



Lawrence F. Alwin, CPA
State Auditor

May 1, 2002

Members of the Legislative Audit Committee:

The Legislature and other oversight bodies can rely on the Youth Commission's (Commission) financial information. This assurance is based on our testing of the structure of the Commission's internal financial system and financial processes in place as of August 2001. The Commission's internal financial system is the primary source of information for all financial reports. The Commission's financial system and its financial processes are designed to ensure that information is recorded accurately and consistently. The Commission's reconciliation process mitigates the risk presented by the lack of interface among the Commission's automated systems. In addition, access rights for the Commission's financial system were appropriate.

The Commission is also spending appropriated funds in accordance with limitations set forth in the General Appropriations Act and other applicable state laws and regulations. In general, however, the Commission is not consistently meeting the outcome targets associated with its goals related to educating youth in juvenile justice facilities and providing rehabilitation.

The financial review was an extension of work we conducted during fiscal year 2001 at the request of the Senate Finance Committee and the House Appropriations Committee. We reviewed the Commission's financial system and tested selected financial transactions that occurred between September 1, 1997, and August 31, 2001. The attachment to this letter contains additional details on the results of our work.

We appreciate the Commission's cooperation and responsiveness during this project. The Commission agrees with our observations, and its responses are included in the attachment. If you have any questions, please contact Susan Riley, Audit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

khm

Attachment

cc: Youth Commission
Chair and Commissioners
Mr. Steve Robinson, Executive Director

A Financial Review of The Youth Commission

Objectives, Scope, and Methodology

The project objectives were to:

- Determine whether the Commission's reporting processes enable it to provide legislative budget committees and Commission management with accurate and consistent financial information.
- Determine whether the Commission is using appropriated funds in accordance with applicable state laws and regulations.
- Determine the relationship between funds expended and outcome results.

To achieve these objectives, we gained an understanding of controls over financial information and tested the controls and accuracy of the financial information by reviewing financial reports, expenditures, transfers, lapses, and fund balances. We also examined the relationship between expenditures, key strategies, and expected outcomes for the strategies. We conducted fieldwork between October and December 2001 and tested transactions that occurred from September 1, 1997, through August 31, 2001.

This audit was conducted in accordance with generally accepted government auditing standards.

SAO Report No. 02-042

Do the Commission's reporting processes enable it to provide legislative budget committees and Commission management with accurate and consistent financial information?

The Youth Commission (Commission) is providing accurate and reliable financial information to the Legislature and to Commission management. Several aspects of the Commission's financial operations ensure that its financial information is consistent and accurate.

TECHNOLOGY NOTES

Financial Systems

The Commission's technology environment includes both manual and automated processes. The primary source for financial information is the General Accounting System (GEN). GEN is a mainframe application (M204) and was implemented in the early 1980s. GEN does not have a direct interface with the Commission's other financial systems.

It appears that controls are sufficient to ensure the accuracy of the data in GEN as of August 31, 2001:

- We tested access rights for both GEN and USAS and determined they were adequate.
- The Commission uses an in-house program to reconcile GEN and USAS.
- The Commission reconciles GEN with its Fixed Asset System (FAS) and its encumbrance database.
- The Commission prepares a monthly budget analysis to ensure that departments and facilities are within budget.

The Commission's financial processes and systems are designed to ensure that information is recorded accurately and consistently.

The Commission's General Accounting System (GEN) is the primary source of reported financial information. The Commission maintains policies and procedures to ensure the integrity and security of information in GEN. The Commission reconciles GEN to other financial systems on a monthly basis to ensure accuracy and completeness. The Commission prepares financial reports using a combination of manual and automated processes that use information from GEN. The Commission reviews the reports to ensure their accuracy.

Table 1 shows the Commission's total appropriations during fiscal years 1998 through 2001.

The Commission reconciles financial information to its various sources.

The Commission has developed a reconciliation program to reconcile GEN with the Uniform Statewide Accounting System (USAS) on a monthly basis. The reconciliation program

generates reports that identify the unmatched items between USAS and GEN. An unmatched item is not researched until it has appeared on the list more than

Table 1

The Commission's Total Appropriations During the Past Four Years	
Fiscal Year	Appropriations
1998	\$202,419,394
1999	\$188,200,521
2000	\$268,564,146
2001	\$247,806,006

Source: General Appropriations Act (75th and 76th Legislatures)

once because the Commission recognizes that the unmatched items may be a result of timing. The Commission makes adjustments to the appropriate system after unmatched items are researched.

User access rights to the financial and performance systems are appropriate.

Our review of user system access rights and authority levels verified that, according to their job titles, appropriate personnel have access to USAS, GEN, and the Commission's Correctional Care System (CCS).

Fluctuations in fund balances were reasonably explained.

