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July 24, 2015

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FROM: John Naimo 
Auditor-Controller

SUBJECT: **PROBATION DEPARTMENT - BUDGET, JUVENILE HALLS AND
CAMPS OPERATING COSTS, AND DEPARTMENTAL CONTRACTING
PROCEDURES REVIEW (Board Agenda Item 10, April 14, 2015)**

On April 14, 2015, your Board instructed the Auditor-Controller (A-C) to conduct an audit within 90 days of the Probation Department (Probation or Department) with a particular focus on its budget, fiscal, and personnel functions to ensure compliance with Board of Supervisors (Board) approved policies and best practices, including a thorough review of:

1. Recruitment, examination, hiring, and promotional practices to determine whether the Department is effectively recruiting, retaining, and promoting the most qualified staff for its operating needs;
2. Current cost of operating the juvenile halls and camps, including the cost per youth, annual maintenance costs, and deferred building maintenance costs;
3. The Department's federal and State grants and the outcomes and evaluations of the grants;
4. The Department's Request for Proposal (RFP) procedures and its process for examining satisfactory compliance with the statements of work (SOW) for contracted community-based organizations (CBOs) and agencies;
5. The Department's management and accounting of its budget, revenue, and expenditures; and
6. Feedback from youth under the Department's supervision, utilizing appropriate subject matter experts to conduct the interviews.

We have completed a review of Probation's budget, and operating costs of juvenile halls and camps (items 2 and 5). In addition, we completed a review of the Department's RFP procedures and their processes for examining compliance with the SOW for contracted CBOs (item 4).

Our review included interviewing Probation management and staff, comparing Probation's actual financial performance to its budget, and reviewing the Department's current revenues and expenditures, and potential changes to these categories that could affect future budgets. We also determined the current cost of operating Probation's juvenile halls and camps, reviewed Probation's methodology used in calculating the Average Daily Cost Per Youth (ADCPY), compared the Department's ADCPY to probation departments in other jurisdictions, and reviewed the Department's juvenile halls' and camps' annual and deferred maintenance costs.

In addition, we evaluated Probation's contract solicitation procedures and monitoring efforts for a select number of programs in which the Department contracts with CBOs to provide program services.

The three remaining portions of the Board Motion will be completed by consultants Sjoberg Evashenk Consulting (SEC) and Violence Intervention Program (VIP). SEC's report on items 1 and 3 of the Board Motion will be issued in November 2015, and VIP's report on item 6 will be issued in October 2015. Both SEC and VIP are in the preliminary phases of their reviews.

Results of Review

Budget, and Juvenile Halls and Camps Operating Costs

Probation operated within its budgeted Net County Cost (NCC) for Fiscal Years (FY) 2012-13 to 2014-15 (through March 2015), and the Department's financial performance compared to its budget resulted in favorable variances. However, our review noted that Probation needs to improve its budget, fiscal, and juvenile halls and camps cost calculation processes.

The revenue and expenditure variances between Probation's actual financial results compared to its final budget for the FYs reviewed were relatively significant. We did note that several of the variances were outside the Department's control, while some were due to Probation not claiming reimbursable expenditures for certain programs. Nevertheless, the excess amounts in the budget do not represent the best estimate of actual expected costs.

Probation's attached response indicates that they have included operational staff to address operational needs in the budget planning process, and that monthly financial

reporting methods are being implemented to inform Department managers and staff as to the status of their budgets and expenditures.

In addition, Probation did not:

- Request reimbursement for California Community Corrections Performance Incentives (CCPI) Act of 2009, Senate Bill (SB) 678 program costs from the CCPI Fund in FYs 2012-13 and 2013-14, which resulted in the Department using \$10.2 million of Los Angeles County (County) General Fund monies to fund SB 678 program expenses, resulting in an increased NCC.

Probation's response indicates that they will re-evaluate the \$10.2 million expended from the County General Fund during FYs 2012-13 and 2013-14 for SB 678 programs, and determine the feasibility of recovering such expenditures from the CCPI Special Revenue Fund.

- Conduct formal analysis of future outlooks. The Department only forecasts for the current and upcoming FY for budget purposes. Board policy requires that a long-range forecast be developed and maintained to reflect continuing programs, anticipated new initiatives, revenue changes, cost increases, and other factors that may impact strategy for maintaining a balanced budget over several years.

Probation's response indicates that they will be implementing a five-year scorecard to develop long-range budget forecasts to identify funding issues and solutions.

- Work with the Chief Executive Office (CEO) to monitor the progress of Capital Projects, or report Capital Project statuses to the Board annually, as required by the County Fiscal Manual. In addition, the Department does not have reserves or other funds for unmet needs or potential unexpected events.

Probation's response indicates that they will continue to work with CEO to monitor and track the Department's Capital Projects. In addition, Probation will continue to request funding from the CEO for the Department's unmet needs.

- Track administrative, educational, and transportation services costs by each juvenile hall and camp, and did not track revenues and expenditures separately for five of the six Challenger Memorial Youth Center juvenile camps.

Probation's response indicates that they will evaluate the feasibility of modifying their current budgetary structure and consider operational efficiencies, needs, and additional resources required.

- Use actual financial information to calculate the ADCPY for juvenile halls and camps, or include all costs related to operating the juvenile halls and/or camps,

including some costs related to health, mental health, pharmaceutical, and building maintenance services.

Probation's response indicates that they will use actual operating costs, ensure all direct juvenile hall and camp operating costs are included in the calculation of the ADCPY, and review other county probation department's costs in calculating the ADCPY to examine differences in the costs.

Contract Procedures and Monitoring

Probation's RFP procedures complied with County policy. The Department appropriately screened the proposals for minimum qualification requirements, and evaluated the proposals using the "Informed Averaging" scoring method. However, Probation should ensure that scoring categories in evaluation documents are divided into sufficiently detailed sub-categories to enhance the transparency and objectivity of each evaluator's conclusions.

Probation's response indicates that they will ensure evaluation documents are divided into sub-categories for future solicitations.

In addition, Probation's contract monitoring process did not always ensure that the Department effectively monitored the SOW requirements for their contracted CBOs. Specifically, we noted that:

- Probation's contract monitoring plan (Plan) was not prepared based on risk and is not complete. Specifically, the Plan was not prepared based on the risk to the Department of the contractors' non-compliance, annually updated, or list the group responsible for monitoring the specific programs. In addition, the Plan did not include seven programs that Probation and another County department jointly contract with CBOs to provide services.

Probation's response indicates that they will develop a comprehensive, risk-based Plan and will conduct ongoing monitoring of their jointly contracted CBOs.

- The monitoring scope for 12 (86%) of the 14 programs reviewed did not include the necessary steps for staff to ensure that the CBOs complied with the key SOW requirements.

Probation's response indicates that they will develop and implement monitoring tools that include the key SOW requirements.

- Probation did not issue a written report listing the results of their monitoring reviews for one (7%) of the 14 programs reviewed. In addition, Probation's policy does not

require copies of the monitoring reports to be sent to the Department's executive management to ensure key managers are aware of their contractors' performance.

Probation's response indicates that they will have their contract monitors issue reports detailing the results of the reviews. Probation also indicated that they implemented a process that notifies executive management of the results of their reviews.

Details of these and other findings and recommendations are included in Attachments I through III.

Review of Report

We discussed our report with Probation management on June 30, 2015. The Department's attached response (Attachment IV) indicates general agreement with our findings and recommendations.

We thank Probation management and staff for their cooperation and assistance during our review. If you have any questions, please contact me, or your staff may contact Arlene Barrera at (213) 974-0729.

JN:AB:DC:AA:JU

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
Patrick Ogawa, Acting Executive Officer, Board of Supervisors
Jerry E. Powers, Chief Probation Officer
Public Information Office
Audit Committee

**PROBATION DEPARTMENT
BUDGET, JUVENILE HALLS AND CAMPS OPERATING COSTS,
AND DEPARTMENTAL CONTRACTING PROCEDURES REVIEW**

Table of Contents

	Page
Background	1
Scope	2
Budget Structure.....	2
Budget to Actual Financial Comparison.....	3
Revenues and Expenditures Validation	7
Senate Bill 678 Revenues	7
Juvenile Justice Crime Prevention Act Revenues	8
Future Outlook of Revenues and Expenditures	9
Capital Projects and Unmet Needs.....	10
Juvenile Halls and Camps Operating Costs	12
Average Daily Cost Per Youth	14
Comparison to Other Probation Departments.....	15
Annual and Deferred Building Maintenance Costs	15
Request for Proposal Evaluation Review.....	17
Statement of Work Monitoring Review	18
Contract Monitoring Plan	18
Contract Monitoring Scope	20
Contract Monitoring Reports.....	21

**PROBATION DEPARTMENT
BUDGET, JUVENILE HALLS AND CAMPS OPERATING COSTS,
AND DEPARTMENTAL CONTRACTING PROCEDURES REVIEW**

Background

The Probation Department's (Probation or Department) Budget and Fiscal Services Unit is responsible for overseeing the Department's operational costs, and the preparation and implementation of the Department's budget. This includes monitoring and analyzing financial activity of the Department, preparing various financial reports, certifying the availability of funds for purchases and contracts, and providing support to Probation's bureaus and managers.

