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TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: John Naimo *John Naimo*
Auditor-Controller

SUBJECT: **PROBATION DEPARTMENT - ACCUMULATION OF JUVENILE JUSTICE CRIME PREVENTION ACT AND SENATE BILL 678 FUNDS FOLLOW-UP REVIEW**

We have completed a follow-up review of the Probation Department's (Probation or Department) accumulation of Juvenile Justice Crime Prevention Act (JJCPA) and California Community Corrections Performance Incentives (CCPI) Act of 2009, Senate Bill (SB) 678, funds. The significant accumulation noted in these funds were initially identified in the Auditor-Controller's July 2015 Probation Department - Budget, Juvenile Halls and Camps Operating Costs, and Departmental Contracting Procedures Review report. Our review identified very limited progress by Probation in developing programs and services for both the JJCPA and SB 678 programs. As a result, as indicated below, the balances for the JJCPA and SB 678 funds have accumulated to approximately \$36.7 million and \$167.6 million, as of December 2016, respectively.

Fund	May 2015	December 2016	Increase	Percentage Increase
JJCPA	\$ 25,100,000	\$ 36,700,000	\$ 11,600,000	46%
SB 678	140,500,000	167,600,000	27,100,000	19%
Total	\$ 165,600,000	\$ 204,300,000	\$ 38,700,000	23%

Background and Scope

The JJCPA was created by the Crime Prevention Act of 2000 to provide a stable funding source for local juvenile justice programs and services that have proven effective at curbing crime and delinquency among at-risk youth. Probation provides a portion of the program services, and contracts with community-based organizations (CBOs) and other Los Angeles County (County)/City of Los Angeles (City) agencies to provide home-based support, economic workforce development, and other services. The multi-agency Juvenile Justice Coordinating Council (JJCC) is responsible for overseeing the distributions of JJCPA funding and ensures the coordination and collaboration among the various local agencies providing program services. In addition, the JJCC approves the use of all undesignated funds at the end of each fiscal year.

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 programs, and achieve a reduction in the number of adult probationer commitments to State prison. The County established Probation's CCPI Special Revenue Fund (CCPI Fund), an interest bearing account, to deposit SB 678 State allocations until earned and transferred to Probation.

Our review included interviewing Probation management and staff, and comparing the Department's actual financial performance to its budget for both JJCPA and SB 678. We also reviewed Probation's significant accumulation of JJCPA and SB 678 program funds, attempted to identify the potential issues and reasons for the accumulation, and reviewed the Department's proposed spending in future years. Our report includes recommendations for the Department to consider to immediately address the accumulation of JJCPA and SB 678 funds, and to assist the Department in its efforts to utilize the accumulated fund balances to deliver services to clients.

Our review did not include a detailed review of individual JJCPA and SB 678 programs, including the quality of these programs and/or program success rates. While our review did not cover these areas, Probation indicated that the RAND Corporation conducts annual JJCPA program outcome evaluations and that the Department contracted with Research Development Associates, Inc. in March 2017 to provide a comprehensive JJCPA program evaluation and improvement plan. In addition, the Department indicated that various SB 678 programs (i.e., Alternate Treatment Caseload, Breaking Barriers, etc.) will be reviewed for program effectiveness.

Results of Review

JJCPA

- **The JJCPA fund balance has accumulated from \$25.1 million, as of May 2015, to approximately \$36.7 million, as of December 2016.** The continued accumulation

of funds appears to be the result of underspending by CBOs and County/City agencies, combined with the exclusion of the State's allocations of growth fund revenues in the annual budgeting process (including \$8.2 million growth funds received from the State in September 2016, which the JJCC is currently reviewing for allocation approval in April 2017), funds committed over multiple program years, and the required County contracting process for new programs (i.e., New Directions, Expanded Programs, etc.). Probation needs to take immediate action to ensure that new JJCPA programs and services are established and provided as expeditiously as possible, including establishing timelines and accountability for these programs.

Probation's response indicates that they have re-established their JJCPA steering committee, which will work to identify gaps in service, expeditiously develop programs, and implement internal controls that will establish timelines and accountability for JJCPA programs. In addition, once services and programs have been developed, they will utilize the most appropriate and expeditious County solicitation process available.

- **Probation needs to more effectively monitor program funding.** As a result, Probation cannot accurately identify the specific causes for the underspending and variances noted (e.g., delays in the claiming process, insufficient number of program referrals, delays from CBOs and County/City agencies, etc.). Probation should consider re-establishing a steering committee consisting of program, fiscal, and contract monitoring representatives, and provide periodic reports to Executive management that identify programming, spending, and other concerns/issues.

Probation's response indicates that they have re-established their JJCPA steering committee to track monthly referrals and operational expenditures. In addition, their response indicates that the committee will provide regular reports regarding operational and fiscal activities to identify underspending, program unmet needs, and provide recommendations to utilize projected unspent funds.

- **Probation's tracking of unspent funds should include plans to reallocate funding for unmet program needs.** As a result, in instances where Probation has unspent JJCPA funding, they are not able to immediately identify and propose a shift to other potential areas and service providers for these unspent funds. JJCC approval could be sought in advance to reallocate unspent funds to ensure Probation is positioned to more timely implement new or expanded youth services. JJCPA programs should be reviewed to assess whether the current programs could be enhanced or modified to fit the current needs of the juvenile population. As part of Probation's review, the Department should consider benchmarking against other counties' programs and identifying best practices to ensure funds are being spent. In addition, the Department should track and periodically evaluate their unmet program needs.