Fluctuations in fund balances for fiscal years 1998, 1999, and 2000 were reasonably explained and verified with supporting evidence. For example, the 20 percent decrease in the general fund balance from fiscal year 1998 to fiscal year 1999 occurred because juvenile justice populations were higher than originally projected.

Section 2:

Is the Commission using appropriated funds in accordance with applicable state laws and regulations?

The Commission is using appropriated funds in accordance with applicable state laws and regulations. Several aspects of the Commission's budget and expenditure process support this assessment.

Commission expenditures were reasonable and appropriate.

Commission expenditures for fiscal years 1998 through 2001 showed that transactions were appropriate for the Commission's mission. In addition, fourth quarter expenditures did not exceed one-third of the Commission's appropriations (a limitation set forth in the General Appropriations Act). Testing of a targeted sample of expenditures showed that the Commission is spending appropriated funds for appropriate goods and services in accordance with applicable state laws and regulations.

The Commission was able to support and explain significant expenditure fluctuations for appropriations years 1998 through 2001. For example, construction costs decreased by \$16 million from 1998 to 1999 and by \$4 million from 1999 to 2000. Construction costs decreased because the McLennan County juvenile justice facility was in the final stages of Phase I construction in 1999 and 2000 and the beginning stages of Phase II construction in 2000. During the final and beginning stages of each phase of construction, construction costs are relatively lower than in other stages.

The Commission develops and adheres to reasonable budgets based on Criminal Justice Policy Council projections.

The Commission is appropriately managing its spending and preparing realistic budgets. The Criminal Justice Policy Council (CJPC) provides projections to the

Commission regarding the juvenile justice correctional population. The Commission then prepares its operating budget using the projected populations, historical data, and input from juvenile justice facilities. Analysis of Legislative Appropriations Requests, the General Appropriations Act, USAS expenditures, and internal operating budgets revealed that the Commission is reasonably spending appropriated funds. We noted, however, that actual juvenile justice correctional populations for fiscal year 2001 were lower than CJPC had projected.

Lapses were reasonably explained.

The Commission had both committed and collected lapses for appropriation years 1999 and 2000. Committed lapses result from the Commission not spending what is authorized by the Legislature. Collected lapses result from the Commission not collecting the amount of revenue it budgeted. Lapses were reasonably explained and supported with documentation. Table 2 shows the Commission's history of lapses

during the last four fiscal years.

Table 2

The Commission's Lapses During the Past Four Fiscal Years			
Committed and Collected Lapses			
Appropriation Year	Committed Lapses	Collected Lapses	Total Lapses
1998	\$ 1,700,748.12	\$ 0.00	\$ 1,700,748.12
1999	706,102.09	134,528.18	840,630.27
2000	2,519,946.28	511,023.34	3,030,969.62
2001	1,306,180.44	0.00	1,306,180.44
Total	\$ 6,232,976.93	\$ 645,551.52	\$ 6,878,528.45

Source: Uniform Statewide Accounting System (USAS)

More than half of the \$4,683,078.38 in lapses we reviewed were due to full-time equivalent (FTE) employee turnover and transfers to the Department of Criminal Justice. (The \$4,683,078.38 in lapses we reviewed represented 68 percent of total lapses from fiscal year 1998 to 2001.) FTE turnover

resulted in \$1.6 million (35 percent) of lapses. Because juvenile justice correctional populations were lower than projected, the Commission did not fill vacant positions until necessary. The Commission lapsed funds appropriated for fiscal years 2000 and 2001 to allow a transfer of \$1 million for emergency appropriations to the Department of Criminal Justice as required by House Bill 1333 (77th Legislature, Regular Session).

Encumbrances and accounts payable for fiscal year 2001 were reasonable and paid within a reasonable amount of time.

A review of the Commission's fiscal year 2001 annual financial report and its encumbrance and accounts payable report indicated that the Commission properly classified encumbrances and accounts payable and paid them in fiscal year 2002.

The Commission maintains appropriate levels of appropriation transfers and unexpended balance transfers.

A review of the Commission’s financial data and supporting documentation for fiscal years 1998 through 2001 showed that transfers were below the 25 percent limit set forth in the General Appropriations Act.

The Commission has unexpended balance authority. All unexpended balances met requirements set forth in the General Appropriations Act.

The Commission is in compliance with financial-related riders.

Our review of the Commission’s compliance with General Appropriations Act financial-related riders found no exceptions.

Section 3:

Is there alignment between funds expended and outcomes?

We reviewed all of the Commission’s outcome measures in the General Appropriations Act and the goals related to those outcome measures. We did not analyze the Commission’s goal to protect the public because there are no outcome measures in the General Appropriations Act associated with that goal.

