



An Audit Report on

Diversion Program Grants at the Texas Department of Criminal Justice

July 2019
Report No. 19-040



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Overall Conclusion

The Texas Department of Criminal Justice's (TDCJ) Community Justice Assistance Division (CJAD) developed processes and methodologies for evaluating, scoring, and awarding Diversion Program grants to Community Supervision and Corrections Departments (Local Departments). For example, CJAD documented a scoring methodology and criteria that evaluators were required to use when scoring program grant applications.

However, CJAD should strengthen its processes to ensure that:

- It maintains adequate support for evaluation scores.
- It uses complete and accurate offender data to make funding decisions.
- Individuals involved in the grant evaluation and award process sign conflicts of interest disclosures.

CJAD monitored Local Departments' compliance with program and financial requirements of the Diversion Program. That monitoring included completing a risk assessment and conducting compliance reviews and requiring Local Departments to obtain financial opinion audits and submit quarterly financial reports. However, CJAD should strengthen its program and financial monitoring processes to help ensure Local Departments' compliance with grant requirements by verifying that the Local Departments have adequate plans in place to monitor vendors paid with Diversion Program funds. CJAD also should monitor vendor contracts in accordance with its policies and ensure that all Diversion Program funding recipients receive adequate financial monitoring.

Table 1 on the next page presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Background Information

The Community Justice Assistance Division (CJAD) administers community supervision in Texas by working directly with the Community Supervision and Corrections Departments (Local Departments) that supervise the offenders. CJAD's activities related to the Diversion Program include the following:

- Tracking the Local Departments' performance.
- Monitoring and reviewing Local Departments' budgets and programs.
- Distributing Texas Department of Criminal Justice (TDCJ) funding to the Local Departments.
- Enforcing CJAD's standards for Local Departments.
- Providing Local Departments with administrative and technical help.
- Training and certifying community supervision officers.

For the 2018-2019 biennium, TDCJ was appropriated \$268,116,967 for Diversion Program grants.

Sources: CJAD and the General Appropriations Act (85th Legislature).

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	CJAD Had a Process for Evaluating, Scoring, and Awarding Diversion Program Grants; However, It Should Strengthen That Process to Ensure Consistent Compliance with Applicable Requirements	Medium
1-B	CJAD Developed a Methodology for Scoring One-time Funding Grant Applications; However, It Should Ensure That It Consistently Follows That Methodology and Retains Supporting Documentation	Medium
1-C	CJAD Awarded Pretrial Diversion Program Grants to Local Departments in Accordance with the Methodology It Developed	Low
1-D	TDCJ Should Ensure That Staff Directly Involved in Awarding Diversion Program Grants Sign Conflict of Interest Disclosures	High
2-A	CJAD Monitored Local Departments' Compliance with Program and Financial Requirements	Low
2-B	CJAD Should Strengthen Certain Aspects of Its Monitoring of Third-party Vendors	Medium

^a A subchapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A subchapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A subchapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A subchapter is rated **Low** if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to TDCJ's management.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. TDCJ agreed with the recommendations in this report.

Audit Objectives and Scope

The objectives of this audit were to determine:

- Whether CJAD has processes and related controls that are designed and operating to help ensure that Local Departments use diversion funds in accordance with applicable requirements, including approved Local Departments' community justice plans, strategic plans, and grant agreements.
- Whether CJAD awards diversion grant funds in accordance with applicable statutes and TDCJ rules, policies, and procedures.

The scope of the audit covered Diversion Program grants awarded during fiscal year 2018 and fiscal year 2019 through February 28, 2019, and Diversion Program monitoring activities of the Local Departments for the last two biennia (September 1, 2015, through February 28, 2019).

The audit scope also covered Diversion Program management and monitoring activities for fiscal year 2018 and fiscal year 2019 through February 28, 2019, at two Local Departments: the Bexar County Community Supervision and Corrections Department and the Tom Green County Community Supervision and Corrections Department.

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Detailed Results

Chapter 1

TDCJ Should Ensure That CJAD Strengthens Its Diversion Program Grants Evaluation and Award Process

The Community Justice Assistance Division (CJAD) within the Texas Department of Criminal Justice (TDCJ) developed processes and methodologies for evaluating, scoring, and awarding Diversion Program grants to Community Supervision and Corrections Departments (Local Departments). For example, CJAD documented a scoring methodology and criteria that evaluators were required to use when scoring program grant applications.