Probation's response indicates that the re-established JJCPA steering committee will track expenditures, provide spending projections, and submit information to the JJCC regarding anticipated unspent and growth funds. In addition, on March 14, 2017, Probation received Board of Supervisors (Board) authorization to execute a Work Order with RDA to provide a comprehensive study of the current JJCPA system and overall programming, and provide recommendations on enhancing or modifying the programs based on the needs of the current juvenile population. Also, RDA is working with Probation on recommendations to develop a Research and Program Evaluation Unit that would provide ongoing research and program evaluation services for Department programs.

SB 678

- **The SB 678 fund balance has accumulated from \$140.5 million, as of May 2015, to approximately \$167.6 million, as of December 2016.** The accumulation of funds appears to be the result of underspending that is primarily due to the Department not finalizing their SB 678 Services Plan and delays in program development, which precedes initiation of all new services and corresponding expenditures. Probation should continue to work to immediately finalize their SB 678 Services Plan, and report quarterly to the Board on their efforts to increase program services and their progress in implementing the Services Plan.

Probation's response indicates that they anticipate submitting a plan to the Board by the end of May 2017, which will include feedback from RDA on best practices. In addition, they will begin to provide to the Board quarterly reports of SB 678 plans and expenditures.

- **Probation does not have a unit or committee to review and monitor the SB 678 programs.** As a result, the Department cannot quickly identify and adapt to changes that impact the program population, coordinate their efforts to ensure that funding usage is maximized, etc. Probation should develop and implement a steering committee, which includes managers from fiscal, programs, and contract monitoring, to review and monitor all aspects of the SB 678 program, including one-time funded programs.

Probation's response indicates that they will implement a steering committee prior to the end of the fiscal year to provide regular reports regarding operational and fiscal activities to identify underspending, program unmet needs and provide recommendations to utilize projected unspent funds.

- **Probation's projections for future expenditures should be properly justified and supported, and based on accurate and realistic information.** At the time of our review, we noted that the Department's projections were based on budgeted unfilled

positions and related plans that have not been finalized. Probation needs to ensure that their Services Plan represents the best estimates of future expenditures.

Probation's response indicates that they anticipate submitting a plan to the Board by the end of May 2017, which will include feedback from RDA on best practices. Probation indicated they will also continue to evaluate funding allocations in a fiscally prudent manner and consistent with the parameters set forth in the legislation.

Details of these and other findings and recommendations are included in Attachment I.

Review of Report

We discussed our report with Probation management. The Department's attached response (Attachment II) indicates general agreement with our report, and that the Department is committed to ensuring these issues are corrected and appropriately addressed moving forward.

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 Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:JU

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Lori Glasgow, Executive Officer, Board of Supervisors
Terri McDonald, Chief Probation Officer
Mitchell H. Katz, M.D., Director, Los Angeles County Health Agency
Public Information Office
Audit Committee

**PROBATION DEPARTMENT
ACCUMULATION OF JUVENILE JUSTICE CRIME PREVENTION ACT AND
SENATE BILL 678 FUNDS FOLLOW-UP REVIEW**

Background

The Probation Department (Probation or Department) 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), which includes Juvenile Justice Crime Prevention Act (JJCPA) and California Community Corrections Performance Incentives (CCPI) Act of 2009, Senate Bill (SB) 678, funding.

On July 24, 2015, we issued our Probation Budget, Juvenile Halls and Camps Operating Costs, and Departmental Contracting Procedures Review report where we initially identified that Probation had accumulated \$25.1 million and \$140.5 million in JJCPA and SB 678 funding, as of May 2015. At the time of our review, Probation attributed the accumulation in the JJCPA fund to several years of under expenditures, and unanticipated increases in the State's final allocation. Probation stated that they initiated a review of the JJCPA programs to assess whether the current programs could be enhanced or modified to fit the current needs of the juvenile population. In addition, Probation indicated that the large accumulation of SB 678 funds was primarily due to their inability to properly develop SB 678 programs and that the Department wanted to remain conservative with the funding allocation amount due to the uncertainty of the continued program funding. Probation's July 2015 response letter indicated that they were implementing an SB 678 Services Plan to develop long-range budget projections to identify funding issues and solutions.

As indicated below, as of December 2016, JJCPA and SB 678 funds have accumulated to approximately \$36.7 million and \$167.6 million, respectively.

Fund	May 2015	December 2016	Increase	Percentage Increase
JJCPA	\$ 25,100,000	\$ 36,700,000	\$ 11,600,000	46%
SB 678	140,500,000	167,600,000	27,100,000	19%
Total	\$ 165,600,000	\$ 204,300,000	\$ 38,700,000	23%

Scope

Our review included interviewing Probation management and staff, and comparing the Department's actual financial performance to its budget for both JJCPA and SB 678. We also reviewed Probation's significant accumulation of JJCPA and SB 678 program funds, attempted to identify the potential issues and reasons for the accumulation, and reviewed the Department's proposed spending in future years.

Our review did not include a detailed review of individual JJCPA and SB 678 programs, including the quality of these programs and/or program success rates. While our review did not cover these areas, Probation indicated that the RAND Corporation conducts annual JJCPA program outcome evaluations and that the Department contracted Research Development Associates, Inc. in March 2017 to provide a comprehensive JJCPA program evaluation and improvement plan. In addition, the Department indicated that various SB 678 programs (i.e., Alternate Treatment Caseload, Breaking Barriers, etc.) will be reviewed for program effectiveness.

JJCPA

JJCPA was created by the Crime Prevention Act of 2000 to provide a stable funding source for local juvenile justice programs and services that have proven effective at curbing crime and delinquency among at-risk youth. Probation provides a portion of the program services, and contracts with community-based organizations (CBOs) and other County/City of Los Angeles (City) agencies to provide home-based support, economic workforce development, and other services.

