

**DEPARTMENT OF JUVENILE JUSTICE
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Department of Juvenile Justice for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- three internal control matters that we consider reportable conditions; however, we do not consider any of these to be material weaknesses; and
- no instances of non-compliance that are required to be reported.

Our audit findings are discussed in the section entitled “Internal Control Findings and Recommendations.”

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April 24, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Juvenile Justice** for the year ended June 30, 2000. We conducted our audit according to the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope and Methodology

Our audit's primary objectives were to review the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from the prior year report.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances - Revenues, Expenditures, Petty Cash, Leases, and Fixed Assets.

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's policies and procedures were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on internal control or on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material aspects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Department's records.

We noted certain matters involving internal control and its operation that we considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial records. Reportable conditions are discussed in the section entitled "Internal Control Findings and Recommendations." We believe that none of the reportable conditions are material weaknesses.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has not taken adequate corrective action with respect to the previously reported finding "Improve Controls Over Equipment." Accordingly, we included this finding in the subsection entitled "Internal Control Findings and Recommendations." The Department has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on June 13, 2001.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve Child Support Collection Procedures

The Department needs to improve its procedures for the collection of child support payments for juveniles in state custody. When a court commits a juvenile to state custody, the court may order the responsible parent to pay child support payments to the Department. The Department may receive child support payments either from the parent directly or through the Department of Social Services' Division of Child Support Enforcement (DCSE). The Department deposits the payments and uses them to offset the state's costs of holding the juvenile in state custody. The Department collected child support payments of \$119,000 in fiscal year 2000. The Department needs to work with the local courts and the DCSE to develop and improve procedures to address the following issues:

- The courts do not always inform the Department about a child support order; therefore, the Department does not expect the payments. The Department needs to implement procedures to improve communications with the local court to know of all orders for children in state custody.
- The Department does not have procedures to address non-payment of child support for juveniles in state custody. Of the 1,400 juveniles committed to the Department this year, the Department knew of 73 child support cases. Of these cases, the Department did not receive child support collections in 34 cases ordered by the court. The Department and DCSE need to work together to develop procedures so that they can pursue the collection of these payments.
- The Department receives some payments that they cannot associate with a juvenile. The Department collects and deposits these payments, but does not know which juvenile they relate to. Of the 73 cases previously mentioned, the Department received payments for 19 cases that they could not associate with a juvenile. The Department cannot determine if these payments relate to juveniles still in state custody or released.

Improve Controls Over Equipment

As reported in our last two reports, the Department does not have adequate policies and procedures for recording and tracking equipment. Current policies and procedures do not clearly state the responsibilities of Central Office and Correctional Centers over fixed asset accounting. Without specific procedures, staff may not properly perform their duties, which increases the possibility of incorrect information in the Department's Fixed Asset Accounting and Control System (FAACS). We found the following specific problems with the FAACS information for Hanover and Culpeper Correctional Centers.

- The Hanover Correctional Center did not delete disposed equipment from FAACS. We found \$86,186 of controllable assets and \$31,466 of capital assets that were disposed of, but are still listed in FAACS. Additionally, the listing included obviously obsolete assets.
- The Culpeper Correctional Center incorrectly capitalized kitchen, medical, and laundry equipment with the facility's building even though the pieces of equipment were not permanent fixtures of the building. They overestimated the building and understated equipment by approximately \$350,000.

- The Central Office and Correctional Centers need to improve their tracking and monitoring of controllable assets. The Department's policies require tracking equipment with a value over \$1,500. The Central office, Hanover Correctional Center, and the Reception and Diagnostic Center could not provide documentation to support these assets on hand.

The Department should update policies and procedures to ensure they provide adequate internal controls to maintain and record equipment. The Department should consider providing correctional facilities with FAACS and other reports so that staff can ensure the accuracy and completeness of the accounting systems. In addition, the Department should ensure that staff are following the policies for controllable assets. It is our understanding the Department is in the process of revising procedures for controllable assets.

Improve Controls Over Leases

The Department does not follow its policies and procedures for the execution, recording, and maintenance of leases in the Lease Accounting System (LAS). The court service units and juvenile correctional centers execute the lease agreements without central office's approval.

We found several weaknesses in the Department's procedures over leases. The Department's policies require Central Office perform an economic analysis and approve leases prior to execution, but this approval and analysis is not consistently performed. In addition, the Department does not have a complete listing of lease agreements, and is unaware of some agreements that exist at correctional centers. Contributing to the incompleteness is the lack of procedures for tracking lease payments when a correctional center uses the Small Purchase Charge Card.

The Department needs to perform a complete lease inventory to ensure information in LAS is complete and accurate. In addition, the Department should adhere to procedures requiring Central Office approval or analysis before the execution of lease agreements.