However, CJAD should strengthen its processes to ensure that:

- It consistently maintains adequate support for evaluation scores, including justifications for changes to previously determined scores.
- It uses complete and accurate offender data to make funding decisions.
- Individuals involved in the grant evaluation and award process sign conflicts of interest disclosures.

Chapter 1-A

CJAD Had a Process for Evaluating, Scoring, and Awarding Diversion Program Grants; However, It Should Strengthen That Process to Ensure Consistent Compliance with Applicable Requirements

CJAD developed and implemented a process for evaluating, scoring, and awarding Diversion Program grants and ensured that process was followed for all 17 program applications tested. Specifically, CJAD's process required applications to receive initial program and budget scores before being sent to an evaluation committee, which developed final scores and recommendations for funding (see text box).

**Chapter 1-A
Rating:
Medium¹**

Funding Recommendations for Diversion Program Grants

According to CJAD's tracking log, for fiscal year 2018 and fiscal year 2019 through February 28, 2019, 83 Local Departments requested \$141,783,821 in program grant funding for 311^a programs. In its initial recommendations, CJAD's evaluation committee proposed providing funding to 82 Local Departments for a total of \$100,190,753. Specifically:

- For 13 Local Departments, the total funding recommendations were equal to the amounts requested.
- For 69 Local Departments, the total recommended funding amounts were less than the requested amounts.
- For 1 Local Department, the committee recommended not funding the application because the Local Department was going through a restructuring process and could not demonstrate that it was ready to run a Diversion Program.

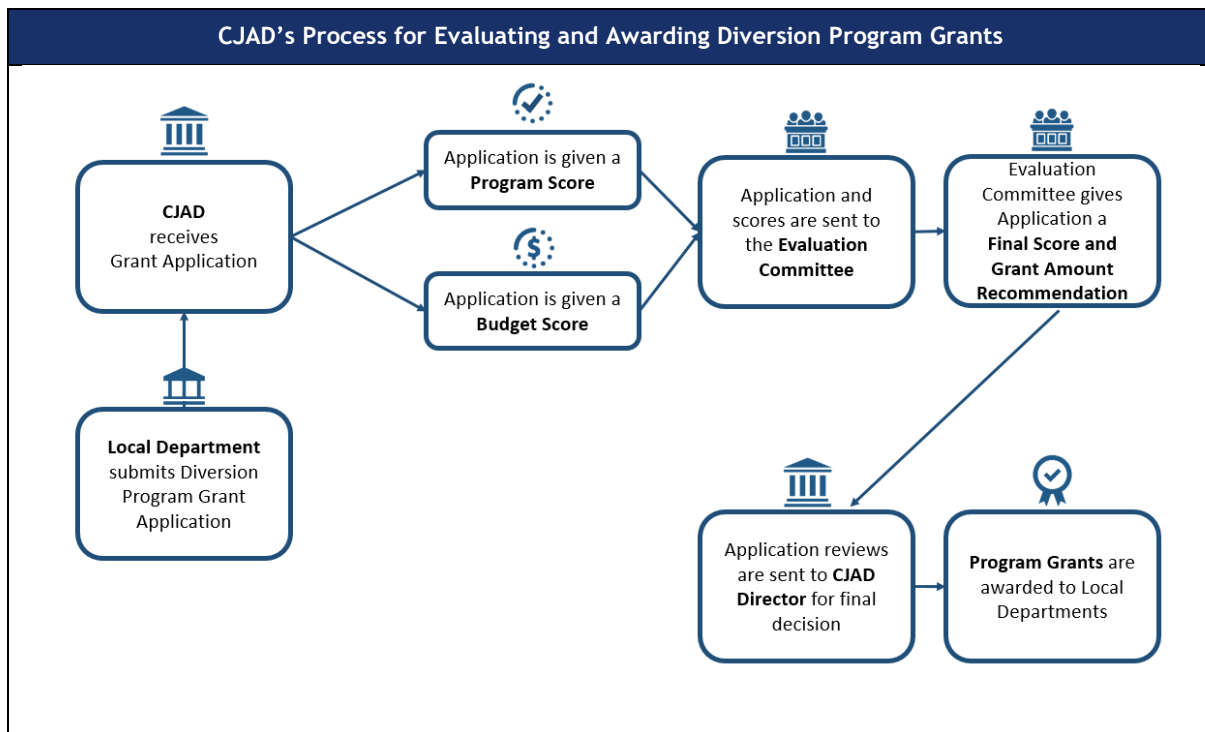
^a The same program may be operated at multiple Local Departments.