Probation's services are administered and financed through five separate operating budget units, which include Juvenile Institutions Services (JIS), Support Services, Field Services, Special Services, and Care of Juvenile Court Wards. The Department recommends and enforces court-ordered sanctions for probationers, including the detention of juvenile offenders and the return to court of non-compliant adult offenders, conducts pre-trial services for adult and juvenile cases, provides supervision and monitoring of probationers, prevents and reduces criminal activity by developing and implementing strategies from early intervention through suppression, and provides services to post-released supervised individuals. The Department currently supervises over 46,000 adult offenders and over 7,800 juvenile probationers, and operates three juvenile halls and 14 juvenile camps that house approximately 1,400 youth.

Probation is funded primarily through the Los Angeles County (County) General Fund and receives revenues from other sources, such as the federal government and State of California (State), including California Public Safety Realignment Act, Assembly Bill (AB) 109 funding, which transferred the community reintegration and supervision responsibility for certain categories of post-released supervised persons from the State to the County. For Fiscal Year (FY) 2014-15, Probation has over 6,700 budgeted positions and an annual budget of \$860.4 million.

Probation contracts with community-based organizations (CBOs) to provide a variety of services including gang intervention programs, educational services, and various programs funded through the Juvenile Justice Crime Prevention Act (JJCPA). JJCPA programs include home-based support, employment, and other services to at-risk youth. The Department also works with other County departments (e.g., the Department of Children and Family Services) to jointly contract with CBOs for services. A list of these programs is included in Attachment II.

The Department's Contracts and Grants Management Division is responsible for contract development and procurement. Responsibility for monitoring the CBOs' contract compliance is decentralized. Specifically, Probation's Contract Monitoring Office (CMO) is responsible for monitoring the CBOs' compliance with fiscal and administrative contract requirements, and performs programmatic compliance

monitoring for CBOs providing services funded through JJCPA. Responsibility for programmatic compliance monitoring of all other CBOs is decentralized to the Department's operational bureaus.

Scope

We have completed a review of Probation's budget, and operating costs of juvenile halls and camps (items 2 and 5). In addition, we completed a review of the Department's Request for Proposal (RFP) procedures and their process for examining compliance with the statements of work (SOW) for contracted CBOs (item 4).

Our review included interviewing Probation management and staff, comparing Probation's actual financial performance to its budget, and reviewing the Department's current revenues and expenditures, and potential changes to these categories that could affect future budgets. We also determined the current cost of operating Probation's juvenile halls and camps, reviewed Probation's methodology used in calculating the Average Daily Cost Per Youth (ADCPY), compared the Department's ADCPY to probation departments in other jurisdictions, and reviewed the Department's juvenile halls' and camps' annual and deferred maintenance costs.

In addition, we evaluated Probation's contract solicitation procedures and monitoring efforts for a select number of programs in which the Department contracts with CBOs to provide program services.

Budget Structure

Probation uses six budget units to track and control budget activity. Departmental services are administered and financed through five of the budget units that account for the Department's General Fund operations. These five units include 1) JIS, which funds the juvenile halls and camps, intake and detention control, community detention services, and transportation; 2) Support Services, which funds administrative, management, information technology, quality assurance, and training services; 3) Field Services, which funds juvenile and adult investigation and supervision services; 4) Special Services, which funds juvenile special services and placement services; and 5) Care of Juvenile Court Wards, which funds parole placement of juvenile court wards in residential facilities, foster homes, and the California Department of Corrections and Rehabilitations housing, as mandated by State law.

The FY 2013-14 Net County Cost (NCC) allocations among Probation's General Fund operating budget units are included in Table 1, below.

Table 1				
Probation Net County Cost by Operating Budget Unit				
Fiscal Year 2013-14				
<u>Operating Budget Unit</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Net County Cost</u>	<u>% of Total</u>
Juvenile Institutions Services	\$ 92,234,182	\$ 339,201,085	\$ 246,966,903	52.5%
Support Services	14,543,818	125,786,588	111,242,770	23.7%
Field Services	105,774,781	208,881,659	103,106,878	21.9%
Special Services	90,287,837	97,884,913	7,597,076	1.6%
Care of Juvenile Court Wards	-	1,576,213	1,576,213	0.3%
Total	\$ 302,840,618	\$ 773,330,458	\$ 470,489,840	

Source: County of Los Angeles FY 2014-15 Final Budget.

The remaining non-operating budget unit, Community-Based Contracts, is used to fund private contracts, administered by the Department, to reduce juvenile crime and provide juvenile delinquency prevention services. The FY 2013-14 budget for Community-Based Contracts was \$3.9 million.

Probation also established the Community Corrections Performance Incentives (CCPI) Special Revenue Fund in FY 2014-15 to receive State funds authorized by the CCPI Act of 2009, Senate Bill (SB) 678. The SB 678 program established a performance-based funding system for county probation departments that share State savings from lower prison costs with probation departments that implement evidence-based supervision practices, and achieve a reduction in the number of adult probationer commitments to State prison. As of May 2015, Probation had an available fund balance of \$140.5 million for SB 678 programs.

In addition, the County maintains a Provisional Financing Uses (PFU) Budget Unit in the County General Fund to account for funds that have yet to be allocated. In FY 2014-15, \$14.5 million in restricted funds were budgeted in PFU for Probation for specific programs and projects (e.g., Probation Case Management, Education Reform, United States Department of Justice (DOJ) Settlement, etc.). Funds are temporarily held in PFU until funding needs are determined, and transferred to Probation’s operating budget through Board of Supervisors (Board) approved budget adjustments.

Budget to Actual Financial Comparison

The Department operated within its budgeted NCC during the three FYs reviewed. In reviewing the Department’s adherence to its General Fund budget, we compared the actual financial results to the final budget for FYs 2012-13, 2013-14, and 2014-15 (through March 2015). Probation had a positive (under budget) NCC variance of \$7.6 million, \$24.2 million, and \$54.3 million for the three years, respectively. The results are summarized in Table 2, below.

Table 2			
Budget to Actual Financial Comparison			
Fiscal Years 2012-13 to 2014-15 (through March 2015)			
FY 2012-13			
	<u>Budget</u>	<u>Actual</u>	<u>Over or (Under) Budget</u>
Revenues	\$ 335,380,000	\$ 278,134,202	\$ (57,245,798)
Expenditures	820,973,000	756,112,031	(64,860,969)
Net County Cost	\$ 485,593,000	\$ 477,977,829	\$ (7,615,171)
FY 2013-14			
	<u>Budget</u>	<u>Actual</u>	<u>Over or (Under) Budget</u>
Revenues	\$ 342,914,000	\$ 302,840,618	\$ (40,073,382)
Expenditures	837,572,000	773,330,458	(64,241,542)
Net County Cost	\$ 494,658,000	\$ 470,489,840	\$ (24,168,160)
FY 2014-15 (through March 2015 - 9 Months)			
	<u>Budget</u>	<u>Actual</u>	<u>Over or (Under) Budget</u>
Revenues	\$ 340,634,000	\$ 139,334,742	\$ (201,299,258)
Expenditures	860,410,000	604,767,981	(255,642,019)
Net County Cost	\$ 519,776,000	\$ 465,433,239	\$ (54,342,761)
<i>Sources: County of Los Angeles FYs 2013-14 and 2014-15 Final Budgets, and electronic Countywide Accounting and Purchasing System (eCAPS).</i>			

During the review period, Probation collected considerably less revenues than budgeted, and considerably underspent total budgeted expenditures. Specifically, Probation’s budgeted revenues in FYs 2012-13 and 2013-14 were \$335.4 million and \$342.9 million, and actual revenues were \$278.1 million and \$302.8 million, or \$57.3 million (17%) and \$40.1 million (12%) less than budgeted, respectively. Also, Probation’s budgeted expenditures were \$821.0 million and \$837.6 million, and actual expenditures were \$756.1 million and \$773.3 million, or \$64.9 million (8%) and \$64.3 million (8%) less than budgeted, respectively. We did not complete a budget to actual analysis of FY 2014-15 (through March 2015) revenues and expenditures, since the FY is not yet complete, and all revenues and expenditures have not been fully accounted.

According to Department management, shortfalls in federal and State funding, and savings due to hiring delays were the primary causes for the Department’s revenues and expenditures being under-realized. Certain revenue shortfalls were associated with underspending, where revenues are only claimable for actual expenditures incurred. Details for FY 2013-14 variances are shown in Table 3, below.

Table 3			
Revenues and Expenditures - Budget to Actual Financial Comparison			
Fiscal Year 2013-14			
	<u>Budget</u>	<u>Actual</u>	<u>Over or (Under)</u> <u>Budget</u>
Revenues			
Charges for Services - Other	\$ 4,284,000	\$ 2,286,056	\$ (1,997,944)
Court Fees & Costs	1,545,000	254,085	(1,290,915)
Federal Aid - Mental Health	4,416,000	5,153,027	737,027
Federal - Other	74,592,000	64,881,061	(9,710,939)
Forfeitures & Penalties	200,000	-	(200,000)
Institutional Care & Services	9,430,000	5,955,330	(3,474,670)
Interest	174,000	-	(174,000)
Miscellaneous	523,000	711,114	188,114
Other Court Fines	1,674,000	2,524,508	850,508
Other Sales	-	5,000	5,000
Recording Fees	-	229	229
Rents & Concessions	128,000	59,000	(69,000)
Royalties	5,000	-	(5,000)
Sale of Capital Assets	-	9,310	9,310
State - Other	59,591,000	28,076,243	(31,514,757)
State - Public Safety Realignment 2011	176,306,000	182,980,656	6,674,656
Transfers In	10,046,000	9,945,000	(101,000)
Total Revenues	\$ 342,914,000	\$ 302,840,618	\$ (40,073,382)
Expenditures			
Salaries & Employee Benefits	\$ 640,802,000	\$ 583,445,519	\$ (57,356,481)
Services & Supplies	192,140,000	187,154,382	(4,985,618)
Other Charges	9,001,000	5,957,256	(3,043,744)
Capital Assets - Equipment	2,428,000	784,620	(1,643,380)
Gross Total	\$ 844,371,000	\$ 777,341,776	\$ (67,029,224)
Intrafund Transfer	\$ (6,799,000)	\$ (4,011,319)	\$ 2,787,681
Total Expenditures	\$ 837,572,000	\$ 773,330,458	\$ (64,241,542)
Net County Cost	\$ 494,658,000	\$ 470,489,840	\$ (24,168,160)

Source: County of Los Angeles FY 2014-15 Final Budget.

