently rearrested at a higher rate than parolees and probationers. This trend continued into FY 2018 with nearly one-third of supervised release offenders rearrested as of September 30, 2018 (D.C., MD, and VA; all charges considered). While rearrest rates for both probationers and supervised release offenders decreased slightly from FY 2017 to FY 2018, rearrests of parolees increased by one and half percentage points.

Percentage of Total Supervised Population Rearrested[1], FY 2014 - FY 2018 [2]

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Probation[3]					
DC Arrests	17.3%	15.7%	18.5%	21.6%	21.2%
DC Arrests (new charges)[4]	13.4%	12.0%	14.7%	17.7%	16.9%
DC/MD/VA Arrests	18.6%	17.6%	20.6%	23.3%	22.7%
Parole					
DC Arrests	15.9%	16.4%	18.6%	18.3%	19.7%
DC Arrests (new charges)[4]	12.9%	13.1%	14.1%	14.3%	15.2%
DC/MD/VA Arrests	16.8%	17.7%	19.7%	19.4%	20.9%
Supervised Release					
DC Arrests	28.5%	25.6%	31.2%	31.3%	31.2%
DC Arrests (new charges)[4]	21.5%	19.4%	24.3%	24.1%	23.6%
DC/MD/VA Arrests	29.6%	27.9%	33.1%	32.5%	32.5%
Total Supervised Population					
DC Arrests	19.9%	18.4%	21.8%	23.6%	23.3%
DC Arrests (new charges)[4]	15.4%	14.1%	17.2%	18.9%	18.3%
DC/MD/VA Arrests	21.1%	20.3%	23.7%	25.2%	24.8%

[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] Estimates for FY 2018 are preliminary.
[3] Includes clients with Civil Protection Orders and offenders with Deferred Sentence Agreements
[4] 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 (which may include 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 monitored or warrant, the offender's case transferring from D.C. 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.

On average, CSP collected 13,757 samples from 4,586 unique offenders each month in FY 2018 at four CSP illegal substance collection unit sites, as well as offenders at the Reentry Sanctions Center (RSC). The Pretrial Services Agency (PSA) tests CSP drug samples for up to eleven substances (Marijuana, PCP, Opiates, Methadone, Cocaine, Amphetamines, Creatinine, Heroin, ETG, Synthetic Cannabinoids 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. In FY 2015, CSP reduced marijuana testing for most probationers due to changes in the District of Columbia's law; CSP continues to test parolees and supervised releases for marijuana.

Offenders included in the analysis of drug use trends are those in an active supervision status throughout the reporting month who are 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.

Of the tested population in FY 2018, 56.9 percent tested positive for illicit drugs at least one time (excluding alcohol), which is three percentage points lower than FY 2017 (when 59.9 percent tested positive). This increase in the percentage of the population drug testing positive may be attributed to the introduction of tests for new substances in FY 2016. During this year, CSP began testing for a heroin metabolite (in order to more specifically determine heroin use apart from other opiates) and synthetic cannabinoids.

Percentage of Active Tested Population Reporting at Least One Positive Drug Test, FYs 2014 - 2018

% Testing Positive	FY 2014	FY 2015	FY 2016[1]	FY 2017	FY 2018[2]
Tests including alcohol	61.6	58.1	61.1	63.1	60.5
Tests excluding alcohol	56.3	53.1	56.4	59.9	56.9

[1] In FY 2016, CSP began testing for a heroin metabolite (to distinguish heroin use from other opiates) and synthetic cannabinoids. The percentage of offenders testing positive for illicit substances in FYs 2016 and 2017 includes those testing positive for those substances.
[2] Data for FY 2018 are preliminary.

Marijuana use is very prevalent among medium- through intensive-risk offenders, with just over 60 percent of drug users testing positive for this substance. Cocaine use is also moderately prevalent in medium-intensive risk offenders. Nearly 30 of the population tested positive for the substance; a one percentage point increase from FY 2017. The percentage of the population testing positive for nearly all other substances has decreased over the past several years. The percentage of the tested population using PCP, opiates, methadone, and amphetamines have all been decreasing since FY 2015. The percentage of higher-risk drug users testing positive for synthetic cannabinoids has remained steady at roughly 10 percent.

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, FYs 2014 – 2018[1]

% Positive by Drug	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Marijuana	61.3	62.3	57.1	62.8	62.1
PCP	19.9	19.8	17.8	16.6	15.4
Opiates	29.0	33.9	28.6	25.0	21.3
Methadone	2.1	9.0	3.2	2.5	2.3
Cocaine	29.2	34.0	29.9	28.4	29.4
Amphetamines	7.2	10.1	6.3	4.0	3.8
Heroin	N/A	N/A	10.1	8.4	5.8
Synthetic Cannabinoids	N/A	N/A	7.9	9.8	9.9

[1] Data for FY 2018 are preliminary.

Note: CSP tests each offender drug sample for up to eleven drugs, including alcohol, ETG and creatinine. A offender/sample may not necessarily be tested for all eleven substances, but only the most-tested for substances are included in the table above.
Note: Column data are not mutually exclusive. Examples: One offender testing positive for marijuana and PCP during FY 2018 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 2018 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, and 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 in SMART 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 (EDW) system, which has presented significant improvements for both accessing data 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.

Strategic Goals

PSA's *Strategic Goals* for FY 2018-2022 span the Agency's major functions and operations and link to the outcomes of judicial concurrence, continued pretrial release, minimizing re-arrest and maximizing court appearance. PSA has identified its transition to a Risk-Based Supervision model as an Agency Priority goal (APG) for FYs 2018-2019. This strategic realignment will require cross-Agency collaboration to develop and implement new release condition recommendations, supervision protocols tailored to individual defendant risk, and an updated client management system to support the Risk-Based Supervision model. This will enable PSA to better balance defendant due process with minimizing risk to public safety.

Through the successful fulfillment of its mission, PSA continued to meet or exceed the performance targets for all its strategic goal performance indicators in FY 2018:

Performance Indicator Area	Indicator Description	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018-2022 Target
Strategic Goal 1	Judicial Concurrence with PSA Recommendation	N/A	N/A	72%	76%	81%	**70%**
Strategic Goal 2	Continued Pretrial Release	88%	88%	88%	87%	85%	**85%**
Strategic Goal 3	Arrest Free Rate	89%	89%	88%	86%	89%	**88%**
	(Violent Crimes)	98%	98%	98%	99%	99%	
Strategic Goal 4	Court Appearance Rate	88%	88%	91%	88%	90%	**87%**

STRATEGIC GOAL 1: JUDICIAL CONCURRENCE WITH PSA RECOMMENDATIONS

PSA promotes the fair administration of justice by recommending the least restrictive release conditions consistent with community safety and return to court. To support judicial decisions, PSA provides a Pretrial Services Report (PSR), which contains recommendations regarding pretrial release or detention. In this report, PSA recommends – as appropriate – release conditions that are designed to mitigate the risk of failure to appear and rearrest during the pretrial period. PSA's release recommendations, which are based on a scientifically-validated risk assessment, include pro-social interventions, such as drug testing, behavioral health assessment and treatment, halfway house placement, global positioning system (GPS) electronic monitoring, and regular contact with a PSO. To gauge how often judicial officers concur with PSA's release recommendations, the Agency implemented a measure of judicial concurrence.