JJCPA legislation requires that Probation establish a multi-agency Juvenile Justice Coordinating Council (JJCC), which is chaired by the County's Chief Probation Officer or her designee and is to include members representing law enforcement agencies, social services, mental health, CBOs, etc. The JJCC is responsible for overseeing the distributions of JJCPA funding and ensures the coordination and collaboration among the various local agencies providing program services. They also develop, modify, and approve the County's comprehensive multi-agency juvenile justice program budget and plan. In addition, the JJCC approves the use of all undesignated funds at the end of each fiscal year.

Probation is required to annually submit an application for the continuation of funding to the Board of State and Community Corrections (BSCC), which includes reporting on juvenile justice program plan changes, budgets, etc. However, as of January 2017, JJCPA legislation no longer requires BSCC approval of the Department's juvenile justice plan, but will continue to require the annual submission of their plan. JJCPA legislation also requires that counties collect and report annual program costs and data/information on juvenile justice outcomes (e.g., arrests, incarcerations, probation violations, etc.) to the BSCC. As mentioned, Probation contracts with the RAND Corporation to conduct the annual mandated evaluations of the County's JJCPA programs, including analyzing data and reporting findings to the BSCC.

Fund Accumulation

In our July 2015 report, we noted that Probation had accumulated approximately \$25.1 million in JJCPA funds, as of May 2015, which the Department indicated was due to several years of under expenditures, and unanticipated increases in the State's final allocation. Probation indicated that under expenditures in previous years have generally

been approximately \$2 million to \$3 million annually, and that unanticipated increases in the State’s final allocation have generally been only for the most recent fiscal years.

As indicated in Table 1, below, Probation has continued to accumulate JJCPA funds since our July 2015 review, which has resulted in a balance of approximately \$25.8 million at the end of FY 2015-16. In addition, the balance increased to approximately \$36.7 million, as of December 2016, with \$20.2 million committed to one-time funded programs.

Table 1 JJCPA Fund Balance Accumulation From Fiscal Year 2012-13 to 2016-17				
Fiscal Year (C)	Total Collections	Total Fund Uses	Unspent Funds	Fund Balance
2012-13				\$ 17,257,377
2013-14	\$ 28,090,879	\$ 26,094,901	\$ 1,995,978	19,253,355
2014-15	29,801,051	28,031,668	1,769,383	21,022,738
2015-16	32,142,231	27,321,160	4,821,071	25,843,809
2016-17 (A)	22,413,525	11,508,296	10,905,229	36,749,038 (B)

(A) Data covers the first six months of the fiscal year (through December 2016).
 (B) Of the fund balance, approximately \$20.2 million (57%) is committed to one-time funded programs that span over three fiscal years, as approved by the JJCC.
 (C) Data for each fiscal year is based on an accrual basis.

Source: Probation Department and Auditor-Controller, Accounting Division (unaudited)

Probation management indicated that the \$36.7 million balance is for only the first six months of FY 2016-17 (through December 2016), and does not include all JJCPA fund allocations and expenditures, since State allocations are issued through July, after fiscal year-end, and total annual expenditures have not yet all been made. The Department also indicated that the JJCPA fund balance includes \$8.2 million received from the State in September 2016, which the JJCC is currently reviewing for allocation approval in April 2017. However, we noted that the continued accumulation of the JJCPA fund balance appears to be primarily the result of underspending from CBOs, County/City agencies, and one-time funded programs, discussed in further detail below, and excluding the State’s allocation of growth revenues in their annual budgeting process.

Probation indicated that they do not include growth revenues in their budget since the allocation amount is not known until shortly prior to the State distributing the funds. The State’s allocation of growth funds is based on Vehicle License Fees (VLF) and sales tax revenues in excess of the State’s budgeted amounts for the fiscal year. Probation received \$1.8 million for their first growth fund allocation in FY 2014-15 and received \$4.1 million for FY 2015-16 and \$8.2 million for FY 2016-17, respectively. In future years, reviewing VLF and sales tax trends could assist Probation in estimating their allocation of growth revenues.

Probation also indicated that CBOs do not always bill Probation timely, and County/City agencies generally do not request reimbursement until the end of the fiscal year. To ensure the accuracy and reliability of JJCPA fund expenditures and fund balance, the

Department should work with CBOs and County/City agencies to ensure reimbursement requests for JJCPA programs and services provided are submitted more timely.

Recommendation

- 1. Probation management work with community-based organizations and County/City agencies to ensure that reimbursement requests for Juvenile Justice Crime Prevention Act programs and services provided are submitted more timely.**

Fund Uses

Probation separates its JJCPA program expenditures between annual operations and one-time funded programs. Annual operations are JJCPA programs that Probation plans to fund each year, and are provided by Probation, CBOs, and County/City agencies. Specifically:

- **Probation Services** - School-Based Supervision, After-School Enrichment, and administration of the JJCPA program.
- **CBOs** - High Risk/High Needs (Employment and Home-Based), Education Pathways, and Inside Out Writing programs.
- **County/City Agencies** - Housing Based Day Supervision, the District Attorney's Abolish Chronic Truancy program, economic workforce development, and oversight of the Los Angeles Police Department's youth programs. Agencies also contract directly with CBOs for a portion of these services.

Probation's one-time funded programs are based on unspent funds at the end of the fiscal year that are allocated and committed to address unmet JJCPA program needs. One-time funded programs include the following three JJCC approved programs:

- **Board of Supervisors (Board) Approved Programs** (Approved in FY 2015-16) - Various CBO services (e.g., mentoring, youth counseling, teen court clubs, etc.).
- **New Directions** (Approved in FY 2015-16) - Provides at-risk youth and their families with the coordinated supportive services (Probation, Department of Health Services (DHS), Department of Mental Health (DMH), etc.) necessary to divert the youth from entering into the juvenile justice system.
- **Expanded Programs** (Approved in FY 2014-15 and FY 2015-16) - Workforce Development, Aging and Community Services (WDACS) department vocational training programs, various CBO services (e.g., parent/guardian support groups, Juvenile Day Reporting Center, etc.), County/City Parks and Recreation's summer/vacation programming, etc.