The \$40.1 million revenue shortfall in FY 2013-14 was mainly due to the following:

- State - Other Revenues** - Actual revenues received were \$31.5 million less than budgeted, primarily due to less than expected transfers from the CCPI Fund for SB 678 programs, and JJCPA revenues, which support evidence-based programs and services for juveniles with higher needs for special services, at-risk youth who have factors that potentially predispose them to criminal activities, and youth in juvenile halls and camps. SB 678 and JJCPA revenues are discussed in detail below.
- Public Safety Realignment 2011 (Realignment) Revenues** - Actual revenues received were \$6.7 million more than budgeted, primarily due to \$23.7 million in prior year Realignment revenues that were recognized in FY 2013-14. This was

offset by shortfalls in FY 2013-14 Realignment revenues of \$17.0 million, including, but not limited to, AB 109 funds, which support services directed toward designated incarcerated individuals and post-prison release population, and Juvenile Probation Funding, which support probation services targeting youth who are habitual truants, runaways at risk of being wards of the court, or are under juvenile court or Probation supervision.

- **Federal Revenues** - Actual revenues received were \$9.0 million less than budgeted, primarily due to shortfalls in Title IV-E funds, which provide out-of-home care for juvenile probationers, until they are returned home, placed permanently with adoptive families, or placed in other planned arrangements for permanent residency/care. The Department indicated that the shortfalls in Title IV-E funds resulted from the federal government decreasing the federal reimbursement rate, and the types of allowable reimbursable activities. The Department's overhead rate also decreased, which resulted in lower claimable amounts.

The \$64.3 million savings in operating expenditures in FY 2013-14 were mainly due to the following:

- **Salaries & Employee Benefits (S&EB)** - Actual expenditures were \$57.4 million less than budgeted. The Department indicated that the surplus was mainly due to hiring delays in the Adult Bureau of the AB 109 program and other grant-funded programs. As of May 2015, Probation had an approximately 18% deficit in budgeted staffing, which include 400 vacant positions that were established to satisfy DOJ staffing requirements. The Department indicated that stricter screening processes, which include extensive background checks and polygraph tests, have disqualified many seeking employment with the Department. This is partially offset by increases in overtime, long-term disability, and dependent care benefit costs.
- **Services & Supplies (S&S)** - Actual expenditures were \$5.0 million less than budgeted, mainly due to savings in food/cafeteria services, contracted program services, building rentals, and training services.

Overall, for FY 2013-14, Probation's financial performance compared to its budget resulted in favorable variances. However, the revenue and expenditure variances were relatively significant. We did note that several of the variances were outside the Department's control (i.e., shortfalls in available federal and State funding), while some were due to Probation not claiming reimbursable expenditures for certain programs (i.e., SB 678 programs). Nevertheless, the excess amounts included in the budget do not represent the best estimate of actual expected costs.

Budgets help facilitate control over revenues and expenditures, and provide the most benefit when they represent the best estimate of actual expected results. Accordingly, Probation management should re-evaluate the individual components of the

Department's budget to ensure, that individually, they represent the best estimate of actual expected results. In addition, the Department should ensure Probation managers and staff continue to be involved in the budget process, and assist the Budget and Fiscal Services Unit in developing and monitoring revenue and expenditure estimates.

Recommendations

Probation Department management:

- 1. Re-evaluate the individual components of the Department's budget to ensure, that individually, they represent the best estimate of actual expected results.**
- 2. Ensure Department managers and staff continue to be involved in the budget process, and assist the Budget and Fiscal Services Unit in developing and monitoring revenue and expenditure estimates.**

Revenues and Expenditures Validation

As indicated in Table 3 above, Probation reported actual revenues of \$302.8 million and expenditures of \$773.3 million for FY 2013-14. We reviewed supporting documentation (e.g., grant awards, funding allocations, expenditure claims, etc.) and/or analyzed pertinent data to validate \$285.9 million (94%) of Probation's operating revenues, and all of Probation's operating expenditures, and determined the amounts reported were generally reasonable and accurate.

Senate Bill 678 Revenues

As previously indicated, Probation established the CCPI Special Revenue Fund in FY 2014-15 to account for SB 678 funds. The SB 678 program established a performance-based funding system for county probation departments that share State savings from lower prison costs with probation departments that implement evidence-based supervision practices, and achieve a reduction in the number of adult probationer commitments to State prison. SB 678 legislation passed in October 2009, and Probation received their first allocation from the State in FY 2011-12, totaling \$21.4 million. The CCPI Fund has since accumulated to \$140.5 million, as of May 2015. Probation indicated that the large accumulation of funds has been primarily due to their inability to properly develop SB 678 related programs. Also, since the Department was uncertain of the continued funding of SB 678, they remained conservative as funding timelines and amounts were not estimable. As discussed below, the Department is developing a five-year spending plan for future and existing SB 678 revenues.

Currently, SB 678 funds are disbursed out of the CCPI Fund into the County General Fund based on claims for expenditures made by Probation. We noted that Probation's FY 2011-12 to FY 2013-14 SB 678 program costs totaled \$19.7 million. However, during this period, Probation only requested \$9.5 million in reimbursements from the

CCPI Fund for SB 678 programs. Specifically, in FYs 2012-13 and 2013-14, the Department did not request \$1.6 million and \$8.6 million, respectively, for SB 678 program costs from the CCPI Fund, and instead used County General Fund monies to fund SB 678 program expenditures, resulting in an increased NCC. Probation's CCPI Fund balance and SB 678 program expenditures are shown in Table 4, below.

Table 4					
Community Corrections Performance Incentives Fund					
SB 678 - Fund Balance and Program Expenditures					
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>As of</u> <u>May 2015</u>	<u>Total</u>
Beginning Fund Balance	\$ -	\$ 17,984,817	\$ 58,601,537	\$ 98,504,565	
Revenue Allocation	21,426,984	46,310,907	39,376,372	41,652,344	\$ 148,766,607
Interest	80,935	258,713	526,656	354,731	1,221,035
Less: Claimed Expenditures	(3,523,102)	(5,952,900)	-	-	(9,476,002)
SB 678 Fund Balance	\$ 17,984,817	\$ 58,601,537	\$ 98,504,565	\$140,511,640	\$ 140,511,640
Expenditures	\$ 3,523,102	\$ 7,533,533	\$ 8,649,703	\$ -	\$ 19,706,338
Less: Claimed Expenditures	(3,523,102)	(5,952,900)	-	-	(9,476,002)
SB 678 Unclaimed Expenditures	\$ -	\$ 1,580,633	\$ 8,649,703	\$ -	\$ 10,230,336

Sources: eCAPS and Probation Department management.

Department management should re-evaluate the \$10.2 million expended from the County General Fund during FYs 2012-13 and 2013-14 for SB 678 programs, and determine the feasibility of recovering such expenditures from the County's CCPI Special Revenue Fund.

Juvenile Justice Crime Prevention Act Revenues

JJCPA was created by the Crime Prevention Act of 2000 to provide a stable funding source for local juvenile justice programs aimed at curbing crime and delinquency among at-risk youth. As previously indicated, JJCPA programs include home-based support, employment, and other services to these at-risk youth. Probation received their first allocation from the State in FY 2000-01. The JJCPA fund has since accumulated to \$25.1 million, as of May 2015. The Department indicated that the large accumulation of funds was due to several years of under expenditures, and unanticipated increases in the State's final allocation. The Department has recently initiated a review of JJCPA programs to assess whether the current programs could be enhanced or modified to fit the current needs of the juvenile population.

The large accumulation of funds for the SB 678 and JJCPA programs, and other Probation programs will be addressed in a separate review that will cover item 3 of the Board's Motion.

Recommendation

- 3. Probation Department management re-evaluate the \$10.2 million expended from the County General Fund during Fiscal Years 2012-13 and 2013-14 for Senate Bill 678 programs, and determine the feasibility of recovering such expenditures from the County's Community Corrections Performance Incentives Special Revenue Fund.**

Future Outlook of Revenues and Expenditures

Probation budgets revenues and expenditures using prior-year budgeted and actual amounts, and makes adjustments based on analysis of revenue and expenditure trends. We discussed potential issues that may impact the outlook of Probation's revenues and expenditures in future years with the Department and the Chief Executive Office (CEO). The following includes some notable issues and plans that could affect the Department's future budgets:

- Due to Probation's projected increase in AB 109 program S&EB and S&S costs, AB 109 expenditures may potentially exceed revenues. The Department indicated that the increase in S&EB related to AB 109 programs is due to Cost of Living Adjustment increases and the filling of vacant positions, which will lead to an increase in S&S costs to support those staff. In previous FYs, the Department has maximized their AB 109 program revenues, but has had savings in these areas due to their inability to fill these vacant positions. For FY 2014-15, the Department estimates AB 109 expenditures to exceed revenues by \$9.6 million.