Strategic Objective 1.1 Risk Assessment

The PSR provides much of the information judicial officers use to determine a defendant's risk to the community and the level of supervision, if applicable, the defendant requires. Risk assessment is a core component of the PSR. PSA uses a scientifically-validated risk assessment to determine each defendant's risk of pretrial misconduct. Use of this instrument, which was developed specifically for the adult defendant population within the District of Columbia, enhances the Agency's ability to accurately assess pretrial risk of failure and make appropriate recommendations to the court regarding release conditions.

To gauge the quality of the information provided to judicial officers for decision-making, PSA implemented a measure of PSR completeness. A PSR is deemed "complete" when it contains defendant interview responses (or documented refusal thereof), lock-up drug test results, criminal history, and release recommendations based on risk assessment score, prior to the case being called in court.

STRATEGIC GOAL 2: CONTINUED PRETRIAL RELEASE

Continued pretrial release ensures due process for defendants while minimizing the risk to public safety. During the pretrial period, defendant release may be revoked due to noncompliance with conditions of release. To gauge the effectiveness of defendant case management, PSA implemented a measure of continued pretrial release, which examines the rate at which defendants remain on release without revocation or a pending request for revocation due to non-compliance.

Strategic Objective 2.1 Effective Case Management

Case management is an individualized approach for securing, coordinating, and monitoring the appropriate supervision, treatment, and ancillary services necessary to manage each defendant successfully for optimal outcomes. It comprises all activities performed by PSA that support a defendant's compliance with court-ordered conditions of release, appearance at all scheduled court hearings, and crime-free behavior while on pretrial release.

To gauge the effectiveness of its defendant case management, PSA implemented measures of response to defendant non-compliance and defendant satisfaction with PSA case management.

STRATEGIC GOAL 3: MINIMIZE REARREST

PSA supervision is designed to minimize risk to the community. PSA uses Risk-Based Supervision to manage defendants most at risk of violating their release conditions. PSA also provides pro-social interventions, such as mental health and substance use disorder treatment, to enable defendants to remain arrest-free. To gauge PSA's effectiveness in minimizing rearrests, PSA implemented a measure of arrest-free rates.

Strategic Objective 3.1 Risk-Based Supervision

PSA focuses supervision resources on defendants most at risk of violating their release conditions and uses graduated levels of supervision consistent with each defendant's identified risk level. As described in the APG, very low-risk defendants (those released on personal recognizance) receive only notification of their court dates. Low-risk defendants with reporting conditions will require limited contact with

PSA. Medium-risk defendants will be placed under PSA's supervision and maintain regular contact through a combination of in-person and telephone reporting to PSOs. Higher-risk defendants will be subject to more frequent and primarily in-person contact with assigned PSOs.

PSA's supervision strategy includes promoting swift, consistent consequences for violation of release conditions, and promoting incentives for defendants who consistently comply with release conditions. Swift, graduated sanctions are used to modify defendant behaviors considered precursors to a return to criminal activity or failure to appear for court. Examples of such behaviors include loss of contact and absconding from substance use disorder and/or mental health treatment. Responding promptly to noncompliance is directly related to reducing failures to appear and enhancing public safety. When violations of conditions are detected, PSA uses all available administrative sanctions, informs the court and, when warranted, seeks judicial sanctions, including revocation of release. PSA also harnesses the power of incentives to change defendant behavior. Common incentives recommended by PSA include reduction in the number of contacts required, reduction in the frequency of drug testing, and placement in less intensive treatment or supervision programs.

To gauge the effectiveness of Risk-Based Supervision, PSA implemented a measure of defendant compliance at case disposition.

Strategic Objective 3.2 Assessment-Driven Treatment

An effective approach to minimizing rearrests is addressing underlying issues, such as substance use disorder and mental health treatment needs, during the pretrial period. PSA provides, through either contracted services or referral, appropriate substance use disorder and mental health treatment to enhance supervision compliance. In addition to public safety benefits, the community also benefits from the cost savings of providing supervision with appropriate treatment instead of incarceration.

Treatment for either 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 on both risk and need. In addition to substance use disorder treatment, defendants placed in these programs have drug testing, contact, and other release conditions and are held accountable for compliance with these conditions.

To gauge effectiveness of pro-social interventions, PSA measures defendant referral, assessment, and placement in treatment programs.

STRATEGIC GOAL 4: MAXIMIZE COURT APPEARANCE

The strategic goal of maximizing court appearance is one of the most basic outcome measures for pretrial service programs. National standards on pretrial release identify minimizing failures to appear as a central function for pretrial programs. This strategic goal is measured by the defendant appearance rate, which indicates the percentage of defendants on pretrial release who make all scheduled court appearances.

Strategic Objective 4.1 Court Appearance Notifications

In order to minimize failures to appear, PSA notifies defendants of future court dates. During the last strategic period, PSA expanded its notification process by adding an electronic option to inform, remind, and/or update defendants of upcoming court dates. This new process incorporates the use of text and email notifications in addition to traditional mailed letters. During the initial contact, PSA asks defendants about their preferred method of notification. An automatic hierarchy is then generated for notifications to the defendant (i.e., email, text messages, and letters) based on the defendant's preference. A preliminary analysis of court appearance notification methods suggests that text messages are the most effective in yielding the highest court appearance rates at 96 percent, followed by email at 95 percent, and letters at 94 percent.

To gauge the effectiveness of defendant court appearance notifications, PSA implemented a measure of court appearance following notifications using preferred notification methods.

Strategic Objective 4.2 Failure to Appear Investigations

Defendants often present issues that may contribute to failure to appear in court (e.g., unstable home environments, homelessness, unemployment, substance use disorders, mental illness, physical problems, etc.). To help address these issues, PSA conducts failure-to-appear investigations to determine the reason for a defendant's nonappearance in court. The pertinent information is documented and the court is informed of the findings. In some cases, these investigations may prevent issuance of a bench warrant.

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 aggregate 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 as a whole, 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 aggregates both sets of transaction and reports CSOSA financial statement information for the Agency as a whole. Preparation of interim and audited CSOSA financial statements is the joint responsibility of CSP and PSA management.