Annual Operations

As illustrated in Table 2, below, Probation’s actual JJCPA expenditures from their annual operations were approximately \$26.8 million for FY 2015-16. The program services were provided by Probation (50%), CBOs (16%), and County/City agencies (34%).

Table 2 JJCPA Budget to Actual Financial Comparison - Annual Operations Fiscal Year 2015-16			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Annual Operations			
Probation Services	\$ 13,537,409	\$ 13,537,409	\$ -
CBOs	7,005,369	4,231,404	2,773,965
County/City Agencies	10,570,722	8,998,798	1,571,924
Total Annual Operations	\$ 31,113,500	\$ 26,767,610	\$ 4,345,889

Source: Probation Department and Auditor-Controller, Accounting Division (unaudited)

Probation’s total JJCPA program expenditures from their annual operations was approximately \$4.3 million (14%) less than the amount budgeted for FY 2015-16. Based on our review, the underspent amount was attributed to less than budgeted expenditures for CBOs by approximately \$2.8 million (9%) and County/City agencies by approximately \$1.6 million (5%).

Probation management indicated that the underspending from CBOs could be due to a variety of factors, including less program referrals than indicated in the contract, time needed for CBOs to hire additional staffing to fully claim services, etc. In addition, the Department indicated that County agencies had less program expenditures than projected. However, as discussed further in the “Program Oversight and Monitoring” section below, Probation cannot accurately identify the specific causes for the underspending, since they do not adequately monitor the reasons for variances between budget and actual program expenditures.

One-Time Funded Programs

Probation develops their JJCPA budget annually which must be reviewed and approved by the JJCC. In addition, Probation identifies the amount of unspent funds at year-end, and works with the JJCC to allocate and commit (for up to three years) the excess funding to address unmet JJCPA program needs. JJCC also reviews and approves all one-time funded programs. In FY 2015-16, Probation had \$21.3 million committed to one-time funded programs.

Table 3 JJCPA Budget to Actual Financial Comparison - One-Time Funded Programs Fiscal Year 2015-16				
One-Time Funded Programs	Committed Funding	Budget	Actual	Variance (Budget to Actual)
Board Approved Programs	\$ 5,000,000	\$ -	\$ 156,459	\$ (156,459)
New Directions Program	8,000,000	500,000	397,091	102,909
Expanded Programs	8,300,000	-	-	-
Total One-Time Funded Programs	\$ 21,300,000	\$ 500,000	\$ 553,550	\$ (53,550)

Source: Probation Department (unaudited)

As noted in Table 3, above, Probation only used approximately \$554,000 for one-time funded programs in FY 2015-16, and carried forward the remaining balance of approximately \$20.7 million (\$21.3 million in committed funding - \$554,000 in actual expenditures) for use in future years.

Probation management indicated that while they are working to provide these program services as approved by the JJCC, there have been some delays with these programs to ensure that funding is utilized in an efficient and effective manner. In addition, Probation indicated that delays could be attributed to the County’s required contracting process for new services, which has also been a general concern of CBOs. The County contract solicitation process requires that Probation develop a Statement of Work and Request for Proposal (RFP) for the services to be provided, solicit bids, evaluate the bids, address potential bidder protests, etc.

However, we noted that while Probation’s one-time funded programs were approved by JJCC in FYs 2014-15 and 2015-16, the Department has made limited progress to initiate new services for New Directions and Expanded Programs. For example, we noted that as of the issuance of this report, Probation indicated that they have only one active JJCPA solicitation and three that are in the RFP development phase, with no definite timeline for completion. Probation management should take immediate action to ensure that new JJCPA programs and services are established and provided as expeditiously as possible, including establishing timelines and accountability for these programs.

In addition, we noted that Probation does not track their unmet program needs on an ongoing basis. As a result, in instances where Probation has unspent JJCPA funding, they are not able to immediately identify and propose a shift to other potential areas and service providers for JJCC’s review and approval. Probation management should review and assess whether the current JJCPA programs could be enhanced or modified to fit the current needs of the juvenile population, including potentially benchmarking against other counties’ programs and identifying best practices to ensure funds are being spent. Probation should track and periodically evaluate the unmet needs of the JJCPA program, and expedite the process of proposing potential uses of unspent funds to the JJCC.

Recommendations

Probation management:

2. Take immediate action to ensure that new Juvenile Justice Crime Prevention Act programs and services are established and provided as expeditiously as possible, including establishing timelines and accountability for these programs.
3. Review and assess whether the current Juvenile Justice Crime Prevention Act programs could be enhanced or modified to fit the current needs of the juvenile population, including potentially benchmarking against other counties' programs and identifying best practices.
4. Track and periodically evaluate the unmet needs of the Juvenile Justice Crime Prevention Act program, and expedite the process of proposing potential uses of unspent funds to the Juvenile Justice Coordinating Council.

Proposed Spending and Projections on Future Expenditures

Table 4, below, illustrates Probation's future projections for FY 2016-17 to FY 2018-19, as of January 2017.