Source: CJAD.

¹ The risk related to the issues discussed in Chapter 1-A is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

The final scores and recommendations were then sent to CJAD’s director, who made the final grant award decisions (see Figure 1 for more information about CJAD’s process for program grant applications).

Figure 1



Source: Auditors created this figure based on information from CJAD.

Scoring Criteria for Grant Applications for Continuing Programs

CJAD’s scoring criteria for grant applications for continuing programs includes program and financial factors, such as:

- Program success rate.
- Program success rate improvement over last biennium.
- Whether an action plan was given in the last biennium.
- Whether funding reductions were given in the previous one or two bienniums.
- Whether the program was active and submitting data, and the accuracy of the data entered.
- Proposed overhead and administrative costs.
- Independent audit risk analysis.
- Unit cost per bed.

CJAD also considered additional information to determine funding recommendations, including:

- Audit results.
- Number of offenders served.
- Funding carryover amounts from previous year.
- CJAD’s funding priorities.

Source: CJAD.

In addition, CJAD documented a scoring methodology and criteria that evaluators are required to use when scoring program grant applications, and that methodology differs depending on whether the application is for a continuing program or a new program. For example, for continuing programs, CJAD’s methodology requires evaluators to develop program scores and budget scores according to specific criteria, such as the applicant’s program success rate (see text box for more information about the scoring criteria). For new programs, which would not have a success rate, the methodology included consideration of available TDCJ funding and CJAD’s priorities.

CJAD also ensured that evaluators followed the scoring methodology and applied the criteria correctly for all 17 applications tested.

However, CJAD changed some of the applications' previously determined "fiscal risk score" without documenting justification for those changes. In addition, CJAD did not ensure that it used accurate offender data for its *Monthly Community Supervision Report*, which CJAD uses to score certain elements of Diversion Program grant applications.

CJAD modified a scoring element for some applications without documenting a justification for the changes.

For 37 applications it received for fiscal years 2018 and 2019, CJAD modified the previously determined "fiscal risk score," which is an element included in an application's initial budget score. CJAD did not document its reasons for changing those scores. Undocumented scoring changes decreases the transparency and objectivity of the evaluation process.

CJAD should ensure that it uses accurate offender data to make funding decisions.

Local Departments are required to electronically submit basic offender data to CJAD at least monthly. CJAD uses this data to generate a *Monthly Community Supervision Report*. That report is the primary source of the community supervision information for official reports that TDCJ submits to the Governor, Legislature, and Legislative Budget Board. CJAD also uses the *Monthly Community Supervision Report* to determine certain elements for scoring grant applications, such as a program's success rate or number of offenders served.

However, the offender data in the *Monthly Community Supervision Report* may not be accurate. For example, for one Local Department that auditors visited, 2 (8 percent) of 25 offender records tested were incorrectly listed as program participants in 2018 and 2019. However, those two offenders had stopped participating in the listed program in 2013 and 2015, respectively. If CJAD does not ensure that the offender data submitted by Local Departments is accurate, it may be making funding decisions that do not sufficiently reflect the Local Departments' needs.

Recommendations

TDCJ should ensure that CJAD:

- Improves the transparency of its grant application scoring process by adequately documenting, and retaining that documentation, its justification for any changes it makes to the scores assigned to grant applicants.

- Strengthens its coordination efforts with Local Departments to ensure that the program and offender data reported is complete and accurate.

Management's Response

- *The Department should ensure that the Community Justice Assistance Division (CJAD) improves the transparency of its grant application scoring process by adequately documenting, and retaining that documentation, its justification for any changes it makes to the scores assigned to grant applicants.*

The Texas Department of Criminal Justice agrees with the recommendation. Effective April 2019, the Community Justice Assistance Division implemented a process whereby it documents and retains justification for any deviation from the established scoring methodology to enhance transparency of the grant application scoring process. Implementation was completed April 1, 2019.