It is anticipated that AB 109 revenues will increase in FY 2015-16. Projected AB 109 program revenues and offsetting expenditures are reflected in the Department's FY 2015-16 projections. However, since Probation's FY 2015-16 budgeted allocations are only estimated using the previous FY's allocation and the CEO has not determined Probation's actual allocation, the Department and the CEO have not yet determined whether a deficit will exist in FY 2015-16. If a department's AB 109 claims result in a fiscal year-end deficit, the CEO may recommend the Board to utilize any remaining allocations from other departments or use AB 109 Reserves, which total \$15.2 million, as of May 2015, to make the department whole. Otherwise, the Department will absorb those AB 109 costs within its regular budget.

- The Department is developing a five-year spending plan for future and existing SB 678 revenues. This includes expenditures for the further development and restructuring of current SB 678 related programs, and the addition of new services (e.g., substance abuse and housing subsidy programs, etc.), which will result in increased program costs. The Department is currently calculating the estimated projected costs, and intends to present their plan to the Board when finalized.

- In order to satisfy DOJ staffing requirements and fill vacant positions, the Department plans to hire an additional 400 employees, which will be funded by specific program revenues or NCC. The Department estimates S&EB to increase by \$36.0 million with the hiring of the 400 employees, which is reflected in the Department's FY 2014-15 budget and carried over to their FY 2015-16 projections.

Based on our review of Probation's methods, related forecasts and analysis, and plans to fill the 400 vacant positions and increase their SB 678 program activities, we concluded that the Department's operating revenue and expenditure projections for FY 2015-16 appear reasonable. Probation anticipates an NCC decrease of approximately \$5.8 million in FY 2015-16.

The Department and the CEO indicated that they only forecast for the current and upcoming FY for budget purposes, and do not conduct any formal analysis of future outlooks. However, Board policy requires that a long-range forecast be developed and maintained to reflect continuing programs, anticipated new initiatives, revenue changes, cost increases, and other factors that may impact strategy for maintaining a balanced budget over several years. Probation should continue to work with the CEO to develop a long-range budget forecast to ensure emerging issues, like those identified above, are considered and planned.

Recommendation

- 4. Probation Department management continue to work with the Chief Executive Office to develop a long-range budget forecast.**

Capital Projects and Unmet Needs

In the FY 2014-15 final budget, Probation received funding for 11 Board-approved Capital Projects, costing \$58.2 million, with \$28.7 million funded by Juvenile Justice Realignment SB 81 funds, and the remaining \$29.5 million funded by NCC. These projects include demolishing and replacing Camp Kilpatrick, expanding office space and staff sleeping quarters at Camp Miller, and enhancing security to increase the safety of minors and Probation staff in the areas of highest risk at Probation's juvenile halls. In addition, for FY 2015-16, Probation has identified an additional 20 Capital Projects at an estimated cost of \$197.5 million, of which \$500,000 is funded. These projects include constructing parking structures at Barry J. Nidorf and Central Juvenile Halls to address parking shortages, installing an Emergency Incident Response System at the juvenile camps for security enhancement and risk management, constructing a new infirmary at the Challenger Memorial Youth Center (Challenger) to meet medical and Americans with Disabilities Act (ADA) regulations, and replacing dilapidated buildings at Camp Miller and the Dorothy Kirby Center to meet ADA standards, Fire/Safety Codes, and DOJ and State Corrections Standards Authority mandates.

The CEO uses the County's Capital Projects/Refurbishment Budget Unit to budget, manage, and fund Probation's Capital Projects, outside of the Department's operating budget. Capital Projects must be approved by the Board before funds can be spent, and funding for Capital Projects can be financed through outside sources (e.g., grants, bonds, etc.) or can be derived from Board-approved County fund balance transfers or carryover of prior year departmental savings.

We reviewed the 11 Capital Projects that Probation reported in FY 2014-15, and identified one project (i.e., Centinela office building replacement project), totaling \$3.0 million, that was completed in 2010, but was still reported as a Capital Project in the Department's FY 2014-15 final budget and funded by the County General Fund. We also noted that the Department does not report Capital Project statuses to the Board annually, as required by the County Fiscal Manual. Probation management should work with the CEO to determine oversight responsibility in the handling and reporting of the Department's Capital Projects to ensure Capital Projects are properly monitored and tracked.

In addition, Probation reported \$25.8 million in critical unmet needs for FY 2015-16. Unmet needs include potential future projects, refurbishments, or other necessary purchases that lack sufficient funding in the current year's budget, and include unfunded deferred maintenance. Probation's FY 2015-16 critical unmet needs include, but are not limited to, replacement of the roof at Barry J. Nidorf Juvenile Hall, addressing Air Quality Management District violations for the replacement or retrofitting of generators, and filling 28 critically-needed administrative support positions Department-wide. The lack of funding can be attributed to various reasons, such as varying other needs with higher priority or the Department's inability to currently meet grant requirements (e.g., matching funds, etc.). Unmet needs are tracked internally by the Department, and voluntarily reported in the Recommended Budget to notify the CEO of their most critical unfunded needs. Additionally, Probation does not have reserves or other funds for unmet needs or potential unexpected events. Probation should continue to work with the CEO to evaluate the Department's critical infrastructure needs, explore financing options, and develop a financial plan (e.g., project prioritization, timeframes, funding sources, etc.) to address their Capital Project and unmet needs.

Recommendations

Probation Department management:

- 5. Work with the Chief Executive Office to determine oversight responsibility in the handling and reporting of the Department's Capital Projects to ensure Capital Projects are properly monitored and tracked.**
- 6. Continue to work with the Chief Executive Office to evaluate the Department's critical infrastructure needs, explore financing options, and develop a financial plan (e.g., project prioritization, timeframes,**

funding sources, etc.) to address their Capital Project and unmet needs.

Juvenile Halls and Camps Operating Costs

Probation currently operates three juvenile halls and 14 juvenile camps, and in FY 2013-14 processed approximately 12,000 youth intakes. After intake assessment, some minors are admitted to juvenile halls, released to residential or non-secure detention licensed foster homes, ordered to juvenile camps, or are returned to the courts for re-placement. Probation housed approximately 1,600 youths in FY 2013-14, and as of March 2015, housed approximately 1,400 youths within their juvenile halls and camps. Juvenile halls provide temporary housing for minors detained on an arrest, awaiting a court date, and/or awaiting sentencing. While in juvenile hall, minors are provided health, mental health, and educational assessments, and treatment. Juvenile camps provide an intensive intervention in a residential setting for minors committed by the Juvenile Court, with an average stay of six months. Minors receive health, mental health, educational, and family assessments that allow for treatments to be tailored to meet individual needs. Youth also attend school and engage in recreational activities at both the juvenile halls and camps.

Probation's operating costs for the three juvenile halls and 14 juvenile camps for FYs 2012-13, 2013-14, and 2014-15 (through March 2015) are included in Table 5, below. Probation's operating costs include staff S&EB, food, medical and mental health services, tutoring, contract services, security services, clothing and supplies, transportation, and building maintenance.

The direct operating costs of juvenile halls and camps are captured in the JIS budget unit. However, additional costs which benefit the juvenile halls and camps, such as support and educational services, are captured in other budget units. Such costs should be included in determining the operating costs for each juvenile hall and camp. Our review noted that the Department does not track administrative, educational, and transportation services costs by each juvenile hall and camp, and does not track revenues and expenditures separately for five of the six Challenger camps (i.e., Camp Onizuka is tracked separately under the Youth Offender Block Grant). Tracking the Challenger camps separately could provide more detailed financial information, and a more effective basis for planning and decision making for the Department.

Probation management should determine the feasibility of allocating administrative, educational, and transportation services costs by each juvenile hall and camp to identify actual operating costs more efficiently and accurately, and ensure that all expenditures are allocated to the appropriate juvenile halls and camps. Probation Department management should also determine the feasibility of budgeting and tracking revenues and expenditures using additional cost centers or lower-level budget units, particularly related to the Challenger camps.

Table 5 Juvenile Halls and Camps Operating Costs Fiscal Years 2012-13 to 2014-15 (through March 2015)					
Juvenile Halls Operating Costs					
	FY 2014-15 Average Daily Population	FY 2014-15 Budgeted FTE	FY 2012-13	FY 2013-14	FY 2014-15 (9 Months)
Barry J. Nidorf	235	491	\$ 60,827,656	\$ 56,063,510	\$ 38,263,510
Central	270	489	76,017,449	71,154,827	50,461,217
Los Padrinos	279	462	67,071,988	63,508,588	43,247,681
Total	784	1,442	\$ 203,917,093	\$ 190,726,925	\$ 131,972,408
Camps Operating Costs					
Afferbaugh	58	50	\$ 8,970,330	\$ 9,503,112	\$ 6,773,263
Gonzales	29	59	9,050,789	7,322,071	6,018,246
Mendenhall	48	48	8,600,512	8,642,779	6,086,925
Miller	28	50	7,970,879	8,118,861	5,775,908
Munz	49	48	7,827,150	8,807,994	6,349,998
Paige	62	51	9,637,766	9,581,050	6,519,113
Rockey	48	58	10,783,636	12,893,312	9,383,514
Scott	39	58	9,062,223	8,826,398	6,551,222
Scudder	31	48	8,402,200	8,361,972	6,018,126
Dorothy Kirby Center	51	97	11,385,611	15,628,313	12,816,575
Kilpatrick	N/A	50	10,184,695	8,276,248	N/A
Challenger					
Jarvis	55	40	23,084,809	21,927,917	11,858,457
McNair	55	48	23,062,417	21,913,592	11,887,930
Onizuka	51	24	13,790,936	14,891,299	9,934,775
Smith	35	36	N/A	N/A	7,499,240
Total	639	765	\$ 161,813,955	\$ 164,694,917	\$ 113,473,290

Source: eCAPS and Probation Department management.