The FY 2018 CSOSA financial statements report appropriated and reimbursable budget authority.

CSOSA's largest asset is Fund Balance with U.S. Treasury which totaled $115,505,004 and $117,265,467 as of September 30, 2018 and 2017, respectively. This represented 82.4 percent and 89.9 percent of total assets as of September 30, 2018 and 2017, 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 $23,509,026 and $25,811,869, as of September 30, 2018 and 2017, respectively. Collectively they comprised 97.4 and 97.7 percent of total liabilities, as of September 30, 2018 and 2017, respectively.

CSOSA's FY 2018 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 2018 budget authority, unobligated balances of the five prior fiscal years (FY 2013 – 2017) as of October 1, 2017, recoveries of prior year obligations, and any adjustments to these resources.

CSOSA has FY 2018 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 D.C. Public Defender Service for shared occupancy costs at 633 Indiana, Avenue, NW.
3) CSP and PSA Department of Homeland Security, Federal Emergency Management Agency (FEMA) reimbursable agreements for employee participation in disaster recovery efforts.
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 $264,328,066 and $278,751,286 as of September 30, 2018 and 2017, respectively. These amounts include FY 2018 Budgetary Authority of $244,298,000 in direct annual funding and $851,655 in net reimbursable transactions as of September 30, 2018, and $246,208,000 in FY 2017 direct annual funding, $1,800,000 in direct 2-year funding and $434,980 in net reimbursable transactions as of September 30, 2017.

Total Obligations Incurred was $244,302,735 and $261,835,034 as of September 30, 2018 and 2017, respectively. These amounts include direct obligations of $243,607,273 and reimbursable obligations of $695,462 as of September 30, 2018 and direct obligations of $261,465,245 and reimbursable obligations of $369,789 as of September 30, 2017.

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 September – October 2018. As a result of responses to this review, the CSOSA Deputy Director provides unqualified 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 2018. No material weaknesses were found in the design or operation of the internal control over financial reporting.

Federal Financial Management Improvement Act

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, purchasing and payment management processes.

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.

An independent auditor's (KPMG LLP) examination of IBC's systems for operating and hosting Oracle for the period of July 1, 2017 – June 30, 2018 resulted in the auditor's opinion that in all material respects, based on the criteria described in IBC's assertion, that: (1) the description fairly presents the systems that were designed and implemented throughout the periods July 1, 2017 to June 30, 2018 and (2) the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the periods July 1, 2017 to June 30, 2018. IBC provided subsequent representations and assurances that these Oracle financial application controls remained in place through September 30, 2018.

Based on the independent auditor's opinion and CSOSA's experience with Oracle, the CSOSA Director provides assurance that the organization's financial management system is in compliance with Federal financial management systems requirements, standards promulgated by FASAB, and the USSGL at the transaction level.

H. Limitations of the Financial Statements

The CSOSA 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.

CSOSA's financial 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 nineteenth consecutive year, CSOSA has earned an unmodified audit opinion on its financial statements from an independent public accountant. This opinion states that the financial statements are reported fairly in accordance with U.S. generally accepted accounting principles and are free of material misstatements. The FY 2018 auditor's report on internal controls over financial reporting did not identify any material control weaknesses.

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 2019.

Paul Girardo
Chief Financial Officer
November 15, 2018

B. FY 2018 Auditors' Report

Independent Auditor's Report

Director
Court Services and Offender Supervision Agency

In our audits of the fiscal years 2018 and 2017 financial statements of the Court Services and Offender Supervision Agency (CSOSA), we found:

- CSOSA's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; [1] and
- a reportable instance of noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes an emphasis of matter paragraph related to the new Statement of Budgetary Resources presentation, and required supplementary information (RSI)[2] and other information included with the financial statements; [3] (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments with auditor evaluation.

Report on the Financial Statements

In accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*, we have audited CSOSA's financial statements. CSOSA's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

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[1] A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 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.

[2] The RSI consists of Management's Discussion and Analysis section which is included with the financial statements.

[3] Other information consists of Message from the Chief Financial Officer, and Other Information section and appendices.

WILLIAMS, ADLEY & COMPANY-DC, LLP
Certified Public Accountants / Management Consultants
1030 15th Street, NW, Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161
www.williamsadley.com

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

CSOSA's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, CSOSA's financial statements present fairly, in all material respects, CSOSA's financial position as of September 30, 2018, and 2017, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in note 1 to the financial statements, OMB Circular A-136, *Financial Reporting Requirements*, required federal agencies in fiscal year 2018 to present its budgetary information in a format different than that used in fiscal year 2017. We draw attention to the newly presented information in CSOSA's fiscal years 2018 and 2017 Statement of Budgetary Resources and related note 13. Our opinion on CSOSA's financial statements is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

CSOSA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on CSOSA's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of CSOSA's financial statements, we considered CSOSA's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to CSOSA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

CSOSA's management is responsible for maintaining effective internal control over financial reporting, including 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.

Auditor's Responsibility

In planning and performing our audit of CSOSA's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered CSOSA's internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we do not express an opinion on CSOSA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies[4] or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of CSOSA's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As discussed in Appendix I in more detail, our 2018 audit identified two deficiencies in CSOSA's controls over accounts payable and financial management that represent significant deficiencies in CSOSA's internal control over financial reporting. We considered these significant deficiencies in determining the nature, timing, and extent of our audit procedures on CSOSA's fiscal year 2018 financial statements.

Although the significant deficiencies in internal control did not affect our opinion on CSOSA's fiscal year 2018 financial statements, misstatements may occur in unaudited financial information reported internally and externally by CSOSA because of these significant deficiencies.

Our assessment of the current status of the two prior year material weaknesses and one significant deficiency is presented in Appendix III.

In addition to the significant deficiencies, we also identified other control deficiencies in CSOSA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant CSOSA management's attention and, accordingly, we have communicated these matters to CSOSA management in a separate letter.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of CSOSA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of CSOSA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in

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

considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of CSOSA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

CSOSA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to CSOSA.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CSOSA that have a direct effect on the determination of material amounts and disclosures in CSOSA's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CSOSA.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance related to OMB Circular No. A-123 for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. The noncompliance is explained in Appendix II. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CSOSA. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments and Auditor Evaluation

In commenting on a draft of this report, CSOSA management provided a written response which is presented in Appendix IV. We did not audit CSOSA's response and, accordingly, we express no opinion on the response.