- *The Department should ensure that CJAD strengthens its coordination efforts with Local Departments to ensure that the program and offender data reported is complete and accurate.*

The Texas Department of Criminal Justice agrees with the recommendation. The Community Justice Assistance Division will continue to coordinate with Local Departments and incorporate additional controls into its program monitoring reviews to ensure proper and accurate reporting of program data to the Intermediate System. The CJAD Director shall be responsible for implementing the corrective action. The target date for implementation is September 1, 2019.

CJAD Developed a Methodology for Scoring One-time Funding Grant Applications; However, It Should Ensure That It Consistently Follows That Methodology and Retains Supporting Documentation

**Chapter 1-B
Rating:
Medium²**

CJAD developed an evaluation methodology and a scoring matrix for one-time funding grant applications (see text box for more information about one-time funding applications). Between fiscal year 2018 and the second quarter of fiscal year 2019 (through February 28, 2019), CJAD evaluated 122 one-time funding grant applications from 32 Local Departments. Of the 32 grant applications that auditors tested, CJAD followed its established scoring methodology for 25 (78 percent) applications.

However, for the remaining seven grant applications tested, CJAD:

- Did not ensure that all scorers on the evaluation committee completed the scoring matrix to evaluate one-time grant applicants for six applications.
- Awarded a \$30,000 one-time grant to one Local Department without documenting whether it evaluated and scored the grant application in compliance with its one-time grant funding evaluation and scoring methodology. CJAD management asserted that the scoring committee and CJAD's executive management discussed the grant application and verbally communicated the approval of the funds.

Not consistently following its scoring methodology or retaining adequate supporting documentation limits CJAD's ability to ensure the transparency and objectivity of the evaluation process.

One-time Funding Grant Applications

One-time funding is awarded to Local Departments on a competitive basis and is usually requested for treatment services and to purchase equipment and supplies. The priorities for distribution of the one-time funds are determined biennially.

In fiscal year 2018, CJAD awarded and funded \$1,823,139 in one-time grants ranging from \$4,000 to \$416,860.

In fiscal year 2019, through February 28, 2019, CJAD awarded \$1,757,856 in one-time grants ranging from \$500 to \$400,000.

Source: CJAD.

² The risk related to the issues discussed in Chapter 1-B is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

Recommendation

TDCJ should ensure that CJAD consistently follows its scoring methodology for awarding one-time grant applications and ensure that all scorers on the evaluation committee complete the scoring matrix to evaluate one-time grant applications.

Management's Response

The Texas Department of Criminal Justice agrees with the recommendation. Effective April 2019, the Community Justice Assistance Division implemented a process whereby it requires all scorers on the one-time grant evaluation committee complete the scoring matrix to evaluate applications. Implementation was completed April 1, 2019.

Chapter 1-C

CJAD Awarded Pretrial Diversion Program Grants to Local Departments in Accordance with the Methodology It Developed

Chapter 1-C
Rating:
Low³

For fiscal year 2018 and fiscal year 2019 through February 28, 2019, CJAD developed and complied with a methodology for awarding Pretrial Diversion Program Grants to Local Departments. The methodology considered Local Departments that submitted grant-funding requests to fund Community Supervision Officers and Case Aide positions for new Pretrial Diversion Programs that were not previously funded by CJAD (see text box for more information about Pretrial Diversion Program state funding).

Pretrial Diversion Program Funding

The 85th Legislature appropriated \$2,322,286 in fiscal year 2018 and \$2,519,019 in fiscal year 2019 in General Revenue to fund Local Departments' Pretrial Diversion Programs for misdemeanor and felony offenses.

Source: The General Appropriations Act (85th Legislature).

From September 1, 2017, through February 28, 2019, CJAD awarded Pretrial Diversion Program funding totaling \$1,763,117 to 31 Local Departments. For the 5 tested grant applications totaling \$505,450 (out of a total of 31 applications), CJAD complied with its methodology. The Pretrial Diversion Program, which is an alternative to prosecution, seeks to divert certain offenders from traditional criminal justice processing into a program of supervision.