AGENCY INFORMATION

The Department provides custody and care for juveniles in the correctional system. The Department has a central office in Richmond and three regional offices. The central office provides administrative support while the regional offices oversee court service units. The Department also assists in funding the following facilities and programs:

- Seven juvenile correctional centers (JCC) provide 24-hour secure custody and supervision, treatment services, recreational services, and a variety of special programs.
- A Reception and Diagnostic Center provides psychological, educational, social, and medical evaluations for committed youth.
- Thirty-five Juvenile and Domestic Relations Court Service Units provide intake, supervision, counseling, and a variety of other special services. The Commonwealth operates thirty-two units and localities operate three.
- One privately-operated boot camp provides a ten-month program that consists of four months residential treatment and six months of aftercare in the community.
- Four halfway houses provide 24-hour residential and treatment services for youth returning to their communities. The Department operates three of the houses with the other privately-operated.
- Twenty-one secure detention homes provide temporary care of juveniles who require secure custody pending court disposition or placement. The Department operates one home and the remaining homes are under local administration.

This year more than 94,000 Virginia children entered the juvenile system when police, victims, or parents reported a delinquent or status offense. A juvenile's first encounter with the system is an intake officer at a court service unit. The intake officer has discretionary power to divert cases from the judicial process. The officer could resolve the case through counseling, referral to other social agencies, or community service. Pending judicial proceedings, the intake officer makes the initial decision about where the child will reside. Most are released to parents or guardians but others enter a secure detention facility or a shelter. If found guilty, the court will order a social investigation to assist the court in selecting the most appropriate dispositional sanctions and services for the juvenile and the family. The juvenile may receive conditional dispositions such as probation, participation in court service unit programs, referral to local services or facilities, referral to other agencies, private placement, or boot camp placement. The juvenile could also receive custodial commitment to state care. State care includes an initial evaluation at the Reception and Diagnostic Center and placement at one of the seven correctional facilities.

The Department's main funding source is General Fund appropriations. General fund appropriations of \$214 million accounted for over 90 percent of the Department's revenue in fiscal year 2000. The Department also receives federal grants and some miscellaneous revenues. The following chart shows total actual operating appropriations and expenses for the last four fiscal years. The Department also receives appropriations for capital projects, which the chart does not include.

| | 1997 | 1998 | 1999 | 2000 |
|--|----------------------|----------------------|----------------------|--------------------|
| Original appropriations | \$148,422,178 | \$171,889,593 | \$183,602,910 | \$192,345,624 |
| Adjustments: | | | | |
| Carry over from previous year | 10,509,584 | 18,578,286 | 21,705,020 | 13,123,687 |
| Regrade | - | 4,090,268 | 1,669,588 | 9,641,310 |
| Other increases | 1,655,618 | 2,602,661 | 849,308 | 982,590 |
| Other decreases | <u>(4,889,711)</u> | <u>(5,689,479)</u> | <u>(91,006)</u> | <u>(2,271,960)</u> |
| Adjusted appropriations | <u>155,697,669</u> | <u>191,471,329</u> | <u>207,735,820</u> | <u>213,821,251</u> |
| Expenses: | | | | |
| Financial assistance to localities | 40,245,867 | 50,956,699 | 74,133,794 | 60,729,267 |
| Court service units and regional offices | 36,899,102 | 41,483,886 | 43,041,815 | 44,319,840 |
| Juvenile correctional centers* | 33,890,217 | 45,639,715 | 54,223,949 | 69,361,887 |
| Central office | 13,673,592 | 16,039,788 | 17,846,934 | 15,216,427 |
| Other | <u>10,710,799</u> | <u>12,877,665</u> | <u>4,600,432</u> | <u>16,041,256</u> |
| Total expenses | <u>135,419,577</u> | <u>166,997,753</u> | <u>193,846,924</u> | <u>205,668,677</u> |
| Excess of appropriation over expenses | <u>\$ 20,278,092</u> | <u>\$ 24,473,576</u> | <u>\$ 13,888,896</u> | <u>\$8,152,574</u> |

Source: Commonwealth Accounting and Reporting System, Per Capita Report prepared by the Department

*Includes expenditures for the Reception and Diagnostic Center

Over the last four years, the Department's operating expenses have increased by over \$70 million, a 53 percent increase. Most of this increase comes from increased costs of operating JCCs as the Department adds new facilities and programs, and increased assistance to localities to fund the Virginia Juvenile Community Crime Control Act (VJCCCA). In each of the last four years, operating appropriations have exceeded expenses resulting in carry forward balances. Most of these balances represent the Commonwealth's share of local facility construction projects, which may span several years. The Commonwealth typically appropriates these funds in the first year of the project; although, the locality does not receive payment until the project's completion which may take several years.

Most of the Department's operating expenses are for the juvenile correctional centers, financial assistance to localities and the court service units. We discuss each in more detail below.