Table 4			
JJCPA Future Projections			
Fiscal Years 2016-17 to 2018-19			
	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
Beginning Balance	\$ 25,843,809	\$ 33,331,531	\$ 18,023,347
Sources			
State Allocations	\$ 28,100,000	\$ 28,100,000	\$ 28,100,000
Growth	8,222,876	-	-
Total Sources	<u>\$ 36,322,876</u>	<u>\$ 28,100,000</u>	<u>\$ 28,100,000</u>
Uses			
Annual Operations	\$ 27,463,045	\$ 31,113,500	\$ 31,113,500
One-Time Funded Programs			
Board Approved Programs	\$ 925,301	\$ 2,392,344	\$ 2,500,000
New Directions Program (A)	446,808	4,569,007	1,581,667
Expanded Programs	-	5,333,333	2,666,667
Total One-Time Funded Programs	<u>\$ 1,372,109</u>	<u>\$ 12,294,684</u>	<u>\$ 6,748,334</u>
Total Uses	<u>\$ 28,835,154</u>	<u>\$ 43,408,184</u>	<u>\$ 37,861,834</u>
Ending Balance	<u>\$ 33,331,531</u>	<u>\$ 18,023,347</u>	<u>\$ 8,261,513</u>

Source: Probation Department (unaudited)

We noted that Probation's JJCPA projections do not always represent a realistic estimate of anticipated future expenditures. For example, we noted that Probation management indicated that their FY 2017-18 Expanded Programs projections includes approximately \$2.7 million in carry-over funds that will be unspent in FY 2016-17, even though they do not anticipate spending all \$5.3 million included in their projection in FY 2017-18. Probation indicated that dependent upon the progress in implementing new JJCPA programs, they can potentially expend the \$5.3 million. However, to ensure that Probation's future projections represent the Department's best estimate of future fund uses, the Department should ensure that their JJCPA projections more accurately reflect their anticipated future expenditures.

Recommendation

- 5. Probation management ensure that future expenditures for Juvenile Justice Crime Prevention Act funds are properly justified and supported, and based on accurate and realistic information.**

Program Monitoring and Oversight

We noted that Probation currently does not have an internal unit or committee that reviews and monitors efficiencies/performance of program funding, evaluates changes in the environment that impacts the JJCPA program population, analyzes variances in contracted and actual referrals to CBOs, etc. As a result, Probation cannot always accurately identify the specific cause for the underspending and reason for the variances noted (e.g., delays in the claiming process, insufficient number of program referrals, delays from CBOs and County/City agencies, etc.).

Probation management indicated that they previously had, but have since suspended a JJCPA steering committee that was comprised of internal management/staff from fiscal, programs, administration, contracts, etc., whose role was to oversee the administration of JJCPA funding and programming. To ensure that JJCPA funds are used efficiently and effectively and that appropriate oversight of the JJCPA program exists at Probation, the Department should re-establish a JJCPA steering committee, that includes program, fiscal, and contract monitoring representatives, and provide periodic reports to Executive management that identify programming, spending, and other concerns/issues.

Recommendation

- 6. Probation management re-establish a Juvenile Justice Crime Prevention Act steering committee, that includes program, fiscal, and contract monitoring representatives, and provide periodic reports to Executive management that identify programming, spending, and other concerns/issues.**

SB 678

The CCPI Act of 2009, SB 678, established a performance-based funding system for county probation departments that share State savings from lower prison costs with departments that implement evidence-based supervision programs, and achieve a reduction in the number of adult probationer commitments to State prison. Probation received their first allocations from the State in FY 2011-12, totaling \$28.6 million. The County established Probation's CCPI Special Revenue Fund (CCPI Fund), an interest bearing account, to deposit SB 678 State allocations until earned and transferred to Probation. Probation has received between \$28.6 million and \$43.8 million annually in SB 678 funding from FY 2011-12 to FY 2015-16. In addition, Probation has earned \$71,700 to \$1.1 million annually in interest on the increasing fund balance.

Fund Accumulation

In our July 2015 report, we noted that Probation had accumulated \$140.5 million in SB 678 funds, as of May 2015, which Probation indicated was primarily due to their inability to properly develop SB 678 programs. Probation stated that since the Department was uncertain of the continued funding of SB 678 and partially due to funding formula adjustments made by the State, they remained conservative since funding timelines and amounts were not estimable. In addition, Probation indicated that their conservative approach would have allowed sufficient time to decrease expenditures and wind down programs, had program funding ceased or been substantially decreased. The Department also indicated they were developing a five-year spending plan for future and existing SB 678 revenues. However, as shown in Table 5 below, allocations for the previous two years have generally remained consistent, and have averaged approximately \$40.6 million over the last five fiscal years, which should allow Probation to better estimate total funding sources for SB 678 programs moving forward.

In response to our July 2015 report, Probation indicated that Assembly Bill (AB) 109, which passed in October 2011, also heavily contributed to the underspending of SB 678 funds. Probation indicated that due to limited resources, Probation diverted efforts to the more immediate need of building an infrastructure for AB 109 to support the release of offenders under the Department's jurisdiction. As a result, as indicated in Table 5, below, the CCPI Fund has since accumulated to \$167.6 million, as of December 2016.

<u>Fiscal Year (D)</u>	<u>Total Allocations</u>	<u>Total Interest</u>	<u>Total Fund Uses</u>	<u>Unspent Funds</u>	<u>Fund Balance</u>
2011-12 (A)	\$ 28,569,312	\$ 71,694	\$ 3,523,102	\$ 25,117,904	\$ 25,117,904
2012-13 (B)	52,224,772	256,120	5,952,900	46,527,991	71,645,895
2013-14 (B)	35,093,572	419,662	-	35,513,234	107,159,129
2014-15	43,838,601	721,694	12,459,545	32,100,751	139,259,880
2015-16	43,398,557	1,052,900	24,001,180	20,450,277	159,710,157
2016-17 (C)	11,283,373	466,888	3,889,897	7,860,364	167,570,521

(A) First allocation from the State in FY 2011-12.
 (B) As noted in our July 2015 report, the Department did not claim program expenditures of \$10.2 million in FY 2012-13 and FY 2013-14.
 (C) Data covers the first six months of the fiscal year (through December 2016) and only includes Probation's first quarter claim.
 (D) Data for each fiscal year is based on an accrual basis.