³ The risk related to the issues discussed in Chapter 1-C is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

TDCJ Should Ensure That Staff Directly Involved in Awarding Diversion Program Grants Sign Conflict of Interest Disclosures

Chapter 1-D
Rating:
High⁴

TDCJ did not ensure that employees directly involved in evaluating Diversion Program grant applications and awarding those grants disclosed potential conflicts of interest. Specifically, for fiscal year 2018, the CJAD Director completed an annual conflict of interest disclosure dated October 12, 2017. However, none of the evaluation committee members for the fiscal years 2018 and 2019 (through February 28, 2019) grant applications or related procurement and contract management staff completed an annual conflict of interest disclosure.

The *State of Texas Procurement and Contract Management Guide* requires state agencies to assess actual and potential conflicts of interests for evaluation committee members and technical advisors to the committee. In addition, TDCJ's chief financial officer, in an interoffice communication dated September 7, 2018, stated that division directors should identify staff directly involved in procurement or contract management within their division and require the identified individuals to sign a Disclosure of Potential Conflicts of Interest form annually.

Not ensuring that individuals involved in the grant evaluation and awarding process disclose potential and actual conflicts of interest limits TDCJ's ability to identify and address conflicts in a timely manner and ensure the integrity of the evaluation process.

Recommendation

TDCJ should ensure that employees directly involved in evaluating Diversion Program grant applications and awarding those grants disclose potential conflicts of interest.

Management's Response

The Texas Department of Criminal Justice agrees with the recommendation. Effective June 2019, the Community Justice Assistance Division implemented a process whereby it requires all division staff to disclose potential conflicts of interest. Implementation was completed June 1, 2019.

⁴ The risk related to the issues discussed in Chapter 1-D is rated as High because they present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

CJAD Performed Program and Financial Monitoring of the Local Departments

CJAD monitored Local Departments' compliance with program and financial requirements of the Diversion Program. That monitoring included completing a risk assessment and conducting compliance reviews and requiring Local Departments to obtain financial opinion audits and submit quarterly financial reports. However, CJAD should strengthen its program and financial monitoring processes to help ensure compliance with grant requirements.

Chapter 2-A

CJAD Monitored Local Departments' Compliance with Program and Financial Requirements

**Chapter 2-A
Rating:**

Low⁵

Risk Assessment Factors

CJAD's risk assessment considered the following 11 risk factors to identify the Local Departments with the highest risk of noncompliance with Diversion Program requirements:

- Amount of TDCJ aid the Local Department receives.
- The Local Department's Diversion Program funding.
- Size of the Local Department.
- The Local Department's funding sources.
- The Local Department's internal controls.
- The Local Department's fiscal compliance.
- The Local Department's revocation rates.
- Whether the Diversion Program is new.
- Whether the Local Department had any action plans.
- Whether the Local Department had any flash notices (notifications of new arrests of probationers at the Local Department).
- The Local Department's potential liabilities.

Source: CJAD.

Program Requirements. CJAD's monitoring processes include compliance reviews to determine Local Departments' compliance with Diversion Program requirements. Those compliance reviews include an examination of Local Departments' records and/or activities related to the programs funded with Diversion Program grants. From September 1, 2015, through February 28, 2019, CJAD conducted 124 Diversion Program compliance reviews.

In addition, CJAD developed, and for the 2018-2019 biennium completed, a risk assessment to help it identify which Local Departments were at the highest risk of noncompliance with Diversion Program requirements. That risk assessment considered 11 risk factors, and the Diversion Program is the only program included in those factors (see text box for a list of those factors).

From September 1, 2015, through February 28, 2019, CJAD conducted Diversion Program compliance reviews at 11 of the 12 Local Departments it identified as the highest risk for noncompliance. Although CJAD did not conduct a Diversion Program compliance review at one Local Department identified as high risk, it did conduct a case management review⁶ at that Local Department in September 2017.

⁵ The risk related to the issues discussed in Chapter 2-A is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

⁶ Case management reviews are not specific to Diversion Program requirements and do not address compliance with Diversion Program grant requirements.