Goal to Enable Productivity

The goal to enable productivity includes outcome measures related to the education of youth in juvenile justice facilities. For this goal, the Commission has not met one outcome measure and has consistently exceeded the other outcome measure. The Commission has supplemented appropriations for this goal with transfers and excess collected revenue.

TECHNOLOGY NOTES
Correctional Care System

The Commission’s Correctional Care System (CCS) is a case management and service delivery system that provides comprehensive tracking for youth placement, education, and incidents. CCS is the source for all of the Commission’s performance measures data. Data is entered into CCS by staff at the 38 juvenile justice facilities via remote terminals.

We tested the CCS data that supported the Commission’s GED and reading-at-grade-level performance measures for fiscal year 2001. Nothing came to our attention to indicate that CCS data was inaccurate.

The Commission has not met the reading-at-grade-level target since the inception of this measure in 2000. This measure is defined as the percentage of youth released to parole or discharged without parole who, at the last time they were tested, had a reading skill level at or above the average skill of a child of the same age.

On the other hand, the Commission has exceeded the General Equivalency Diploma (GED) rate target since 1998. This measure is defined as the percentage of youth released at age 16 or above to

parole or agency discharge who have earned a high school diploma or equivalency certificate within 90 days after their release.

As Table 3 shows, the Commission supplemented appropriations for this goal with transfers from its other goals. Specifically:

- The goal to provide rehabilitation provided \$400,000 of the amount transferred in appropriation year 1998.
- The goal to provide rehabilitation provided \$1.5 million of the amount transferred in appropriation year 1999.
- The goal to protect the public provided \$2.6 million of the amount transferred in appropriation year 2000.

Table 3 also shows that this goal had \$3.2 million in excess collected revenue during appropriation year 2000. Most of this came from the following:

- The Commission received \$1.4 million more than expected from the Technology Literacy Challenge Fund Grants. Funds were used to update the computer systems at the Commission's facilities.
- The Commission received \$1.2 million in additional funding from a Texas Education Agency interagency contract. Funds were used to pay the increase in teacher salaries.

Table 3

The Enable Productivity Goal								
Comparison of Outcome Targets to Actual								
Outcome Measure	Fiscal Year 1998		Fiscal Year 1999		Fiscal Year 2000		Fiscal Year 2001	
	Target	Actual*	Target	Actual*	Target	Actual*	Target	Actual*
Diploma or GED Rate	24.00%	38.24%	20.00%	36.14%	34.00%	41.22%	34.00%	42.75%
Percent Reading at Grade Level at Release	N/A	N/A	N/A	N/A	25.00%	13.34%	25.00%	15.20%
Related Financial Information								
Appropriations	\$ 19,244,136.14		\$ 20,162,798.50		\$ 24,252,075.00		\$ 24,469,758.00	
Adjustments:								
Net Transfers	531,096.01		1,782,235.42		2,664,268.33		(815,685.93)	
Transfers In	531,096.01		4,432,235.42		2,936,313.33		184,314.07	
Transfers Out	0.00		2,650,000.00		272,045.00		1,000,000.00	
Unexpended Balance Out	0.00		0.00		(1,639,160.60)		0.00	
Unexpended Balance In	14,443.00		0.00		0.00		1,639,160.60	
Excess Collected Revenues	294,905.64		0.00		3,255,455.02		1,038,708.94	
Expenditures	(19,848,831.70)		(21,808,096.92)		(27,652,886.83)		(25,918,968.06)	
Lapses	(235,749.09)		(136,937.00)		(877,056.42)		(339,000.00)	
Remaining Unobligated	0.00		0.00		2,694.50		73,973.55	
* For this goal, the aim is to reach or exceed the target.								

Source of performance measures: Automated Budget and Evaluation System of Texas (ABEST)

Source of financial data: Uniform Statewide Accounting System (USAS)

Goal to Provide Rehabilitation

The goal to provide rehabilitation includes outcome measures related to the various treatments or care the Commission provides to youth in juvenile justice facilities. This goal includes a correctional treatment strategy, a specialized correctional treatment strategy, an aftercare services strategy, and an interstate agreement strategy.

As Table 4 shows, not all outcome measures met their targeted outcomes. The Commission has met only half the targeted outcomes for this goal during the past four fiscal years. Expenditures for this goal did not exceed appropriations. The Commission usually lapsed funds or transferred funds out of this goal.