Source: Probation Department and Auditor-Controller, Accounting Division (unaudited)

As discussed further below, the Department has not finalized their SB 678 Services Plan and delays in program development, which precedes initiation of all new services and corresponding expenditures, remain the primary contributors to the continued increase in the CCPI fund balance.

Fund Uses

SB 678 legislation requires that SB 678 allocations be expended on evidence-based programs to provide services to the potential state-prison-bound new offenders and probation violators. Probation currently has programs under their annual operations, which they plan to fund annually, and one-time funded programs, which they have committed a fixed dollar amount to support other County-wide diversion efforts.

Probation's current SB 678 annual operations consists of the following programs:

- **Alternate Treatment Caseload (ATC) and Adult Day Reporting Centers (ADRC)** - The ATC program employs Deputy Probation Officers who utilize a validated risk assessment tool that assesses the offender's risk-level for re-offending to use in developing individualized case management plans. ADRCs provide a combination of treatment, training and supportive services to medium and medium/high-risk offenders in a single location.
- **Breaking Barriers** - Breaking Barriers is a subsidized, permanent, rapid re-housing and case management program.
- **Employment Services** - The WDACS department uses contractors to provide transitional or permanent employment and training services.
- **Homeboy Industries** - Homeboy Industries provides employment training and reintegration services to probation adult felony offenders. Services include intensive case management, subsidized employment, mental health services, mentoring, employment services, etc.

- **Substance Abuse Services** - Substance Abuse Services support treatment provided by the Department of Public Health (DPH).

As indicated in Table 7 below, Probation committed a total of \$18.8 million and \$15.4 million to fund Office of Diversion and Re-entry (ODR) and Homeless Initiatives, respectively. Details of each program are indicated below:

- **ODR** - As a unit of DHS, ODR has implemented the ODR Housing program, a permanent supportive housing program to serve homeless individuals who also have a mental health or substance use disorder, and have been referred while in custody. The program includes Intensive Case Management Services, Interim Housing, and Permanent Supportive Housing. In addition, ODR is working with Probation to develop the SB 678 Clinical Services program, which focuses on providing probationers comprehensive mental health, substance use disorder treatment, and housing services. The County’s Health Agency, which is comprised of the integrated operations of DHS, DPH, and DMH, will be contracting with CBOs to provide services for the SB 678 Clinical Services program.
- **Homeless Initiatives** - As a division of DHS, Housing for Health (HFH) implemented the SB 678 funded portion of the Homeless Initiatives to provide interim bridge housing to individuals exiting institutions, subsidized housing to homeless disabled individuals pursuing supplemental security income, and expanding Rapid Re-Housing. DHS, Department of Public Social Services (DPSS), and the Los Angeles Homeless Services Authority (LAHSA), coordinate these efforts.

Annual Operations

As part of our review, we attempted to analyze budgeted, actual, and projected costs recorded in FY 2016-17 (Table 6), in order to identify specific variances in both current and new programs/expenditures which were expanded in FY 2016-17.

Table 6 Budget to Actual Financial Comparison - Annual Operations Fiscal Year 2016-17		
Annual Operations (A)	Budget	Actual (through Dec 2016)
Total Salaries & Employee Benefits (S&EB) and Services & Supplies (S&S) (B)	\$ 24,632,000	\$ 3,889,897
(A) Probation does not track their actual SB 678 expenditures by program. (B) Data covers the first six months of the fiscal year (through December 2016) and only includes Probation's first quarter claim. Source: Probation Department (unaudited)		

However, we noted that Probation budgets total SB 678 expenditures using S&EB and S&S categories, and does not budget or track SB 678 expenditures by program. As a result, the Department cannot easily identify, track, and reconcile budget variances by specific program. To assist the Department in identifying any spending changes or issues in specific programs, we recommend that Probation begin tracking cost by program, and follow-up on budget variances.

Probation management also indicated that due to their ongoing efforts to finalize their SB 678 Services Plan, they have been unable to establish sufficient new programs to spend down the \$167.6 million fund balance. We noted that the only new programs implemented under annual operations in FY 2016-17 were new employment services and the Homeboy Industries contract (\$1.5 million). However, the Department indicated that neither has had any claimable expenditures as of January 2017. In addition, since the SB 678 Services Plan continues to be developed, Probation could not provide us with projected costs for the end of FY 2016-17. We discuss the SB 678 Services Plan further below.

Recommendation

7. Probation management budget, track, and monitor Senate Bill 678 expenditures by program, and follow-up on budget variances.

One-Time Funded Programs

As illustrated in Table 7, below, Probation’s SB 678 committed one-time funded programs include funding for ODR and Homeless Initiative programs.

Table 7 Budget to Actual Financial Comparison - One-Time Funded Programs Fiscal Year 2016-17			
One-Time Funded Programs (A)	Committed	Budget	Actual (through Dec 2016)
Office of Diversion and Re-Entry (DHS)	\$ 18,837,171	\$ 5,000,000	\$ -
Homeless Initiatives (DHS, DPSS, and LAHSA)	15,400,000	5,888,426	-
Total One-Time Funded Programs	\$ 34,237,171	\$ 10,888,426	\$ -

(A) Data covers the first six months of the fiscal year (through December 2016) and only includes Probation’s first quarter claim.