From the 124 Diversion Program compliance reviews that CJAD conducted at Local Departments, auditors tested 11 and determined that CJAD followed its documented monitoring processes.

Financial Requirements. In addition to monitoring compliance with program requirements, CJAD monitors compliance with financial requirements, which includes requiring Local Departments to obtain annual financial audits and submit quarterly financial reports. Specifically:

- Local Departments must obtain financial opinion audits conducted by external certified public accountants (CPAs). While the Local Departments are responsible for selecting the CPAs, CJAD developed audit guidelines and instructions for the CPAs to follow. CJAD obtained the required CPA audit reports from all of the Local Departments except those that were exempt (see text box for information about exemptions). For example:

- ♦ For the 16 Local Departments tested (out of 105 Local Departments required to submit CPA audit reports), CJAD reviewed the audit reports issued by the CPAs to ensure that the audits were performed in accordance with established guidelines.
- ♦ Additionally, for three Local Departments tested that received an exemption to obtaining an annual financial audit, CJAD adequately approved the exemptions in accordance with requirements.

- CJAD monitored the Local Departments' use of TDCJ's funds, including Diversion funds, and took appropriate actions, including deobligations of funds (see text box for information about deobligations).
- CJAD's *Financial Management Manual* requires the fiscal officer for each funding recipient to prepare and submit a financial report every quarter for each funded program within a Local Department. For the 25 funded programs tested (out of 235 total funded programs), CJAD received the required Quarterly Financial Reports from Local Departments and reviewed those within two months.

Exemptions

Local Departments may qualify for an exemption to the requirement to submit CPA audits if they meet the criteria set by CJAD. A Local Department may be exempt if it: (1) did not receive more than \$750,000 in TDCJ-CJAD funding; (2) does not have findings in prior fiscal years' independent audit reports; and (3) did not receive an exemption in the previous fiscal year.

Source: CJAD's *Exemption for Independent Financial Audit*, revised effective date January 29, 2019.

Deobligations

Deobligations are reductions of state aid funds that are in excess of the amount needed to operate the programs for the remainder of the fiscal year.

Source: CJAD.

CJAD Should Strengthen Certain Aspects of Its Monitoring of Third-party Vendors

**Chapter 2-B
Rating:**
Medium ⁷

CJAD has monitoring processes in place to review third-party vendor use of Diversion Program grant funds. For example, CJAD verified that required clauses from its *Contract Management Manual* were included in the Local Departments' vendor contracts related to grant funds.

However, it should strengthen those processes by (1) ensuring that monitoring includes all vendors that receive Diversion grant funds and (2) reviewing the vendor contracts in accordance with its policies. Specifically, CJAD:

- Did not include in its financial monitoring guidance to Local Departments contracts with vendors that do not provide direct services to offenders⁸.
- Did not include in its financial monitoring coverage third-party vendors—such as nonprofit organizations—that receive Diversion Programs funds to operate a Battering Intervention and Prevention Program⁹.
- Did not review the vendors' required allocation plans and depreciation schedules to ensure that the vendors comply with program and contract requirements.

Without including all grant-funded vendor contracts in its monitoring processes, there is an increased risk that grant funds may be used for unauthorized expenditures or that contracted services may not be provided.

⁷ The risk related to the issues discussed in Chapter 2-B is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

⁸ Example(s) of nondirect services include food services and medical supplies.

⁹ For the 2018-2019 biennium, the Department was appropriated \$3.5 million for grants to Battering Intervention and Prevention Programs, which address domestic violence issues.

Recommendations

TDCJ should ensure that CJAD improves its monitoring of Local Departments' use of Diversion grant funds by:

- Monitoring vendor contracts that the Local Departments enter into in accordance with its policies.
- Including in its monitoring third-party vendors that receive Diversion Program funds to run a Battering Intervention and Prevention Program.
- Developing guidance for Local Departments that requires all vendor contracts to be included in financial monitoring processes.

Management's Response

- *The Department should ensure that CJAD improves its monitoring of Local Departments' use of Diversion grant funds by:*
 - ♦ *Monitoring vendor contracts that the Local Departments enter into in accordance with its policies.*

The Texas Department of Criminal Justice agrees with the recommendation. The Community Justice Assistance Division will review and revise its vendor contract monitoring procedures as necessary to ensure monitoring activities are conducted in accordance with current policy. The CJAD Director shall be responsible for implementing the corrective action. The target date for implementation is September 1, 2019.