Table 4

The Enable Productivity Goal								
Comparison of Outcome Targets to Actual								
Outcome Measure	Fiscal Year 1998		Fiscal Year 1999		Fiscal Year 2000		Fiscal Year 2001	
	Target	Actual*	Target	Actual*	Target	Actual*	Target	Actual*
One-Year Re-Arrest Rate	45.00%	46.98%	44.00%	54.67%	44.00%	53.74%	43.00%	53.48%
One-Year Re-Arrest Severity Rate	22.00%	20.86%	20.00%	26.59%	N/A	N/A	N/A	N/A
One-Year Re-Arrest Rate for Violent Offenses	N/A	N/A	N/A	N/A	11.00%	7.57%	11.00%	8.69%
One-Year Reincarceration Rate	27.00%	28.42%	26.00%	26.86%	26.00%	29.91%	26.00%	31.07%
Three-Year Reincarceration Rate	N/A	N/A	N/A	N/A	50.00%	50.68%	50.00%	49.28%
Related Financial Information								
Appropriations	\$ 27,788,448.22		\$ 29,203,433.00		\$ 32,853,664.00		\$ 33,839,284.00	
Adjustments:								
Net Transfers	(1,123,759.06)		(852,068.29)		1,028,156.11		(178,048.29)	
Transfers In	1,201,244.74		1,397,931.71		1,028,156.11		985,617.89	
Transfers Out	2,325,003.80		2,250,000.00		0.00		1,163,666.18	
Unexpended Balance Out	0.00		0.00		0.00		0.00	
Unexpended Balance In	0.00		0.00		0.00		0.00	
Excess Collected Revenues	256,589.08		1,140,404.22		8,090.53		8,643.62	
Expenditures	(26,559,965.75)		(29,218,918.37)		(32,167,938.89)		(32,611,300.57)	
Lapses	(361,312.49)		(272,850.56)		(1,721,734.96)		(217,397.28)	
Remaining Unobligated	0.00		0.00		236.79		841,181.48	
* For this goal, the aim is to stay below the target.								

Source of performance measures: Automated Budget and Evaluation System of Texas (ABEST)
Source of financial data: Uniform Statewide Accounting System (USAS)

It is important to note that the 1998 and 1999 juvenile populations that actually received aftercare services were 15 percent smaller than the projections for these populations. Because of this, the Commission transferred funds out of the goal to provide rehabilitation. Of the \$2.3 million the Commission transferred out of this goal during appropriation year 1998, \$910,000 went to the goal to protect the public and \$930,000 went to indirect administration. Of the \$2.2 million the Commission

transferred out of this goal during appropriation year 1999, \$1.5 million went to the goal to enable productivity.

The Commission lapsed \$1.7 million (5 percent) and \$217,397 (less than 1 percent) of total available budget for the goal to provide rehabilitation during appropriation years 2000 and 2001. The specialized correctional care treatment strategy within this goal accounted for \$1.1 million of the appropriation year 2000 lapse. The Commission stated that the difficulty in retaining and recruiting certified chemical dependency counselors, psychologists, and caseworker staff with sex offender counseling experience led to 26 percent of the total lapses in the specialized correctional care treatment strategy.

Management's Response

STEVE ROBINSON
Executive Director

DWIGHT HARRIS
Deputy Executive Director



TEXAS YOUTH COMMISSION

4900 North Lamar • Austin, Texas 78751
P.O. Box 4260 • Austin, Texas 78765
(512) 424-6130 (Voice)
1-800-RELAY-TX (TDD)

COMMISSION MEMBERS

LEONARD E. LAWRENCE, M.D.
Chairman
San Antonio

PETE C. ALFARO
Vice-Chairman
Baytown

CHARLES HENRY
Pampa

CATHLEEN C. HERASIMCHUK
Houston

NICHOLAS T. SERAFY, JR.
Brownsville

LISA SAEMANN TESCHNER
Dallas

April 19, 2002

Mr. Lawrence F. Alwin, CPA
State Auditor
Robert E. Johnson Building
1501 North Congress Avenue
Austin, Texas 78701

Dear Mr. Alwin:

The Texas Youth Commission appreciates the opportunity to respond to your report. We agree with the contents of the report, however, would like to provide some clarifying information pertaining to the Percent Reading at Grade Level at Release performance measure.

While your report is accurate in stating that we have not met this goal since its inception in FY 2000, it does not present the history behind the measure. When the Percent Reading at Grade Level at Release measure was established, it was set at 25%, an unreachable goal for our youth population (we were at 11% at the time). Even so, we made a good faith effort to show as much improvement as possible. By the last quarter of FY 2001 we had increased our results of this measure to 15%. This goal was subsequently lowered to 16% for the 2002 – 2003 biennium and to date, we are meeting it. Additionally, we have submitted a request to change this goal from “reading at grade level” to “reading at grade level or being functionally literate” for the next biennium. This will better align this measure with the agency’s mission.

Again, we appreciate the opportunity to respond to this report and the professionalism of the staff assigned to this audit.

Sincerely,

A handwritten signature in cursive script that reads "Steve Robinson".

Steve Robinson
Executive Director

Equal Opportunity Employer