Source: Probation Department (unaudited)

On August 11, 2015, the Board adopted a motion that the Chief Executive Office (CEO) allocate 50% of accumulated SB 678 funds, and 50% of all future SB 678 funds to a diversion fund under ODR. However, at that time, Probation management cited statutory provisions in the California Penal Code that prohibited the CEO from allocating the funds as outlined in the motion. Specifically, the legislation indicates that Probation is responsible for the development and implementation of the SB 678 program, and provides the Chief Probation Officer with the discretion on how SB 678 program funds are spent. Probation management indicated that they worked with the Board to support services provided by ODR for the legislatively intended population and alternatively committed \$18.8 million in one-time funding. In addition, Probation has committed \$15.4 million to Homeless Initiatives.

While Probation will continue to maintain oversight responsibilities over the SB 678 program, the amounts for ODR and Homeless Initiative programs are not accounted for in the Department’s budget, since expenditures will be directly claimed and issued from the CCPI Fund. ODR will coordinate referrals with Probation for the Homeless Initiatives

and ODR programs, and it will be their responsibility to claim and expend the committed funds.

ODR management indicated that there are no claimable expenditures for either ODR or Homeless Initiative programs, as of January 2017, since ODR is currently identifying eligible clients under the ODR Housing program and is continuing to work with Probation to develop the Clinical Services program. Also, HFH is currently working with Probation to set up a referral mechanism for the Homeless Initiative programs. However, ODR estimates approximately \$2.3 million in FY 2016-17 ODR Housing program expenditures and expects to invoice for the Clinical Services program in FY 2017-18, pending the execution of CBO contracts. In addition, HFH has already identified eligible Homeless Initiative clients and will invoice based on actual FY 2016-17 expenditures, but cannot accurately estimate total expenditures, since additional clients require a review of eligibility.

Since SB 678 funds currently remain under Probation, we recommend that the Department continue to work with ODR to appropriately identify and develop programs for unmet needs, and report to the Board on the status of implementation. In addition, based on the significant balance in the SB 678 program fund and since ODR remains a high priority of the Board, we recommend that Probation management continue to re-evaluate the allocation of current and projected future SB 678 program funding to ODR, and consider whether additional funding can be further committed to high priority Board initiatives (e.g., ODR, community-based treatment options, etc.).

Recommendations

Probation management:

- 8. Continue to work with the Office of Diversion and Re-entry to identify and develop programs for unmet needs, and report to the Board of Supervisors on the status of the implementation of new programs.**
- 9. Continue to re-evaluate the allocation of current and projected future Senate Bill 678 program funding to the Office of Diversions and Re-entry, and consider whether additional funding can be committed to high priority Board of Supervisors initiatives.**

Proposed Spending and Projections on Future Expenditures

As previously noted, Probation indicated that their SB 678 Services Plan has not been finalized. Probation provided preliminary estimates which were based on unfilled budgeted positions and related plans that have not been finalized. However, Probation had previously indicated that they have encountered various challenges in converting applications into successful hires. As a result, it appears that Probation's projections do not appear to be realistic at this time.

Probation management indicated that additional delays may be encountered as they adapt their existing planning process to align with priorities of their new Chief Probation Officer and Chief Deputy Probation Officer. Departmental management noted that revisions may include the enhancement of current programs, development of new programs, an additional commitment to ODR of \$40 million over four years, and possible commitments for Board designated programs/contracts.

We recommend that Probation work to immediately finalize their SB 678 Services Plan, and ensure that the plan represents their best estimates of future expenditures. The plan should also account for and note any potential obstacles in implementation. In addition, Probation should provide quarterly reports to the Board on their current efforts in increasing the SB 678 program services, and their progress in implementing their Services Plan, including difficulties in achieving departmental implementation timeframes and challenges in hiring. Probation management indicated that they are dedicated to finalizing the plan by the end of May 2017, which would include reporting to the Board on a proposed three-phase implementation process.

Recommendations

Probation management:

- 10. Work to immediately finalize their Senate Bill 678 Services Plan, and ensure that the plan is properly justified and supported, and based on accurate and realistic information.**
- 11. Provide quarterly reports to the Board of Supervisors on their current efforts in increasing the Senate Bill 678 program services and their progress in implementing their Services Plan, including difficulties in achieving departmental implementation timeframes and challenges in hiring.**

Program Monitoring and Oversight

The Department indicated that since our July 2015 report, they have been working with various stakeholders (e.g. State departments, ODR, Board offices, etc.) to ensure proposed planning is in line with the SB 678 population needs and priorities, and that programs and expenditures are within the legislative guidelines. However, the various issues noted in this report have resulted in a significant accumulation in their SB 678 fund. Based on our review, it appears that Probation requires additional program administration in order to appropriately prioritize SB 678 programs and finalize the SB 678 Services Plan.

We also noted that Probation does not have a unit or committee to review and monitor the SB 678 programs. As a result, the Department cannot quickly identify and adapt to changes that impact the program population, coordinate their efforts to ensure that funding usage is maximized, etc. Although it is Probation management's responsibility to

ensure effective oversight and monitoring of SB 678 programs, the Department should develop and implement a steering committee similar to the one proposed for JJCPA, which includes managers from fiscal, programs, and contract monitoring, to review and monitor all aspects of the SB 678 programs, including one-time funded programs.

Recommendation

- 12. Probation management develop and implement a steering committee, which includes managers from fiscal, programs, and contract monitoring, to review and monitor all aspects of the Senate Bill 678 programs, including one-time funded programs.**



COUNTY OF LOS ANGELES PROBATION DEPARTMENT

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TERRI L. McDONALD
Chief Probation Officer

March 22, 2017

TO: John Naimo
Auditor-Controller

FROM: Terri L. McDonald *Stem for*
Chief Probation Officer

SUBJECT: **RESPONSE TO RECOMMENDATIONS – ACCUMULATION OF
JUVENILE JUSTICE CRIME PREVENTION ACT AND SENATE
BILL 678 FUNDS FOLLOW-UP REVIEW**

This is in response to your Department's recommendations resulting from the review of accumulation of Juvenile Justice Crime Prevention Act (JJCPA) and California Community Corrections Performance Incentives (CCPI) Act of 2009, Senate Bill 678 (SB 678), funds. We appreciate your review and the opportunity to provide a response as we move forward to implement changes that will improve the administration, expenditure, and monitoring of JJCPA and SB 678 programs and funds.