- ♦ *Including in its monitoring third-party vendors that receive Diversion Program funds to run a Battering Intervention and Prevention Program.*

The Texas Department of Criminal Justice agrees with the recommendation. The Community Justice Assistance Division will ensure that third-party vendors that receive Diversion Program funds are included in monitoring activities. The Division Director shall be responsible for implementing the corrective action. The target date for implementation is September 1, 2019.

- ♦ *Developing guidance for Local Departments that requires all vendor contracts to be included in financial monitoring processes.*

The Texas Department of Criminal Justice agrees with the recommendation. The Community Justice Assistance Division will ensure that all vendor contracts are required to be reported by Local Departments to ensure all contracts are included in the contract monitoring process. The CJAD Director shall be responsible for implementing the corrective action. The target date for implementation is September 1, 2019.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine:

- Whether the Texas Department of Criminal Justice’s (TDCJ) Community Justice Assistance Division (CJAD) has processes and related controls that are designed and operating to help ensure that community supervision and corrections departments (Local Departments) use diversion funds in accordance with applicable requirements, including approved Local Departments’ community justice plans, strategic plans, and grant agreements.
- Whether CJAD awards diversion grant funds in accordance with applicable statutes and TDCJ rules, policies, and procedures.

Scope

The scope of the audit covered Diversion Program grants awarded during fiscal year 2018 and fiscal year 2019 through February 28, 2019, and Diversion Program monitoring activities of the Local Departments for the last two biennia (September 1, 2015, through February 28, 2019).

The audit scope also covered Diversion Program management and monitoring activities for fiscal year 2018 and fiscal year 2019 through February 28, 2019, at two Local Departments: the Bexar County Community Supervision and Corrections Department and the Tom Green County Community Supervision and Corrections Department.

Methodology

The audit methodology included collecting and reviewing information that CJAD used to make Diversion Program grant funding decisions and to monitor those funds; reviewing CJAD’s policies and procedures and applicable state laws and regulations; conducting interviews with CJAD management and staff; and reviewing and analyzing general controls over CJAD’s Integrated Database, Intermediate System, and Shared Drive.

To test selected CJAD monitoring procedures, auditors also visited the Bexar County Community Supervision and Corrections Department and the Tom Green County Community Supervision and Corrections Department. Auditors selected those two Local Departments based on a risk-based methodology that considered multiple factors including grant amounts, TDCJ funding, program revocation rates, and other factors. This audit assessed the effectiveness of CJAD's monitoring efforts; as a result, this report does not address recommendations to the Local Departments. However, auditors informed the two Local Departments visited about their respective issues discussed in this report.

Data Reliability and Completeness

Auditors reviewed Diversion Program grant payments from TDCJ's accounting system (Lonestar) for fiscal year 2018 and fiscal year 2019 through February 28, 2019. Auditors determined that the payment data was sufficiently reliable for purposes of this audit by comparing it to information in the Uniform Statewide Accounting System.

Auditors also reviewed Diversion Program expenditure data from two Local Departments by reviewing the queries used to generate that data from their accounting systems and determined that the expenditure data was sufficiently reliable for purposes of this audit.

Auditors also tested selected general controls for CJAD's Integrated Database, Intermediate System, and Shared Drive, which CJAD uses to maintain budget information, offender data, and Diversion Program grant scoring matrices. Auditors obtained reasonable assurance that general controls were in place and operating effectively to help ensure the reliability of the data.

Sampling Methodology

To test CJAD's monitoring of Local Department's compliance with Diversion Program requirements, auditors selected a risk-based sample of Local Departments, and then selected from each of those Local Departments risk-based samples of Diversion Program budgets, grant applications, one-time funding awards, quarterly financial reports, and external audit reports.

Auditors also selected risk-based samples of expenditures related to Diversion Program funds at the two Local Departments visited and random samples of offenders reported as participating in the programs at the two Local Departments visited to test for program eligibility.

The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to those populations.