(1) Challenger Camps Resnick, Scobee, and Smith were closed in May 2011 (Smith re-opened in FY 2014-15), Routh was closed in May 2009, Holton in September 2009, and Kilpatrick in March 2014. In FY 2014-15 (through March 2015), the closed camps reported operating costs of \$1.5 million.

Recommendations

Probation Department management:

- 7. Determine the feasibility of allocating administrative, educational, and transportation services costs by each juvenile hall and camp to identify actual operating costs more efficiently and accurately, and ensure all expenditures are allocated to the appropriate juvenile halls and camps.**

- 8. Determine the feasibility of budgeting and tracking revenues and expenditures using additional cost centers or lower-level budget units, particularly related to the Challenger Memorial Youth Center camps.**

Average Daily Cost Per Youth

The ADCPY is calculated by taking the total actual annual operating cost of the juvenile halls and camps, and dividing it by the average daily population and 365 days. Probation management indicated that they calculate the ADCPY for juvenile halls and camps annually for monitoring purposes, using only budgeted information. In addition, in reviewing the Department’s methodology in calculating the ADCPY, we noted that Probation did not include all costs related to operating the juvenile halls and camps, including the cost of health, mental health, and pharmaceutical services at the juvenile camps that are provided by the Department of Health Services and the Department of Mental Health under Departmental Service Orders, and building maintenance services at the juvenile halls and camps that are provided by the Internal Services Department (ISD), but not billed to Probation. In collaboration with the Department, we re-calculated the ADCPY for FYs 2012-13 and 2013-14, resulting in the rates indicated in Table 6, below.

Table 6 Average Daily Cost Per Youth (ADCPY) Fiscal Years 2012-13 and 2013-14		
	<u>FY 2012-13</u>	<u>FY 2013-14</u>
ADCPY for Juvenile Halls	\$ 605	\$ 640
Average Daily Population	- 923 -	- 817 -
ADCPY for Camps	\$ 456	\$ 552
Average Daily Population	- 973 -	- 818 -
<i>Source: eCAPS and Probation Department management.</i>		

We determined that the revised methodology and components used by Probation to calculate the ADCPY is reasonable, and generally consistent with the methodology used by the Board of State and Community Corrections, and the other probation departments we compared to below. The Department indicated that the increase in costs from FY 2012-13 to FY 2013-14, and expected increase in costs for FY 2014-15 is primarily attributed to increased DOJ mandates requiring higher staff to youth ratios, S&EB increases, and average daily population decreases, resulting in increases in cost per youth at the juvenile halls and camps. To ensure the accurate calculation of the ADCPY, Probation should use actual operating costs, and ensure that all direct juvenile hall and camp operating costs are included in the calculation.

Recommendation

- 9. Probation Department management use actual operating costs in calculating the Average Daily Cost Per Youth, and ensure that all direct juvenile hall and camp operating costs are included in the calculation.**

Comparison to Other Probation Departments

We compared the Department’s FY 2013-14 ADCPY to four other jurisdictions using the most current available financial information provided by the other probation departments. The results are summarized in Table 7, below.

Table 7 Average Daily Cost Per Youth (ADCPY) Comparison to Other Probation Departments					
	Los Angeles County (California)	San Diego County (California)	Orange County (California)	Harris County (Texas)	Cook County (Illinois)
ADCPY for Juvenile Halls	\$ 640	\$ 351	\$ 497	\$ 232	\$ 560
Number of Halls	3	2	1	1	1
Average Daily Population	- 817 -	- 349 -	- 239 -	- 228 -	- 345 -
ADCPY for Camps	\$ 552	\$ 307	\$ 284	\$ 272	N/A
Number of Camps	14	3	3	3	N/A
Average Daily Population	- 818 -	- 206 -	- 178 -	- 235 -	N/A

Source: Surveyed probation departments in other jurisdictions.

The ADCPY of the other counties ranged from \$232 to \$560 at the juvenile halls, and \$272 to \$307 at the juvenile camps. As shown in Table 7, Probation’s ADCPY was higher for both juvenile halls and camps. Our review noted that the Department and the other counties generally included the same costs in their calculation of the ADCPY, such as S&EB, food, medical and mental health services, contract services, clothing and supplies, transportation, and building maintenance. Probation should examine the operating costs of their juvenile halls and camps, and work with the CEO to identify reasons for their higher ADCPY in comparison to other counties.

Recommendation

- 10. Probation Department management examine the operating costs of their juvenile halls and camps, and work with the Chief Executive Office to identify reasons for their higher Average Daily Cost Per Youth in comparison to other counties.**

Annual and Deferred Building Maintenance Costs

Probation’s annual maintenance costs are comprised of Building Maintenance, which include services performed by ISD through a service agreement under ISD’s budget, and Alterations and Improvements (A&I), which is funded by Probation’s operating budget, and include building modifications and maintenance not covered under the ISD service agreement. Building Maintenance services include maintenance of building hardware (e.g., door handles, hinges, etc.), electrical systems, and plumbing, and A&I services include repairs resulting from vandalism or natural disasters, new fixture

installations, and maintenance of parking lot surfaces. Actual total maintenance costs (i.e., Building Maintenance and A&I) for Probation’s juvenile halls and camps for the last three FYs are included in Table 8, below.

Table 8				
Juvenile Halls and Camps Annual Maintenance Costs				
Fiscal Years 2012-13 to 2014-15 (through March 2015)				
Juvenile Halls Maintenance Costs				
	Facility			FY 2014-15
	Age	FY 2012-13	FY 2013-14	(9 Months)
Barry J. Nidorf	50	\$ 954,567	\$ 1,050,862	\$ 837,608
Central	103	1,367,341	2,360,723	1,238,056
Los Padrinos	58	883,040	1,039,526	758,102
		\$ 3,204,947	\$ 4,451,111	\$ 2,833,766
Camps Maintenance Costs				
Afferbaugh	54	\$ 392,650	\$ 402,028	\$ 195,051
Gonzales	53	153,368	360,158	167,316
Mendenhall	57	342,638	379,206	281,857
Miller	53	284,192	353,280	255,063
Munz	57	696,204	595,866	290,667
Paige	54	320,138	242,996	169,484
Rockey	38	94,963	234,139	126,767
Scott	34	110,495	237,136	187,386
Scudder	34	158,858	189,728	122,326
Dorothy Kirby Center	54	46,198	234,149	58,281
Kilpatrick	53	274,238	382,352	N/A
Challenger	26			
Jarvis		341,048	372,429	238,504
McNair		341,444	376,352	239,826
Onizuka		104,379	583,780	99,776
Smith		N/A	N/A	178,209
Total		\$ 3,660,810	\$ 4,943,598	\$ 2,610,512

Source: eCAPS and Probation Department management.

(1) Challenger Camps Resnick, Scobee, and Smith were closed in May 2011 (Smith re-opened in FY 2014-15), Routh was closed in May 2009, Holton in September 2009, and Kilpatrick in March 2014. In FY 2014-15 (through March 2015), the closed camps reported maintenance costs of \$429,000.

In addition, Probation has identified over 100 deferred maintenance projects at their juvenile halls and camps for FY 2015-16, with an estimated cost of over \$48.1 million. These projects include repaving roads and parking lots, replacing sewer lines, roofing, lighting and windows, duct cleaning, completing water and air conditioning pipe projects, installing new generators, etc. The CEO uses the County’s Extraordinary Maintenance Budget Unit (outside of the Department’s operating budget) to budget, manage, and fund deferred maintenance projects that the Department is unable to fund. Funding for deferred maintenance can be financed by carryover of prior year departmental savings or NCC. In FY 2014-15, the Department requested and received \$5.0 million of

FY 2013-14 carryover savings to be used toward funding its most critical deferred maintenance projects.

Deferred maintenance projects are identified through observations made during routine maintenance activities and systematic building condition assessments of County-owned buildings, and are prioritized in monthly meetings between management, facility managers, and ISD staff. The prioritization of each project is generally measured by the Department on whether any health and safety hazards exist, how critical they are to continued operations, and growing costs if left unmaintained. The average age of juvenile halls and camps is 52 years. The Department indicated that Camp Routh is closed due to the cost of facility repairs, updates, and maintenance issues, and Camp Kilpatrick is temporarily closed for replacement of the entire juvenile camp resulting from maintenance issues.