Juvenile Correctional Centers and Reception and Diagnostic Center

The Department's seven correctional centers provide programs to address the treatment, disciplinary, medical, and recreational needs of the juveniles. Over the last five years, the Department has increased JCC capacity by 44 percent through the expansion and renovation of existing facilities, and construction of a new facility, Culpeper Correctional Center. The planned increase in capacity seeks to alleviate overcrowding at some facilities and to address expected increases in the state-committed juvenile population. In fact, JCC admissions peaked in 1995 at over 1,800 and have decreased each year since then. The Department projects that JCC annual admissions will remain stable at approximately 1,460 over the next five years. The following chart shows population, capacity, and cost information over the last five years.

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|--|----------|----------|----------|----------|----------|
| Average Daily Population in Correctional Centers | 1,162 | 1,221 | 1,207 | 1,278 | 1,322 |
| Correctional Center Capacity | 972 | 972 | 1,177 | 1,243 | 1,402 |
| JCC Annual Cost per ward* | \$29,203 | \$31,201 | \$41,571 | \$44,432 | \$50,349 |

Source: Per capita report and statistics prepared by the Department

*Does not include educational costs incurred by the Department of Correctional Education (\$15,346/ward in fiscal year 2000)

Overall, it appears that the JCCs are operating under capacity in fiscal year 2000. Fiscal year 2000 information shows total capacity at 1,402 with an average daily population of 1,322. A closer look at the capacity and ADP at each facility indicates that while some facilities are operating under capacity, there are several facilities operating over capacity. The table on the following page provides capacity and ADP information by facility for fiscal year 2000.

As reported in the table, the Culpeper JCC is only operating at about 50 percent capacity since it opened in March 1999. This center, along with a detention facility, cost \$30 million to build and equip, but the Department states that it cannot open the entire facility because of a lack of operating funds. The Department does not know when it will make the facility fully operational.

The Department currently plans to renovate several existing facilities. The Department has closed two cottages at the Hanover Correctional Facility and plans to begin renovation of several cottages in September 2001. This renovation will cost around \$3 million. The Department also plans to renovate several cottages and build a new dining facility at Beaumont Correctional Center. These projects should cost around \$6 million.

2000 Data by Juvenile Correctional Center

| | Capacity | Average Daily Population |
|--|----------|--------------------------|
| <u>Barrett JCC</u> <ul style="list-style-type: none"> chemically dependent wards of all ages with less serious offenses | 98 | 106 |
| <u>Beaumont JCC</u> <ul style="list-style-type: none"> houses the older more aggressive male offenders | 322 | 360 |
| <u>Bon Air JCC</u> <ul style="list-style-type: none"> houses females of all ages and offense levels houses 15-16 year old male offenders with less serious committing offenses | 280 | 327 |
| <u>Culpeper JCC (opened March 1999)</u> <ul style="list-style-type: none"> houses 16-21 year olds, most aggressive male offenders | 225 | 110 |
| <u>Hanover JCC</u> <ul style="list-style-type: none"> houses all ages of male offenders with moderate to serious committing offenses | 200 | 174 |
| <u>Natural Bridge JCC</u> <ul style="list-style-type: none"> houses all ages of male offenders who are low security risks houses a limited number of serious offenders as a transition prior to release | 71 | 67 |
| <u>Reception and Diagnostic Center</u> <ul style="list-style-type: none"> is the intake point for juveniles committed to the state provides secure confinement for 30-45 days while juveniles are undergoing medical, academic, psychological, behavioral, and sociological evaluations that determine treatment needs and institutional placement | 166 | 139 |
| <u>Oak Ridge JCC</u> <ul style="list-style-type: none"> houses male offenders with developmental disabilities and severe behavior disorders | 40 | 39 |
| Total | 1,402 | 1,322 |

Source : 2000 Per Capita Report and statistics prepared by the Department.

Financial Assistance to Localities

The Department makes payments to localities for the construction, maintenance, and operation of local or regional detention centers, group homes, and numerous other related facilities. These facilities house juveniles awaiting sentencing or provide housing for juveniles who require a less secure environment. There are 21 local detention centers statewide, which can house over 959 juveniles with 20 locally-operated and one state-operated facility. The Department also funds various group homes and day centers, which also house delinquent juveniles. Localities request funds from the Department and the Board approves these requests. These payments come almost entirely from general fund appropriations, in the form of block grants and VJCCCA funds. The Department recently revised its policy to allow localities to reallocate up to 50 percent

of their funding between approved plans and services. Prior to this, localities could only reallocate 15 percent of their funds between these plans and services.

Court Service Units

The Department has 35 Court Service Units (CSUs) located throughout the state. The CSUs coordinate services for juveniles in the court system. They provide a variety of services including intake services, domestic relations, investigations, probation services, and counseling. During fiscal 2000, CSUs processed over 216,000 complaints involving juveniles. Annually, the CSUs also supervise thousands of juveniles, most of whom are on probation or parole.