Information collected and reviewed included the following:

- Policies and procedures, including the CJAD's *Financial Management Manual*, TDCJ's *Contract Management Handbook*, CJAD's *Contract Management Manual for TDCJ-CJAD Funding of Offender Services*, and CJAD's *Independent Audit Guidelines*.
- Local Departments' budget information and quarterly financial report data from CJAD's Integrated Database for fiscal year 2018 and fiscal year 2019 through February 28, 2019.
- Spreadsheets that CJAD used to make funding decisions, which included information related to residential and nonresidential programs and a final funding spreadsheet for fiscal year 2018 and fiscal year 2019 through February 28, 2019.
- CJAD's scoring methodologies and scoring matrices for fiscal year 2018 and fiscal year 2019 through February 28, 2019.
- CJAD's schedule of payments it made to Local Departments that received Diversion Program grant funds in fiscal year 2018 and fiscal year 2019 through February 28, 2019.
- TDCJ's and CJAD's change management policies, CJAD's user access lists, and TDCJ's password policies for its Integrated Database, Intermediate System, and Shared Drive.
- CJAD's monitoring files of the Local Departments.
- Policies and procedures, offender files, contracts and related procurement documents, and expenditure documentation for the two Local Departments visited.

Procedures and tests conducted included the following:

- Conducted interviews with CJAD staff about the Diversion Program grant award process and financial and program monitoring.
- Analyzed the Diversion Program grant award process, including the scoring of grant applications.

- Tested a sample of Local Departments' quarterly financial reports to determine whether CJAD reviewed those reports to verify that they were accurate, complete, and timely.
- Tested a sample of independent financial audit reviews for compliance with CJAD's policies and procedures.
- Reviewed the *Independent Audit Guidelines* that CJAD provided to Local Departments.
- Determined whether CJAD monitored Local Departments' use of Diversion Program funds to determine whether funds should be deobligated.
- Determined whether CJAD performed program monitoring of Local Departments in accordance with CJAD's policies and procedures.
- Tested general controls over CJAD's Integrated Database and Intermediate System.
- Tested a sample of Local Departments' expenditures to determine whether they were allowable, reasonable, and in compliance with the CJAD's *Financial Management Manual*.
- Reviewed internal controls over financial information at the two Local Departments visited.
- Tested contract monitoring processes at the two Local Departments visited.
- Determined whether the offender data in the *Monthly Community Supervision Reports* was accurate by comparing that data to the information in the hard-copy offender files maintained by the Local Departments.

Criteria used included the following:

- CJAD's *Financial Management Manual*.
- TDCJ's *Contract Management Handbook*.
- *Contract Management Manual for TDCJ-CJAD Funding of Offender Services*.
- CJAD's *Policies and Procedures Manual*.
- The General Appropriations Act (85th Legislature).

- Standard grant agreements and any special grant conditions between CJAD and the Local Departments for fiscal year 2018 and fiscal year 2019 through February 28, 2019.
- Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards).
- Title 37, Texas Administrative Code, Chapter 163 (Community Justice Assistance Division Standards).
- Texas Government Code, Chapter 509.
- *State of Texas Procurement and Contract Management Guide*, Version 1.1, August 2018.

Project Information

Audit fieldwork was conducted from December 2018 through May 2019. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Amadou Ngaide, MBA, CFE, CIDA, CICA (Project Manager)
- Michael Bennett
- Evan Cresap, CPA
- Rebecca Franklin, CISA, CFE, CGAP
- Mary Beth Schwing, CPA, CFE, CGMA
- Eddie Valls, MACy
- Kiara White
- Robert G. Kiker, CGAP (Quality Control Reviewer)
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Michael A. Simon, MBA, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dennis Bonnen, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable John Zerwas, House Appropriations Committee
The Honorable Dustin Burrows, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Texas Department of Criminal Justice

Members of the Board of Criminal Justice

Mr. Dale Wainwright, Chairman
Mr. R. Terrell McCombs, Vice Chairman
Mr. Eric Gambrell, Secretary
Mr. E. F. "Mano" DeAyala
Mr. Thomas Fordyce
Mr. Larry Don Miles
Mr. Patrick O'Daniel
Ms. Derrelynn Perryman
Mr. Thomas Wingate
Mr. Bryan Collier, Executive Director



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