Request for Proposal Evaluation Review

We reviewed two RFP solicitations that the Department completed during FY 2014-15 for Employment Services and Home-Based Services and evaluated Probation's compliance with County contracting guidelines. We reviewed the RFP language and the procedures used in the two solicitations. In addition, we reviewed a selected number of proposals and evaluation documents from each of the two solicitations. Our review included verifying that:

- Proposal evaluation tools aligned with the RFP criteria.
- Probation appropriately passed or failed proposers based on the RFP minimum requirements.
- The evaluation committee included qualified individuals.
- The evaluation committee met to discuss each evaluator's scores for each rating factor and used the "Informed Averaging" scoring method.
- The proposals' scores were accurately calculated.

Overall, Probation conducted their solicitations in a fair and objective manner and the evaluation process complied with County policy. In addition, the Department appropriately screened the proposals for minimum qualification requirements, and evaluated the proposals using the "Informed Averaging" scoring method. However, although Probation inserted descriptions and questions in the evaluation tool specific to each solicitation, Probation did not customize the tool by dividing major scoring categories into sufficiently detailed sub-categories that would enhance transparency and objectivity of the proposal evaluation process. As a result, the evaluation tools contained very broad rating categories that covered multiple criteria.

For example, evaluation documents for both solicitations contained a scoring category that was worth 30% of the total score, and required evaluators to consider up to 17 different RFP requirements to arrive at a single score. Because the evaluation documents did not provide any guidance on which of the RFP requirements were more critical than others, evaluators had to subjectively determine the relative importance of

each requirement. Evaluators may have differing opinions about the importance of various RFP requirements, so the resulting scores may not be consistent, and may not equate to the Department's view of what is important. Probation should divide broad scoring categories into more detailed sub-categories in evaluation documents, where appropriate, to enhance the transparency and objectivity of the proposal evaluation and scoring process.

Recommendation

- 11. Probation Department management utilize more detailed scoring sub-categories in evaluation documents, where appropriate, to allow for more transparency of the proposals evaluation and scoring process.**

Statement of Work Monitoring Review

Departments should establish a contract monitoring process to ensure their contractors comply with the contracts' SOW requirements. An effective monitoring process includes:

- A comprehensive, risk-based contract monitoring plan (Plan) that lists all the department's contracts and identifies the scope and frequency of individual monitoring reviews. The Plan helps the department to manage their monitoring resources and ensures appropriate monitoring coverage.
- An appropriate scope of review that evaluates the contractor's compliance with key contract requirements.
- A standardized method for reporting the results of the reviews to better document and enhance awareness of the contractors' performance among key managers within a department.

We evaluated whether Probation's contract monitoring process includes each of these elements for the 14 programs reviewed where CBOs provided the program services. Our review was not intended to evaluate the quality or accuracy of Probation's monitoring review results.

Contract Monitoring Plan

To effectively allocate contract monitoring resources and mitigate contracting risk, departments need to develop a comprehensive, risk-based Plan. The Plan should be formalized in writing and identify the high risk programs and the high risk contractors within each program. In addition, the Plan should identify the scope and frequency of the individual monitoring reviews. Formally documenting the Plan in writing ensures that monitors are aware of, and accountable for, their responsibilities.

We evaluated Probation's Plan and whether the Department complied with the Plan. We noted that Probation's Plan only covers 17 (71%) of the 24 programs where the Department contracts with CBOs to provide services. For the seven programs that were not included in the Plan, Probation and another County department jointly contract with the CBOs to provide program services. However, Probation did not provide documentation that the CBOs were monitored. Probation should include all of the programs in their Plan, and ensure the CBOs are monitored for compliance with the County contracts' requirements.

For the programs included in Probation's Plan, the Plan indicated that CBOs funded through JJCPA are monitored by CMO once every three months and CBOs funded through non-JJCPA sources are monitored once every six months.

Generally, Probation complied with the Plan's frequency requirements for all 14 programs that we reviewed. However, Probation indicated that the Plan is not risk-based and did not explain or justify why some CBOs are monitored once every three months and others are monitored once every six months. In addition, the Plan did not identify the group responsible for programmatic monitoring of the CBOs providing non-JJCPA funded services, and, according to Probation, has not been updated in over eight years. As a result, Probation's Plan does not allow the Department to effectively manage their monitoring resources or mitigate their risk.

To effectively allocate contract monitoring resources and mitigate contracting risk, Probation needs to develop a comprehensive, risk-based Plan that is updated annually. The Plan should identify the frequency of the reviews, include all programs (comprehensive), and list the group responsible for performing fiscal, programmatic, and administrative monitoring of contractors.

Recommendations

Probation Department management:

- 12. Conduct ongoing monitoring of the community-based organizations that Probation and other County departments jointly contract with to ensure compliance with the County contracts' requirements.**
- 13. Develop a comprehensive, risk-based contract monitoring plan that is updated annually to ensure contract monitoring resources are effectively allocated to mitigate contracting risk.**
- 14. Ensure the contract monitoring plan is comprehensive and identifies who is responsible for performing fiscal, programmatic, and administrative monitoring of contractors.**

Contract Monitoring Scope

The scope of a contract monitoring review should include steps to evaluate the contractor's performance with key contract requirements including deliverables noted in the contract's SOW. Departments should develop standardized monitoring tools that list the actions and procedures contract and program staff are supposed to follow in evaluating a contractor's compliance with the provisions of the County contracts' SOWs. Standardized monitoring tools provide guidance to staff and help ensure consistency among monitors within the same program. Completed monitoring tools can be used to document the Departments' monitoring efforts. To evaluate the scope of Probation's monitoring reviews, we reviewed the tools and other documentation that the Department used to monitor the CBOs for the 14 programs reviewed.

Overall, Probation's monitoring scope for 12 (86%) of the 14 programs reviewed did not include the necessary steps for staff to monitor the key SOW requirements. As a result, Probation cannot ensure that the CBOs complied with the key SOW requirements. Specifically, we noted:

- For 12 (86%) programs, the monitoring scope did not include reviewing two (40%) of the five SOW personnel requirements. Specifically, the Department did not monitor the SOW requirements for evaluating and training employees.
- For seven (50%) programs, Probation did not monitor all of the performance outcome measures noted in the SOW.
- For three (21%) programs, the monitoring scope did not include a review of all the SOW service delivery requirements. For example, the monitoring scope did not include Probation staff reviewing participant case files to ensure that CBOs provide all of the required services to program participants.
- For one (7%) program, Probation could not provide documentation that they monitored the CBO for compliance with the contract's performance outcome measures and service delivery requirements. Department management indicated that the CBO is on-site with Probation staff who monitor the program daily. However, Probation does not use and maintain monitoring tools to document their reviews.

Based on the limited scope of Probation's monitoring efforts, it is difficult to determine if the CBOs are providing the appropriate level of services required by their County contracts. Probation needs to expand the scope of their monitoring reviews to cover all key areas listed in the SOW, and develop appropriate monitoring tools that include the expanded areas.

Details of the programs we reviewed and a summary of our results are included in Attachment III.

Recommendation

- 15. Probation Department management expand the scope of their monitoring reviews to ensure their reviews cover all key areas listed in the contracts' statement of work, and develop appropriate monitoring tools that include the expanded areas.**

Contract Monitoring Reports

Issuing written reports to formally communicate the results of individual contractor monitoring reviews improves awareness throughout the Department of the contractor's performance. In addition, providing a written report to the contractor provides them with formal notification to correct the areas of noted deficiencies, and provides documented justification to enforce contract remedies.

Probation has a policy requiring the CMO to issue written reports to their contractors on the results of Probation's monitoring reviews. The Department issued written reports to the CBOs for 13 (93%) of the 14 programs reviewed. For one program, Probation did not document the results of their review in a written report.

Probation's policy does not require copies of the monitoring reports to be sent to the Department's executive management in order to ensure key managers within the Department are aware of their contractors' performance. Probation should revise their departmental policy to require all contract monitors to provide copies of all monitoring reports to the appropriate executive managers within the Department to ensure key managers within the Department are aware of their contractors' performance. In addition, Probation should ensure that written reports are issued for all monitoring reviews detailing the results of the reviews.

Recommendations

Probation Department management:

- 16. Revise their departmental policy to require copies of all monitoring reports are sent to the appropriate executive managers within the Probation Department to ensure key managers within the Department are aware of their contractors' performance.**
- 17. Ensure written reports are issued for all monitoring reviews detailing the results of the reviews.**

**PROBATION DEPARTMENT
COMMUNITY-BASED ORGANIZATION PROGRAMS AS OF JULY 2015**

#	Program/Type of Service	# of CBOs	Funding Source	Current Year Funding
1	Academic Support and Intervention (1) (3)	1	Federal, State, and County	\$ 1,300,000
2	Adult Day Reporting Center	1	State	\$ 1,560,000
3	Advocacy and Outreach Services	1	State	\$ 396,060
4	Anti-Gang Strategies Programs	8	County	\$ 411,735
5	Community Treatment Facility Services (1) (3)	2	State and County	\$ 2,283,000
6	Comprehensive Services to AB109 Population	1	State	\$ 12,000,000
7	County Delinquency Prevention Program	28	County	\$ 1,898,710
8	Educational and Support Services	1	County	\$ 300,000
9	Educational Pathways and Vocational Opportunities	4	State	\$ 1,432,500
10	Employment Services	6	State	\$ 2,068,000
11	Enhanced Education Services	1	State	\$ 350,000
12	Gang Intervention	5	County	\$ 2,000,000
13	Gender Specific in the Community Services	5	State	\$ 550,000
14	Group Home Services (1) (2)	25	Federal, State, and County	\$ 200,000,000
15	Halls Writing Program	1	State	\$ 211,200
16	Home Based Gender Specific	3	State	\$ 517,000
17	Home Based Services	6	State	\$ 2,068,000
18	Individualized Transition Skills Program (1) (3)	2	Federal and State	\$ 3,103,828
19	Literacy Tutoring Services	1	County	\$ 65,700
20	Residential Drug-Free and Foster Care Services	1	County	\$ 23,000
21	Residentially Based Services (1) (3)	3	Federal, State, and County	\$ 1,958,112
22	Transitional Housing Placement (1) (3)	7	State	\$ 2,165,106
23	Transitional Housing Placement Plus Foster Care (1) (3)	11	Federal, State, and County	\$ 21,140,320
24	Wraparound Program (1) (3)	49	Federal, State, and County	\$ 106,460,534

Footnotes:

- (1) Probation jointly contracts for these services with the Department of Children and Family Services (DCFS). The contracts do not specify the funding amounts per department. As a result, the amounts indicated are for the entire contract.
- (2) Contract is with 65 Group Home agencies. However, Probation is only responsible for monitoring the 25 agencies where Probation places minors. DCFS monitors the remaining 40 agencies.
- (3) Were not included in Probation's contract monitoring plan.