Williams, Adley & Company-DC, LLP

Washington, D.C.
November 14, 2018

Appendix I
Significant Deficiencies

2018-01 Overstatement of Accounts Payable

CSOSA's Community Supervision Program (CSP)'s Accounts Payable (USSGL 2110) account balance at year-end was not properly stated. We selected a statistical sample consisting of 28 transactions totaling $3,479,067. During our review of supporting documentation, we noted exceptions in 8 out of the 28 transactions tested. For all eight exceptions noted, CSP recorded the entire contracted amount as good/services received instead of recording receipts when goods and services were received or based on an estimate of work completed under a contract or agreement.

CSP's Contracting Officer's Technical Representatives (COTR) and/or iProcurement Purchase Requestors did not follow CSP's policies and procedures on recording receipts of goods/services in the Oracle iProcurement System.

Failure to follow CSP's policies and procedures resulted in misstatements in the amount of $848,896 in the following USSGL accounts as of 9/30/2018:

USSGL Account	Overstatement/Understatement
2110 - Accounts Payable	Overstated
6100 - Operating Expenses/Program Costs	Overstated
3107 - Unexpended Appropriations - Used	Overstated
5700 - Expended Appropriations	Overstated
4801 - Undelivered Orders - Obligations, Unpaid	Understated
4901 - Delivered Orders - Obligations, Unpaid	Overstated

As defined in Statements of Federal Financial Accounting Standards (SFFAS) No.1, *Accounting for Selected Assets and Liabilities*, "A federal entity, under budgetary accounting, records an obligation when the entity places a purchase order or signs a contract. An obligation, once incurred, reduces an entity's resources available for obligation. Budgetary accounting entries are required to record the amounts obligated and to reduce the available budget authority. For financial reporting purposes, liabilities are recognized when goods and services are received or are recognized based on an estimate of work completed under a contract or agreement."

CSOSA's Oracle Federal Financials iProcurement/Receiving Policy states the following:

- Receipt of goods (equipment, furniture, etc.) must be recorded in iProcurement immediately upon acceptance of the item(s).
- Receipt of services (contractors, etc.) must be recorded in iProcurement at least each month, or more regularly, based on the invoicing frequency of the supplier. If you are unsure about the quantity of services received, please contact the supplier or record an estimate.

Recommendations: We recommend CSP:

1. Review the entire Accounts Payable account detail, correct those transactions that are overstated, and maintain documented evidence of such review.
2. Provide training to COTRs and iProcurement Purchase Requestors on how and when to record receipt of goods/services in Oracle iProcurement System, in accordance with its policy and procedure and maintain documented evidence of training.

Appendix I
Significant Deficiencies, continued

2018-02 Accounting for Appropriations

During our review of Budgetary accounts and Fund Balance with Treasury (FBwT) reconciliations at June 30, 2018, we noted that CSOSA incorrectly recorded its appropriation in the general ledger. Specifically, CSOSA only recorded a portion of its appropriation when it received the Treasury Warrant in April. Failure to record the entire appropriation resulted in an understatement of $32 million in CSOSA's FBwT account (USSGL 1010) and Appropriations Received account (USSGL 4119) at June 30, 2018. The incorrect entry also resulted in a $32 million variance between the Statement of Budgetary Resources and the SF 132 at June 30th which was eventually corrected in July 2018 when CSOSA recorded the entire FY 2018 appropriation received.

CSOSA's System Accountants thought that the FY 2018 appropriation should be recorded in the Agency's Oracle Federal Financials system on a cumulative, quarterly basis like budgetary apportionments and allotments. An ineffective review process resulted in the error going undetected until July 2018.

Relying on incorrect financial data may hinder management's ability to make effective and well-informed decisions based on factual information. In addition, other entities receiving this information, such as Treasury or other external parties, may be relying on inaccurate data. Lack of financial management controls may result in errors in its financial statements during the year and at year end. In addition to these financial reporting errors, lack of controls or an ineffective review process may also provide opportunity for fraud or misappropriation of assets.

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states:

> "Unexpended Appropriations. Appropriations, until used, are not a financing source. They should be recognized in capital as "unexpended appropriations" (and among assets as "funds with Treasury") when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position of the entity."

Section 2 of the Federal Managers Financial Integrity Act of 1982 (FMFIA) states that "...internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General and shall provide reasonable assurances that:

- obligations and costs are in compliance with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets."

Recommendations: We recommend that CSOSA:

1. Perform an effective review of its FBwT reconciliations by closely following its Standard Operating Procedures (SOPs) to ensure errors, such as improper recording of appropriations, do not go undetected.
2. Provide adequate training to personnel responsible for recording entries within CSOSA's Oracle accounting system.

Appendix II
Non-Compliance Matter

2018-03 Improvement Needed in CSOSA's Risk Management Process

CSOSA is not in compliance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* ("the Circular"), which details processes agencies must follow in their assessment of internal controls to support management assertions, and when addressing corrective actions in a timely manner.

The following excerpts from the Circular are relevant to CSOSA's noncompliance:

> Section III - *Establishing and Operating an Effective System of Internal Control,* Subsection A – *Governance* states:
>
> "Agencies must have a Senior Management Council (SMC) to assess and monitor deficiencies in internal control. This SMC may be a subset of the Risk Management Council, however, agencies have discretion in determining the appropriate structure. A Senior Management Council may include the Chief Financial Officer, Chief Human Capital Officer, Chief Information Officer, Chief Information Security Officer, Chief Acquisition Officer, Senior Agency Official for Privacy, Designated Agency Ethics Official, and Performance Improvement Officer and the managers of other program offices, and must be involved in identifying and ensuring correction of systemic material weaknesses relating to their respective programs."
>
> Section III - *Establishing and Operating an Effective System of Internal Control,* Subsection B – *Risk Profiles* states:
>
> "Agencies must maintain a risk profile. The primary purpose of a risk profile is to provide a thoughtful analysis of the risks an agency faces toward achieving its strategic objectives arising from its activities and operations, and to identify appropriate options for addressing significant risks. The risk profile assists in facilitating a determination around the aggregate level and types of risk that the agency and its management are willing to assume to achieve its strategic objectives."
>
> Section V – *Correcting Internal Control Deficiencies,* Subsection B – *Corrective Action Plan Requirements* states:
>
> "Management must maintain more thoroughly detailed corrective action plans internally, which must be made available for OMB and audit review. Management's process for resolution and corrective action of identified internal control deficiencies must:
>
> - Communicate corrective actions to the appropriate level of the agency and delegate authority for completing corrective actions to appropriate personnel.
> - Determine the resources required to correct a control deficiency. The corrective action plan must indicate the types of resources needed (e.g., additional personnel, contract support, training, etc.), including non-financial resources, such as senior leadership support for correcting the control deficiency.
> - Include critical path milestones that affect the overall schedule and performance of the corrective actions needed to resolve the control deficiency. Critical path milestones must lead to a date certain of the correction of the control deficiency.
> - Require prompt resolution and internal control testing to validate the correction of the control deficiency.
> - Ensure that accurate records of the status of the identified control deficiency are maintained and updated throughout the entire process."