Recommendations and Responses

1. **Probation management work with community-based organizations and County/City agencies to ensure that reimbursement requests for Juvenile Justice Crime Prevention Act programs and services provided are submitted more timely.**

The Probation Department agrees with this recommendation and has re-established the JJCPA Steering Committee to track monthly referrals and operational expenditures to ensure timely reimbursement of requests. Additionally, the Contract Monitoring unit will continue to reinforce the importance of timely invoice submissions and provide technical assistance when appropriate.

2. **Take immediate action to ensure that new Juvenile Justice Crime Prevention Act programs and services are established and provided as expeditiously as possible, including establishing timelines and accountability for these programs.**

Rebuild Lives and Provide for Healthier and Safer Communities

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The Probation Department agrees with this recommendation and through the JJCPA Steering Committee, will work to identify gaps in service, expeditiously develop programs, and implement internal controls that will establish timelines and accountability for these programs. Once services and programs have been developed, Probation will utilize the most appropriate and expeditious County solicitation process available.

- 3. Review and assess whether the current Juvenile Justice Crime Prevention Act programs could be enhanced or modified to fit the current needs of the juvenile population, including potentially benchmarking against other counties' programs and identifying best practices.**

On March 14, 2017, the Board authorized the Executive Director and the Chief Probation Officer to sign and execute a Work Order with Resource Development Associates (RDA) to provide a comprehensive study of the current JJCPA system and overall programming, and provide recommendations on enhancing or modifying the programs based on the needs of the current juvenile population.

- 4. Track and periodically evaluate the unmet needs of the Juvenile Justice Crime Prevention Act program, and expedite the process of proposing potential uses of unspent funds to the Juvenile Justice Coordinating Council.**

The Probation Department partially agrees with this recommendation as the unmet needs are identified annually, at the beginning of each funding cycle. We have re-established the JJCPA Steering Committee to track expenditures, provide spending projections, and submit information to the Juvenile Justice Coordinating Council regarding anticipated unspent and growth funds.

As approved by the Board, a consultant is conducting a program evaluation of all JJCPA programs. In addition, a consultant is working with the Department on recommendations to develop a Research and Program Evaluation Unit that would provide ongoing research and program evaluation services for Department programs.

- 5. Probation management ensure that future expenditures for Juvenile Justice Crime Prevention Act funds are properly justified and supported, and based on accurate and realistic information.**

The Probation Department has currently forecasted expenditures based on actuals and will continue to work with the JJCPA Steering Committee to align anticipated use of funds.

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- 6. Probation management re-establish a Juvenile Justice Crime Prevention Act steering committee, that includes program, fiscal, and contract monitoring representatives, and provide periodic reports to Executive management that identify program, spending, and other concerns/issues.**

The Probation Department agrees with this recommendation and has re-established the JJCPA Steering Committee to provide regular reports regarding operational and fiscal activities to identify underspending, program unmet needs and provide recommendations to utilize projected unspent funds.

- 7. Probation management budget, track, and monitor Senate Bill 678 expenditures by program, and follow-up on budget variances.**

The Probation Department agrees with this recommendation. Current SB 678 funding is utilized primarily for the Alternative Treatment Caseload program, one Day Reporting Center, the Breaking Barriers Housing program, and the I.N.V.E.S.T program. As additional SB 678 programs are implemented, the Department will also set up the budget and expenditures, by program, to facilitate the tracking and monitoring of budget variances.

- 8. Continue to work with the Office of Diversion and Re-entry to identify and develop programs for unmet needs, and report to the Board of Supervisors on the status of the implementation of new programs.**

The Probation Department agrees with this recommendation and has continually worked with the Office of Diversion (ODR) in developing their programs utilizing SB 678 funding. In addition to working with ODR, we anticipate establishing a Resource Control Unit to ensure resources are targeting at-risk probationers and the services provided are evidence-based. This Unit will work closely with ODR in addressing unmet needs.

- 9. Continue to re-evaluate the allocation of current and projected future Senate Bill 678 program funding to the Office of Diversions and Re-entry, and consider whether additional funding can be committed to high priority Board of Supervisors initiatives.**

The Probation Department agrees with this recommendation and will continue to evaluate funding allocations in a fiscally prudent manner and consistent with the parameters set forth in the legislation.

- 10. Work to immediately finalize their Senate Bill 678 Services Plan, and ensure that the plan is properly justified and supported, and based on accurate and realistic information.**

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The Probation Department agrees with this recommendation and anticipates submitting a plan to the Board by the end of May 2017. This plan will include feedback from the Resource Development Associates team on best practices.

- 11. Provide quarterly reports to the Board of Supervisors on their current efforts in increasing the Senate Bill 678 program services and their progress in implementing their Services Plan, including difficulties in achieving departmental implementation timeframes and challenges in hiring.**

The Probation Department agrees with this recommendation and will begin to provide quarterly reports of SB 678 plans and expenditures.

- 12. Probation management develop and implement a steering committee, which includes personnel from fiscal, programs, and contract monitoring, to review and monitor all aspects of the Senate Bill 678 programs, including one-time funded programs.**

The Probation Department supports this recommendation and will implement a steering committee prior to the end of the fiscal year. The steering committee will provide regular reports regarding operational and fiscal activities to identify underspending, program unmet needs and provide recommendations to utilize projected unspent funds.