**SUMMARY OF CONTRACT MONITORING TESTWORK RESULTS
FOR THE PROBATION DEPARTMENT PROGRAMS REVIEWED**

#	Program/Type of Service	Monitoring Plan		Statement of Work Requirements Monitored (1)			Issued Report (5)
		Frequency	Compliant	Personnel (2)	Performance Outcomes (3)	Service Delivery (4)	
1	Adult Day Reporting Center	Semi-annually	Yes	Partial	(6)	(6)	Yes
2	Advocacy and Outreach Services	Semi-annually	Yes	N/A	N/A	Yes	No
3	Comprehensive Services to AB109 Population	Semi-annually	Yes	Partial	Partial	Partial	Yes
4	Educational and Support Services	Semi-annually	Yes	Partial	Yes	Yes	Yes
5	Educational Pathways and Vocational Opportunities	Quarterly	Yes	Partial	Partial	Yes	Yes
6	Employment Services	Quarterly	Yes	Partial	No	Yes	Yes
7	Enhanced Education Services	Quarterly	Yes	Partial	Yes	Yes	Yes
8	Gang Intervention	Quarterly	Yes	Partial	No	Yes	Yes
9	Gender Specific in the Community Services	Quarterly	Yes	Partial	No	Yes	Yes
10	Halls Writing Program	Quarterly	Yes	Partial	Yes	Partial	Yes
11	Home Based Gender Specific	Quarterly	Yes	Partial	No	Yes	Yes
12	Home Based Services	Quarterly	Yes	Partial	No	Yes	Yes
13	Literacy Tutoring Services	Semi-annually	Yes	Partial	Yes	Partial	Yes
14	Residential Drug-Free and Foster Care Services	Semi-annually	Yes	Yes	N/A	Yes	Yes

Footnotes:

- (1) For 12 (86%) of the 14 programs reviewed, Probation does not ensure that they monitor all of the statement of work (SOW) requirements.
- (2) For 12 (86%) of the 14 programs reviewed, Probation's monitoring scope did not include reviewing two (40%) of the five SOW personnel requirements. Specifically, the Department did not monitor the SOW requirements for evaluating and training employees.
- (3) For seven (50%) of the 14 programs reviewed, Probation did not monitor all of the performance outcome measures noted in the SOW.
- (4) For three (21%) of the 14 programs reviewed, Probation's monitoring scope did not include a review of all the SOW service delivery requirements.
- (5) For one (7%) of the 14 programs reviewed, Probation did not issue a written report to communicate the results of their reviews.
- (6) Probation management indicated that the community-based organization providing the program services is on-site with Probation staff who monitor the program performance outcome measures and service delivery requirements daily. However, Probation does not use and maintain monitoring tools and could not provide documentation of their reviews.



**COUNTY OF LOS ANGELES
PROBATION DEPARTMENT**

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JERRY E. POWERS
Chief Probation Officer

July 14, 2015

TO: John Naimo
Auditor-Controller

FROM: Jerry E. Powers *JEP*
Chief Probation Officer

SUBJECT: **DEPARTMENT RESPONSE TO RECOMMENDATIONS FROM REVIEW OF BUDGET, JUVENILE HALLS AND CAMP OPERATING COSTS, AND DEPARTMENTAL CONTRACTING PROCEDURES (BOARD AGENDA ITEM 10, APRIL 14, 2015)**

This is in response to the Auditor-Controller's recommendations from the April 14, 2015 Board Agenda Item 10, instructing the Auditor-Controller to conduct an audit within 90 days with particular focus on its budget, fiscal, and personnel functions to ensure compliance with Board-approved policies and best practices.

This audit response covers Parts 2, 4, and 5 of the Board's requested audit which pertains to:

Part 2: Current cost of operating the camps and halls, including the cost per youth, annual maintenance costs and deferred building maintenance costs

Part 4: The Department's request for proposal procedures and its process for examining satisfactory compliance with the Statements of Work (SOW) for contracted Community-Based Organizations (CBOs) and agencies

Part 5: The Department's management and accounting of its budget, revenue and expenditures.

If you have any questions or need additional information, please contact Kym Renner of my staff at (562) 940-2516.

JEP:GR:mo

Attachment

BUDGET / JUVENILE HALLS AND CAMPS OPERATING COSTS

Budget to Actual Financial Comparison

Recommendation #1:

Re-evaluate the individual components of the Department's budget to ensure, that individually, they represent the best estimate of actual expected results.

Department Response:

The Probation Department agrees in general with this recommendation. The Department's current under-expenditures and corresponding under-realization of revenues against the appropriated budget are a result of multiple revenue reductions and shortfalls at both the federal, state and county level. During the audited period Probation informed and updated the Chief Executive Office (CEO) and their fiscal staff on an ongoing basis of the revenue shortfalls and the reasons for the shortfalls. Probation also committed to ensuring that there was not a negative net county cost impact resulting from these shortfalls by ensuring that expenditure reductions matched or exceeded the revenue shortages. On multiple occasions the department has requested to realign those revenue areas that we knew would not be realized to more accurately reflect actuals. As the impact would be to increase net county cost the requests were not approved and we have continued to adjust expenditures and revenues internally to reflect no additional net county cost impact. Again in FY 2015-16, Probation has reported approximately \$20 million dollars in known revenue shortages which again were not adjusted in the budget.

Recommendation #2:

Ensure Department managers and staff continue to be involved in the budget process, and assist the Budget and Fiscal Services Section in developing and monitoring revenue and expenditure estimates.

Department Response:

The Probation Department agrees with this recommendation and implemented in the 2014-15 Proposed Budget process, a new inclusion of operational staff called a Budget Forum. The process was to introduce operational needs in the Department budget planning process. In addition, monthly financial reporting methods are being implemented to inform department managers and staff the status of their budgets and expenditures. We will continue to refine this

involvement of operations in the development and maintenance of the Department's budget.

Revenue and Expenditures Validation

Recommendation #3:

Probation Department management re-evaluate the \$10.2 million expended from the County General Fund during Fiscal Years 2012-13 and 2013-14 for Senate Bill 678 programs, and determine the feasibility of recovering such expenditures from the County's Community Corrections Performance Incentives Special Revenue Fund.

Department Response:

The Probation Department agrees to re-evaluate the \$10.2 million expended from the County General Fund during Fiscal Years 2012-13 and 2013-14 for Senate Bill 678 programs, and determine the feasibility of recovering such expenditures from the County's Community Corrections Performance Incentives Special Revenue Fund. The Probation Department's focus during this timeframe was on three significant initiatives – AB 109 (i.e., Public Safety Realignment Act), Camp DOJ, and SB 678. Due to limited resources, department efforts were diverted from SB 678 to the more immediate need of building the infrastructure to support the release of over 30,000 offenders to date to the department's jurisdiction under AB 109. This required the redeployment of significant resources from all areas of the department specifically from SB 678 programs and adult probation services. These redeployments affected the department's ability to fully justify the expenditure of allocated SB 678 revenues without fear of questions relating to supplantation. Additionally, the SB 678 is a performance based funding allocation. During the course of the last 5 years the funding has also been threatened with significant reduction or elimination due to state budget issues and AB 109 impacts on the formula. In FY 2011-12 the department established a plan to accrue a strategic funding reserve that would provide for 3 years ongoing operational funding in the event the funding was removed or performance resulted in significant reductions. There have been instances statewide where performance numbers have resulted in zero funding for several counties. San Diego County has seen its funding reduced to zero on several occasions. We have also seen instances of wide fluctuations in funding allocations from year to year due to the performance nature of the funding. The establishment of the strategic fiscal reserve was shared with each of the board offices in 2012-13.

Future Outlook of Revenues and Expenditures

Recommendation #4:

Probation Department management continue to work with the Chief Executive Office to develop a long-range budget forecast.

Department Response:

The Probation Department agrees with this recommendation and is implementing a five-year scorecard to develop long-range budget forecast to identify funding issues and solutions.

Capital Projects and Unmet Needs

Recommendation #5:

Work with the Chief Executive Office to determine oversight responsibility in the handling and reporting of the Department's Capital Projects to ensure Capital Projects are properly monitored and tracked.