Appendix II
Non-Compliance Matter, continued

CSOSA's current process relies on each office head completing a questionnaire assessing whether controls within their office are properly designed and operating effectively. Instructions are provided to office heads on how to complete the questionnaire; however, CSOSA does not have documented polices or SOPs in place to address risk management and internal control assessments, or the tracking of corrective action plans for weakness identified.

CSOSA's controls questionnaires are returned to the Associate Director, Office of Financial Management. The information from the questionnaires is compiled and submitted to the Agency Director for use in preparing CSOSA's annual assurance statement.

CSOSA's current process lacks the following elements required by the Circular:

1. **Identification of a Senior Management Council -** CSOSA has not identified or designated a SMC to assess and monitor deficiencies in internal control. The SMC generally recommends to the agency head which significant deficiencies are deemed to be material weaknesses to the agency as a whole, and therefore must be included in the FMFIA assurance statement. Assessment of internal control is currently performed by CSOSA's Associate Director, Office of Financial Management.
2. **Risk Profile -** CSOSA has not developed a risk profile as required by the Circular. The risk profile provides a thoughtful analysis of an agency's risks in achieving its strategic operational objectives, and identifies appropriate options for addressing significant risks.
3. **Reassessment of Risks -** CSOSA does not have a process for reassessing risks regularly or measuring the impact of these risks.
4. **A Cohesive and Documented Corrective Action Plan Process -** Currently, CSOSA's corrective action tracking process for non-IT deficiencies is ad-hoc. The process is not formally documented and does not contain the elements required by the Circular, such as type of resources needed to complete the corrective action, critical path milestones, regularly updated status of corrective actions, and formal determination by the Senior Accountable Official as to whether the control deficiency has been adequately corrected.

CSOSA did not develop its procedures to respond to risk or control deficiencies within the agency. Without a structured, comprehensive and documented Enterprise Risk Management process, management cannot be sure that its assurance statement is accurate and that all risks identified are being addressed in a timely manner. Furthermore, without adequate corrective action tracking, control deficiencies could go uncorrected for extended periods of time, leaving financial information vulnerable to fraud or error.

Recommendations: We recommend CSOSA:

1. Develop SOPs for its internal control assessment and risk management processes.
2. Identify and document the members and responsibilities of the Senior Management Council.
3. Develop a risk profile that complies with the requirements of OMB Circular A-123.
4. Develop and document a process for regularly reassessing risks identified during the update of the risk profile.
5. Develop SOPs for the proper tracking of corrective actions including the required content of corrective action plans, frequency of updating these plans, and the individuals responsible for ensuring that control deficiencies are addressed in a timely manner.
6. Develop a corrective action plan that contains all internally-identified and externally-identified control deficiencies that includes the elements required by the Circular.

Appendix III
Status of Prior Year Control Deficiencies

Our assessment of the current status of the prior year findings is presented below.

Prior Year Finding	Current Year Status
17-01 – Financial Management (Material Weakness)	Closed
17-02 – Lack of Internal Controls Over Property, Plant and Equipment (Material Weakness)	Closed
17-03 – Controls over Fund Balance with Treasury Reconciliations (Significant Deficiency)	Closed

Appendix IV
Management's Response to Independent Auditor's Report

Court Services and Offender Supervision Agency
for the District of Columbia

November 14, 2018

Mr. Kola Isiaq, Partner
Williams, Adley, and Company, LLP-DC
1030 15th Street NW Suite 350 West
Washington, DC 20005

Dear Mr. Isiaq:

We are providing this letter in response to internal control and non-compliance findings identified by Williams, Adley, and Company, LLP-DC (Williams Adley) as part of the audit of the Court Services and Offender Supervision Agency's (CSOSA's) FY 2018 consolidated financial statements. CSOSA consists of two component programs, the Community Supervision Program (CSP) and the Pretrial Services Agency (PSA).

CSOSA is responsible for 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. As part of audit testing, Williams Adley identified two significant control deficiencies. In addition, Williams Adley identified one issue of non-compliance with laws and regulations.

Willams Adley identified a significant control deficiency in CSOSA's controls surrounding the recording and review of Fund Balance with Treasury (FBwT) as part of interim (June 30, 2018) audit testing. CSOSA identified and corrected this issue for year-end (September 30, 2018) financial reporting purposes and developed and implemented new FBwT procedures in FY 2018.

A second significant control deficiency was identified by Williams Adley regarding CSOSA CSP controls surrounding Accounts Payable balances. CSOSA CSP is re-developing procedures and implementing staff training to ensure Accounts Payable balances are accurately stated.

Finally, Williams Adley identified CSOSA's non-compliance with certain internal control assessment and risk management processes required by Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* CSOSA management will further formalize the Agency's internal control review and remediation processes to enhance compliance with OMB Circular A-123, within the resource constraints of a small Agency.

Appendix IV
Management's Response to Independent Auditor's Report

Very truly yours,

PAUL GIRARDO Digitally signed by PAUL GIRARDO
Date: 2018.11.14 08:40:58 -05'00'

Paul Girardo
Associate Director, Office of Financial Management
Court Services and Offender Supervision Agency

WENDY L. MILLER Digitally signed by WENDY L. MILLER
DN: cn=WENDY L. MILLER, o=Office of Finance and Administration, ou=OFA, email=wendy.miller@psa.gov, c=US
Date: 2018.11.14 09:14:14 -05'00'

Wendy Miller
Director, Office of Finance and Administration
Pretrial Services Agency

C. FY 2018 Financial Statements

Court Services and Offender Supervision Agency
Balance Sheets
As of September 30, 2018 and 2017
(In Dollars)

	2018	2017
Assets		
Intragovernmental		
Fund Balance with Treasury - Note 2	$ 115,505,004	$ 117,265,467
Accounts Receivable - Federal - Note 3	21,621	40,774
With The Public		
Accounts Receivable - Note 3	9,129	29,027
Property, Plant and Equipment - Note 4	24,693,646	13,167,123
Total Assets	**$ 140,229,400**	**$ 130,502,391**
Liabilities		
Intragovernmental Liabilities:		
Accounts Payable	$ 51,220	$ 35,952
With The Public		
Accounts Payable	7,975,609	10,907,767
Accrued Payroll & Benefits	7,178,577	6,952,916
Actuarial FECA Liability	599,104	583,794
Accrued Unfunded Liabilities	8,354,840	7,951,186
Other	(34,076)	-
Total Liabilities - Note 5	**$ 24,125,274**	**$ 26,431,615**
Net Position		
Unexpended Appropriation	$ 99,716,064	$ 99,143,371
Cumulative Results of Operations	16,388,062	4,927,405
Total Net Position	**$ 116,104,126**	**$ 104,070,776**
Total Liabilities and Net Position	**$ 140,229,400**	**$ 130,502,391**