Department Response:

The Probation Department agrees with this recommendation and continually works with the Chief Executive Office Capital Projects to monitor and track the Department's projects.

Recommendation #6:

Continue to work with the Chief Executive Office to evaluate the Department's critical infrastructure needs, explore financing options, and develop a financial plan (e.g., project prioritization, timeframes, funding sources, etc.) to address their Capital Project and unmet needs.

Department Response:

The Probation Department agrees with this recommendation and has continued to request funding from the Chief Executive Office for unmet needs in the last four (4) budget cycles to address infrastructure needs. Most significantly, as we have reported to the Board, we have requested each of the past three (3) years to utilize year-end unspent fund balance to address some of these critical needs. In some instances, projects were approved and completed, in other instances the funding was approved but the projects were not completed as Internal Services Department (ISD) could not scope and bid the project to encumber the funds before the end of the following fiscal year and as such the funding reverted to the

general fund. Lastly, not all of the requested projects to be funded were approved for funding with the fund balance by the CEO and the funding reverted to the general fund.

Juvenile Halls and Camps Operating Costs

Recommendation #7:

Determine the feasibility of allocating administrative, educational, and transportation services costs by each juvenile hall and camp to identify actual operating costs more efficiently and accurately, and ensure all expenditures are allocated to the appropriate juvenile halls and camps.

Department Response:

The Probation Department agrees to determine and evaluate the feasibility of this recommendation. However, it is important to reflect that the Department's juvenile halls and camps currently do not operate in silos and costs associated with each location are based on their needs as a system, not as individual operations. Staffing levels change day-to-day and operating costs are dependent on the number of youths assigned, transferred, or released on a daily basis. Administrative costs are also not based on location but as an overall department cost to support current staffing levels.

As an example, the Probation Department currently operates its Transportation unit from a centralized location, as it is more efficient and results in less staffing and fewer interruptions to youth programming, as youth can be returned to their original destination more timely. Routes and staffing are determined by region and/or destination based on the need of all 17 institutions. Normally, there are youth on daily routes from various camps and halls on the same vehicle being delivered to the same location. A centralized approach allows for staff allocation/reallocation based on need of the Department. Additional resources would be required to calculate costs youth by youth.

In addition, the Probation Department provides enhanced educational resources as the Los Angeles County Office of Education is the primary provider of educational services. The Probation Department's resources are allocated based on the needs of the population, which requires flexibility. Resources are frequently adjusted based on the population; however, contractual services and other resources are more stationary and can be readily calculated and added to operational costs. Additional resources could be required to track services and cost provided to each minor at each location. The Department will evaluate the feasibility of modifying this budgetary structure along with operational efficiencies.

Recommendation #8:

Determine the feasibility of budgeting and tracking revenues and expenditures using additional cost centers or lower-level budget units, particularly related to the Challenger Memorial Youth Center Camps.

Department Response:

The Probation Department agrees to determine and evaluate the feasibility of this recommendation. As indicated in the previous response, the Department's juvenile halls and camps do not operate in silos and costs associated with each location are based their needs as a system, not as individual operations. Given that Challenger Youth Memorial Center is considered one location with four (4) operational camps, the Probation Department is able to make staffing adjustments daily to meet the established staff to youth ratios. As agreed with the Department of Justice (DOJ), once it is determined that staffing levels are below the established ratios, staff can be temporarily reassigned to other camps for short/long term periods (few hours to a few months) to ensure the appropriate level of supervision without incurring overtime costs. Flexible staffing to meet mandated requirements is a daily scheduling activity and could require additional resources to calculate and track these frequent changes and nuisances. The Department will evaluate the feasibility of modifying this budgetary structure along with operational efficiencies.

Average Daily Cost Per Youth

Recommendation #9

Probation Department management use actual operating costs in calculating the Average Daily Cost Per Youth, and ensure that all direct juvenile hall and camp operating costs are included in the calculation.

Department Response:

The Probation Department agrees with this recommendation and currently uses the State's methodology for calculating Average Daily Cost Per Youth. The calculation consists of using the total cost to operate the Department's juvenile system divided by the Average Daily Population (ADP) of the youth facilities; and divide this by 365 days, which is consistent with most jurisdictions.

Recommendation #10

Probation Department management examine the operating costs of their juvenile halls and camps, and work with the Chief Executive Office to identify reasons for their higher Average Daily Cost Per Youth in comparison to other counties.

Department Response:

The Probation Department agrees with this recommendation and has requested a list of the other counties' costs in calculating their Average Daily Cost Per Youth. However, it is important to reflect that Los Angeles County salaries and employee benefits are currently higher than most counties. Los Angeles County staffing ratios are much higher than other counties due to legal settlements relating to direct supervision staffing, as well as educational services staffing. Significantly, the staffing ratios utilized for our camps are generally accepted as 1 staff for every 8-10 minors. Statewide standards that all other counties comply with in camps are 1 staff for every 15 minors. This in and of itself will result in a significantly higher cost per youth number than other counties as staffing costs are the greatest portion of costs for camps and halls. Also, given the age, number of, and remote locations of our facilities maintenance and transportation costs will be significantly higher than many other counties. Finally, 25% of the juvenile halls and camps budget are contracts with other County departments in providing physical health services and screening, mental health services, building maintenance and operations. It is important to note that as a result of the DOJ settlement agreement, Los Angeles stands apart from other counties because of the mental health, health and educational services required are much higher than other counties. These services that are provided within the LA County juvenile camp system is more intensive and costly than what is provided to juveniles in other County's systems.

REQUEST FOR PROPOSAL PROCEDURE REVIEW

Recommendation #11:

Probation management utilize more detailed scoring sub-categories in evaluation documents, where appropriate, to allow for more transparency of the proposals evaluation and scoring process.

Department Response:

The Department agrees with this recommendation; however, we tailor our evaluation documents using criteria (e.g. Background and Experience, Approach to Providing the Required Services, Quality Control Plan and Cost Proposal) that are subject to objective application. The points are allocated to each criterion based on its relative importance to the overall RFP requirements. This is consistent with County contracting policies and Internal Services Department guidelines. We will seek to apply this recommendation in future solicitations to the extent possible.

Statement of Work Monitoring Review

Recommendation #12:

Conduct ongoing monitoring of the CBOs that Probation and other County departments jointly contract with to ensure compliance with the County contracts' requirements.

Department Response:

The Department agrees with this recommendation and will seek to implement full compliance in conducting ongoing monitoring efforts with all CBO contracts including those in which Probation is not the lead agency. The Department is compliant in many areas of monitoring these existing contracts through various reviews, and collaborative efforts; however, we agree that we were not able to provide formal documentation of a plan. It should be noted that significant monitoring resources were diverted to comply with the DOJ monitoring requirements as the Department was instructed to accomplish the DOJ monitoring within existing resources. The Department has committed to continuing to monitor those areas in the DOJ agreement. Additional resources will be required to enhance our non DOJ contract monitoring to comply with this recommendation.

Contract Monitoring Plan

Recommendation #13:

Develop a comprehensive, risk-based contract monitoring plan that is updated annually to ensure contract monitoring resources are effectively allocated to mitigate contracting risk.

Department Response:

The Department agrees with this recommendation and will seek to develop a comprehensive, risk based contract monitoring plan for the entire Department. Given the lack of staffing resources in our Contract Monitoring sections, the Department has not had sufficient resources to develop this annual plan. The Department agrees that we can seek compliance in this area audited; however, we will seek additional staffing resources to achieve this recommendation.

Recommendation #14:

Ensure the contract monitoring plan is comprehensive and identifies who is responsible for performing fiscal, programmatic, and administrative monitoring of contractors.

Department Response:

The Department agrees with this recommendation and will seek to develop a comprehensive risk based contract monitoring plan for the entire Department. A centralized monitoring plan will be developed that identifies fiscal, programmatic, and administrative monitoring compliance. While this requirement is not written in County policy or procedure, the Department will seek input from the Auditor Controller Office for advice on a best practice model within the industry. Given the lack of staffing resources in our Contract Monitoring sections, the Department has not had sufficient resources to develop this annual plan, nor the training or County resources to develop such a recommendation. The Department agrees that we can seek compliance in this area audited; however, we will seek additional staffing resources to achieve this recommendation.

Contract Monitoring Scope

Recommendation #15:

Probation Department management expand the scope of their monitoring reviews to ensure their reviews cover all key areas listed in the contracts' statement of work, and develop appropriate monitoring tools that include the expanded areas.

Department Response:

The Department agrees with this recommendation and will immediately begin implementing tools to address the gaps identified in this audit. Given the lack of staffing resources in our Contract Monitoring sections, the Department has not had and continues to lack the sufficient resources to dedicate to these gaps for a long term plan. To address the long term monitoring efforts, the Department will seek additional staffing resources to achieve this recommendation.

Contract Monitoring Reports

Recommendation #16:

Revise their departmental policy to require copies of all monitoring reports are sent to the appropriate executive managers within the Probation Department to ensure key managers within the Department are aware of their contractors' performance.

Department Response:

The Department agrees with this recommendation and has implemented a process of notifying executive management of monitoring reports effective April 2015.

Recommendation #17:

Ensure written reports are issued for all monitoring reviews detailing the results of the reviews.

Department Response:

The Department agrees with this recommendation and will immediately advise and train Contract Monitoring staff to ensure that the written reports issued include results to the extent possible.