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, 2018 and 2017
(In Dollars)

	2018	2017
Strategy 1.1		
Program Costs		
Intragovernmental Costs	$ 9,150,060	$ 5,878,458
Less Intragovernmental Revenue - Note 6	(96,814)	(54,301)
Intragovernmental Net Costs	$ 9,053,246	5,824,157
Public Costs	$ 25,449,596	$ 29,795,002
Less Earned Revenue from Public - Note 6	-	-
Net Public Costs	$ 25,449,596	$ 29,795,002
Total Net Cost Strategy 1.1	**$ 34,502,842**	**$ 35,619,159**
Strategy 1.2		
Program Costs		
Intragovernmental Costs	$ 22,341,396	$ 14,642,070
Less Intragovernmental Revenue - Note 6	(236,387)	(135,253)
Intragovernmental Net Costs	$ 22,105,009	$ 14,506,817
Public Costs	$ 62,139,430	$ 74,213,419
Less Earned Revenue from Public - Note 6	-	-
Net Public Costs	$ 62,139,430	$ 74,213,419
Total Net Cost Strategy 1.2	**$ 84,244,439**	**$ 88,720,236**
Strategy 1.3		
Program Costs		
Intragovernmental Costs	$ 3,583,773	$ 2,049,215
Less Intragovernmental Revenue - Note 6	(37,919)	(18,929)
Intragovernmental Net Costs	$ 3,545,854	$ 2,030,286
Public Costs	$ 9,967,758	$ 10,386,459
Less Earned Revenue from Public - Note 6	-	-
Net Public Costs	$ 9,967,758	$ 10,386,459
Total Net Cost Strategy 1.3	**$ 13,513,612**	**$ 12,416,745**
Strategy 2.1		
Program Costs		
Intragovernmental Costs	$ 14,335,094	$ 9,425,515
Less Intragovernmental Revenue - Note 6	(151,675)	(87,066)
Intragovernmental Net Costs	$ 14,183,419	$ 9,338,449
Public Costs	$ 39,871,033	$ 47,773,278
Less Earned Revenue from Public - Note 6		
Net Public Costs	$ 39,871,033	$ 47,773,278
Total Net Cost Strategy 2.1	**$ 54,054,452**	**$ 57,111,727**
Strategy 2.2		
Program Costs		
Intragovernmental Costs	$ 4,498,779	$ 2,633,904
Less Intragovernmental Revenue - Note 6	(47,600)	(24,330)
Intragovernmental Net Costs	$ 4,451,179	$ 2,609,574
Public Costs	$ 12,512,718	$ 13,349,958
Less Earned Revenue from Public - Note 6	-	-
Net Public Costs	$ 12,512,718	$ 13,349,958
Total Net Cost Strategy 2.2	**$ 16,963,897**	**$ 15,959,532**
Strategy 3.1		
Program Costs		
Intragovernmental Costs	$ 9,302,561	$ 5,689,645
Less Intragovernmental Revenue - Note 6	(98,427)	(52,557)
Intragovernmental Net Costs	$ 9,204,134	$ 5,637,088
Public Costs	$ 25,873,756	$ 28,838,001
Less Earned Revenue from Public - Note 6	-	-
Net Public Costs	$ 25,873,756	$ 28,838,001
Total Net Cost Strategy 3.1	**$ 35,077,890**	**$ 34,475,089**
Total Net Cost of Operations	**$ 238,357,132**	**$ 244,302,488**

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, 2018 and 2017
(In Dollars)

	2018	2017
Unexpended Appropriations	$ 99,144,461	$ 94,657,885
Budgetary Financing Sources		
Appropriations Received	244,298,000	248,008,000
Canceled Funds	(2,886,694)	(3,995,434)
Appropriations Used	(240,839,703)	(239,527,080)
Total Budgetary Financing Sources	$ 571,603	$ 4,485,486
Total Unexpended Appropriations	**$ 99,716,064**	**$ 99,143,371**
Cumulative Results of Operations		
Beginning Balance	$ 4,927,755	$ 1,280,617
Budgetary Financing Sources:		
Appropriations Used	240,839,703	239,527,080
Other Financing Sources:		
Imputed Financing - Note 8	8,977,736	8,422,196
Total Financing Sources	$ 249,817,439	$ 247,949,276
Net Cost of Operations	238,357,132	244,302,488
Cumulative Results of Operations	**$ 16,388,062**	**$ 4,927,405**
Net Position	**$ 116,104,126**	**$ 104,070,776**

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, 2018 and 2017
(In Dollars)

	2018	2017
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	19,178,411	30,308,306
Appropriations (discretionary and mandatory)	244,298,000	248,008,000
Spending authority from offsetting collections (discretionary and mandatory)	851,655	434,980
Total Budgetary Resources	**$ 264,328,066**	**$ 278,751,286**
Memorandum (non-add) entries:		
Net adjustments to unobligated balance brought forward, Oct 1	**$ 2,262,158**	**$ 1,981,832**
Status of Budgetary Resources		
New obligations and upward adjustments (total)	244,302,735	261,835,034
Unobligated balance, end of year;		-
Apportioned, unexpired account	3,527,178	3,336,742
Unapportioned, unexpired accounts	14,372	-
Unexpired unobligated balance, end of year	3,541,550	3,336,742
Expired unobligated balance, end of year	16,483,781	13,579,510
Unobligated balance, end of year (total)	20,025,331	16,916,252
Total Budgetary Resources	**$ 264,328,066**	**$ 278,751,286**
Outlays, net:		
Outlays, net (total) (discretionary and mandatory)	243,171,769	235,509,835
Distributed offsetting receipts (-)	-	-
Agency outlays, net (discretionary and mandatory)	**$ 243,171,769**	**$ 235,509,835**

The accompanying notes are an integral part of these statements

D. Notes to the FY 2018 Financial Statements

Note 1: Summary of Significant Accounting Policies:

Description of Entity

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

The majority of the Agency's funding comes from appropriations. Additional authority is provided through grants from the Office of National Drug Control Policy (ONDCP) and through Interagency Agreements. This additional funding consists of reimbursement work performed by CSOSA on behalf of the requesting entity.

The CSOSA appropriation supports both the CSP and PSA.

In FY 2018, the Agency was appropriated $244,298,000 from Congress, of which the following allotments were made as of September 30, 2018:

	Annual Appropriation	Multi-Year Appropriation	TOTAL FY 2018	TOTAL FY 2017
CSP	$180,840,000	-	$180,840,000	$182,721,000
PSA	63,458,000	-	63,458,000	65,287,000
Total	$244,298,000	-	$244,298,000	$248,008,000

Basis of Presentation

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

Changes in Financial Statements Presentation

In response to changes required by OMB Circular A-136, the format of the 2018 Statement if Changes in Net Position (SCNP) and Statement of Budgetary Resources (SBR) have changed. Accordingly, the 2017 SCNP and SBR have been revised to conform to the new presentation.

Basis of Accounting

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

Revenues and Other Financing Sources

CSOSA receives the majority of funding needed to support its programs through Congressional appropriations. CSOSA receives an annual appropriation that may be used, within statutory limits, for operating and capital expenditures. Additional funding is provided through grants from the ONDCP. Revenues are recognized at the time related program or administrative expenses are incurred. CSOSA reviews and classifies inter-agency agreements as either exchange or transfers-in based on the nature of the agreement.

Fund Balance with Treasury

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

Accounts Receivable

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

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.

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.

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

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). FY 2018 CSRS contribution rates remain unchanged from FY 2017. 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, FY 2018 contribution rates remain unchanged from FY 2017 rates. For FY 2018, CSOSA contributes 13.7 percent of employees' gross pay for normal retirement and 30.1 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.

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.

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

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.

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, 2018 and September 30, 2017:

Fund Balance	CSP	PSA	Total FY 2018	Total FY 2017
Appropriated Funds	$101,996,375	$13,508,629	$115,505,004	$117,265,467

Status of the Fund Balance with Treasury consists of the following as of September 30, 2018 and September 30, 2017:

Status of Fund Balance	CSP	PSA	Total FY 2018	Total FY 2017
Unobligated Balance				
Available	$3,343,037	$184,141	$3,527,178	$3,318,381
Unavailable	13,168,178	3,329,975	16,498,153	13,582,213
Obligated Balance not yet Disbursed	85,483,032	10,605,449	96,088,481	100,839,445
Less: Reimbursable Obligations	(586,671)	-	(586,671)	(404,771)
Less: Accounts Receivable	(24,514)	(6,236)	(30,750)	(69,801)
Total	$101,383,062	$14,113,329	$115,496,391	$117,265,467

The Status of Fund Balance may differ from the Fund Balance due to reimbursable obligations that are in an Obligated Balance not yet Disbursed 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 D.C. Superior Court and Child and Family Services Agency. All receivables are considered collectible based on historical precedent; there is no allowance for uncollectable accounts. The Receivables consists of the following:

Note 2: Accounts Receivable (con't)

Receivables	CSP	PSA	Total FY 2018	Total FY 2017
Federal Receivable	$15,746	$5,875	$21,621	$40,774
Public Receivable	8,768	361	9,129	29,027
Total Receivables	$24,514	$6,236	$30,750	$69,801

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 and defendants. 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 primary Internal Use Software project. SMART was developed in-house and is currently being re-developed to enable CSOSA to better track the individuals under CSOSA's jurisdiction. CSOSA CSP is also deploying a new Physical Security Access Control System. 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.

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. CSOSA amortizes leasehold improvements based on the remaining period of the lease; equipment is depreciated for five years and internal use software is depreciated for two years.

Property, Plant and Equipment balances as of September 30, 2018 and September 30, 2017 are as follows:

CSP	Estimated Useful Life	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2018	Net Book Value FY 2017
Construction in Progress		$3,336,098	$ -	$3,336,098	$2,880,888
Equipment	5yrs	5,042,056	1,621,558	3,420,498	1,561,186
Leasehold Improvements	Based on life of lease	5,829,064	1,087,521	4,741,543	347,680
Internal Use Software in Development		9,644,576		9,644,576	5,017,814
Internal Use Software	2yrs	20,695,214	20,089,740	605,474	1,022,040
Total CSP		$44,547,008	$22,798,819	$21,748,189	$10,829,608

PSA	Estimated Useful Life	Purchase Cost	Accumulated Depreciation	Net Book Value FY 2018	Net Book Value FY 2017
Equipment	5yrs	3,128,835	1,529,275	1,599,560	1,885,285
Leasehold Improvements	Based on life of lease	704,958	305,468	399,490	452,230
Internal Use Software	2yrs	8,219,096	7,272,689	946,407	-
Total PSA		$12,052,889	$9,107,432	$2,945,457	$2,337,515
Total CSOSA		$56,599,897	$31,906,251	$24,693,646	$13,167,123

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, 2018 and September 30, 2017:

	CSP	**PSA**	**Total FY 2018**	**Total FY 2017**
Accrued Unfunded Liability	$5,862,163	$2,492,677	$8,354,840	$7,951,186
Actuarial FECA Liability	284,794	314,310	599,104	583,794
Total Liabilities Not Covered by Budgetary Resources	$6,146,957	$2,806,987	$8,953,944	$8,534,980
Total Liabilities Covered by Budgetary Resources	10,342,422	4,828,908	15,171,330	17,896,635
Total Liabilities	$16,489,379	$7,635,895	$24,125,274	$26,431,615

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, 2018 and September 30, 2017:

Exchange/Earned Revenue	**Intragovernmental Revenue**	**Earned Revenue from Public**	**Total FY2018**	**Total FY 2017**
CSP	$588,499	$ -	$588,499	$340,115
PSA	80,323	-	80,323	32,321
Total CSOSA	$668,822	$ -	$668,822	$372,436

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.

Note 7: Leases (con't)

Future Operating Lease Payments Due	CSP		PSA		Total
	Federal	Non-Federal	Federal	Non-Federal	
Fiscal Year 2019	$10,180,936	$4,098,550	$3,117,159	$1,947,000	$19,343,645
Fiscal Year 2020	10,469,287	3,624,759	3,127,355	1,944,626	19,166,027
Fiscal Year 2021	10,765,862	3,937,203	3,186,775	1,981,574	19,871,414
Fiscal Year 2022	11,070,896	4,037,402	3,247,324	2,019,224	20,374,846
Fiscal Year 2023	11,384,633	4,148,667	3,309,023	2,057,589	20,899,912
Fiscal Year 2024 and Beyond	75,416,020	17,067,104	17,512,419	10,889,426	120,884,969
Total Future Operating Lease Payments Due	$129,287,635	$36,913,685	$33,500,055	$20,839,439	$220,540,813

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 14.7 percent and 32.5 percent for FERS and 32.8 percent and 48.5 percent for CSRS Offset, 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, 2018 and September 30, 2017:

	CSP	**PSA**	**Total FY 2018**	**Total FY 2017**
FEHB	$5,053,319	$2,045,266	$7,098,585	$5,712,606
FEGLI	15,180	6,174	21,354	21,088
Pensions	1,665,122	192,675	1,857,797	2,688,502
Total	$6,733,621	$ 2,244,115	8,977,736	$8,422,196

Note 9: Contingencies and Commitments

CSOSA is a party to various administrative proceedings, legal actions and claims. As of September 30, 2018, there are a total of two cases classified as probable with an estimated amount of losses estimated at $2,435 and unknown, respectively. In addition, there are a total of four cases classified as reasonably possible. The estimated amount of losses relating to three of these four reasonably possible cases is classified as unknown. The estimated amount of losses relating to one of the four reasonably possible cases ranges from $10,000 to $20,000.

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 2018 are:

Note 10: Apportionment Categories of Obligations Incurred (con't)

Fiscal Year September 30, 2018 Obligations Apportioned Under:	Direct Obligations	Reimbursable Obligations	Total FY 2018	Total FY 2017
CSP				
Category A	$178,770,048	$615,138	$179,385,186	$196,030,995
PSA				
Category A	64,837,225	80,323	64,917,549	65,804,039
Total	$243,607,273	$695,462	$244,302,735	$261,835,034

Note 11: Explanation of Differences Between the Statement of Budgetary Resources and the 2019 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 2019, which contain actual budget results for fiscal year 2017, was released in February 2018.

There were no material differences between the amounts for fiscal year 2017 published in the President's FY 2019 Budget and that reported in the accompanying SBRs for the fiscal year ending on September 30, 2017 for obligations incurred or net outlays. For budgetary presentation resources, the difference in Total Budgetary Resources can be primarily attributed to the fact that total unobligated balances brought forward for expired funds are reported in the SBR, but not in the President's Budget. The difference in Net Outlays is due to rounding. The following is the reconciliation of the 2017 SBR to the 2019 President's Budget.

Fiscal Year 2017	Total Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources:	**$279**	**$262**	**$0**	**$236**
Differences:				
Prior Year Unobligated brought forward	(30)			
Other [Rounding]	(1)			(1)
Budget of the United States	**$248**	**$262**	**$0**	**$235**

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, 2018 and September 30, 2017.

Resources used to Finance Activities: Budgetary Resources Obligated	2018	2017
Total Obligations Incurred	$244,302,735	$261,835,034
Less: Spending Authority from Off-setting collections and recoveries		
Earned Reimbursements		
Collected	919,899	411,359
Receivable from Federal Sources	(17,836)	(28,155)
Change in Unfilled Customers Orders without Advance	181,899	62,545
Recoveries of Prior Year Obligations	4,916,545	5,920,723
Total Spending Authority from Off-setting collections and recoveries	6,000,507	6,366,472
Obligations Net of Offsetting Collections and Recoveries	$238,302,228	$255,468,562
Other Resources		
Imputed Financing from Costs Absorbed by Others	8,977,736	8,422,196
Net Other Resources	8,977,737	8,422,196
Total Resources Used to Finance Activities	$247,279,965	$263,890,758
Resources Used to Finance Items not part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided	2,167,055	(16,393,969)
Resources that Finance the Acquisition of Assets	(12,054,790)	(8,535,189)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(9,887,735)	(24,929,158)
Total Resources used to Finance the Net Cost of Operations	$237,392,230	$238,961,600
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	444,215	(132,335)
Increase in Exchange Revenue Receivable from the Public	-0-	-0-
Change in Other	204,524	377,868
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	648,739	226,378
Components not Requiring or Generating Resources		
Depreciation and Amortization	1,784,469	1,920,106
Revaluation of Assets or Liabilities	-0-	96,686
Other	(1,468,305)	3,078,562
Total Components of Net Cost of Operations that will not Require or Generate Resources	316,163	5,077,325
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	964,902	5,303,703
Net Cost of Operations	$238,357,132	$244,302,488

Note 13: Undelivered Orders at the end of the Period

CSOSA had Undelivered Orders consisting of the following as of September 30, 2018 and September 30, 2017:

	Federal	Non-Federal	Total FY 2018	Total FY 2017
Undelivered Orders	$7,792,231	$73,110,134	$80,902,365	$82,929,354
Paid	$23,487,676	$220,371,685	$243,859,361	
Unpaid	$1,462,673	$13,723,443	$15,186,116	

The format of the Note for *Undelivered Orders at the end of the Period* was updated by the July 30 2018 version of Circular A-136. This update required that the FY2018 amount for Undelivered Orders be shown separated by Federal and Non-Federal and that the amounts for Paid and Unpaid be provided. This presentation was required for FY2018 going forward but not for the FY2017 presentation.

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 2017.

Summary of Financial Statement Audit:

FY 2018 Audit Opinion:	Unmodified				
Restatement:	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Management	1	0	1	0	0
Property, Plant and Equipment (PP&E)	1	0	1	0	0
Total Material Weaknesses	**2**	**0**	**2**	**0**	**0**

Summary of Management Assurances:

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
FY 2018 Statement of Assurance:	Unmodified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Manageme	1	0	1	0	0
Property, Plant and Equipment (PP&E)	1	0	1	0	0
Total Material Weaknesses	**2**	**0**	**2**	**0**	**0**

Effectiveness of Internal Control over Operations (FMFIA § 2)					
FY 2018 Statement of Assurance:	Unmodified				
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 2018 Statement of Assurance:	Systems comply 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), the Improper Payment Elimination and Recovery Improvement Act (IPERIA) of 2012 (P.L. 112-248) extends erroneous payment reporting and Do Not Pay (DNP) requirements to all Federal programs and activities. IPERA and IPERIA require that agencies examine the risk of erroneous payments in all programs and activities they administer. CSOSA consists of two programs: CSP and PSA. IPERIA also identifies DNP pre-award and pre-payment review requirements.

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 2018 payment transactions (to include payments made by credit card and payments made to employees), CSOSA has determined that neither program poses the risk of improper payments exceeding both 1.5% and $10 million. In FY 2018, CSOSA complied with DNP pre-award and pre-payment review requirements initiated by our financial SSP, DOI IBC.

Fraud Reduction Report

The Fraud Reduction and Data Analytics Act (FRDAA) of 2015, PL 114-186, requires agencies to improve Federal agency financial and administrative controls and procedures to asses and mitigate fraud risks, and to improve Federal agencies development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments.

CSOSA establishes obligation and payment transactions in OFF using unique vendor and employee supplier records established, in advance, by our financial SSP, DOI IBC. DOI IBC ensures that CSOSA's suppliers are valid and that applicable suppliers are established in the System for Award Management (SAM) prior to recording a supplier record in OFF. In FY 2018, CSOSA improved the process used to present proposed new suppliers to IBC. Effective in FY 2018, only designated CSOSA staff may present supplier requests to IBC and such requests must be submitted via a secure transfer system.