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A Review of the Harris County Community Supervision and Corrections Department

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Key Points Of Report

A Review of the Harris County Community Supervision and Corrections Department

June 1996

Overall Conclusions

The *Alberti* court order gave Harris County officials a unique opportunity to establish model programs providing alternatives to incarceration. However, this opportunity was marred by financial mismanagement and inadequate oversight by local and state officials.

The lack of monitoring or evaluation of program results makes it impossible to gauge whether *Alberti* funding was achieving its intended objectives of reducing recidivism and the long-term demand for incarceration.

Key Facts And Findings

- For many years prior to the *Alberti* court order, Harris County Community Supervision and Corrections Department (Harris County CSCD) had experienced financial accounting weaknesses. The *Alberti* court order infused a substantial amount of additional funding into an organization which already had difficulty managing its existing resources.
- We found an overall laxness in Harris County CSCD's control environment and a resulting failure to maintain proper accountability over funds. Although previous audits had repeatedly identified such problems, no corrective action was taken.
- Harris County CSCD's contracting practices exposed public funds to waste and abuse. Apparent conflicts of interest were pervasive, and competitive bidding was the exception rather than the rule.
- Local officials placed too much reliance on Harris County CSCD's administrators and did not devote sufficient attention to independently monitoring the activities of Harris County CSCD.
- State oversight of Harris County CSCD was also ineffective. Despite indications of financial management problems, the Texas Department of Criminal Justice adopted a "hands off" policy concerning *Alberti* funds.
- Harris County CSCD was unable to provide some of the documents we requested during the audit, particularly with respect to the planning and construction of the Baker Street residential facility. Our inability to obtain and review this information resulted in a significant limitation on the scope of our work.

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Office of the State Auditor

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This review was conducted in accordance with Government Code, §§ 321.0131 and 321.0132.

Executive Summary

We found significant problems in the Harris County Community Supervision and Corrections Department's (Harris County CSCD) administration of its *Alberti*-funded programs as well as other community corrections programs funded through the Texas Department of Criminal Justice (TDCJ).

Of particular concern were Harris County CSCD's contracting practices, which exposed public funds to waste and abuse. Apparent conflicts of interest were pervasive, and competitive bidding was the exception rather than the rule. Contracts were awarded to personal acquaintances or individuals with inside information, which provided an unfair competitive advantage. Examples of questionable contracts include:

- \$23.2 million spent on a contract to build and equip the Baker Street residential facility. Harris County CSCD did not follow prudent and customary business practices in awarding and administering this contract.
- \$1.4 million spent on nine contracts awarded to one vendor for construction oversight, facilities management, and purchasing services.
- \$1.2 million spent on 16 contracts awarded to another vendor to provide consulting services, auditing services, software, and equipment.

In all of these cases, it is questionable whether Harris County CSCD received appropriate value for the expenditure of public funds.

The problems identified with respect to Harris County CSCD's contracting practices are illustrative of a wider pattern of financial mismanagement dating back over many years.

We believe these management problems can be attributed to the following:

- An overall laxness in Harris County CSCD's control environment, which resulted in a failure to maintain proper accountability over funds. Although previous audits had repeatedly identified these problems, no corrective action was taken.
- The *Alberti* court order provided a major infusion of money into an organization with pre-existing financial management weaknesses. Harris County CSCD was unable to absorb and effectively utilize these additional resources.
- Ineffective oversight of Harris County CSCD by local officials. The lack of attention to prior audit findings and the large number of questionable transactions entered into by Harris County CSCD indicate that the judicial oversight panel placed too much reliance on Harris County CSCD's administrators and did not devote sufficient attention to monitoring the activities of Harris County CSCD.
- Ineffective oversight of Harris County CSCD by TDCJ, both with respect to *Alberti*-funded programs and other community corrections programs funded through the State.

Since the *Alberti* court order was remedial in nature, it should have been clear that the State would seek to vacate the order as soon as overcrowding conditions were alleviated. However, *Alberti* programs seem to have been designed and operated based on an unrealistic expectation that funding would continue indefinitely. As a result, when the court order was vacated, Harris County community corrections programs suffered major disruptions

Executive Summary

and layoffs, even though there was an accumulated surplus of \$25.4 million in *Alberti* funds. These severe disruptions could have been significantly lessened by adequate contingency planning.

Scope Limitation

Harris County CSCD was unable to provide some of the documents we requested during the audit, particularly with respect to the planning and construction of the Baker Street residential facility. Our inability to obtain and review this information resulted in a significant limitation on the scope of our work.

Matters relating to the development of the Baker Street facility are under review by the Harris County District Attorney's Office, but no final disposition of these matters had been reached as of the conclusion of this audit.

Summary of Management's Responses

Harris County CSCD's management acknowledges that there were certain problems in the administration of its programs and states that measures are being taken to address these problems.

Harris County CSCD's management disagrees with some of our conclusions. These concern whether there was a working assumption on the part of state and local officials that *Alberti* programs were permanent in nature and would continue to receive funding after the court order was vacated. Harris County CSCD's management also disagrees with our assessment that certain *Alberti* expenditures should be regarded as questionable costs.

Harris County CSCD's management response, as well as a response received from the Texas Department of Criminal Justice, are included as Appendices 5 and 6, respectively. Our follow-up comments are included as Appendix 7.

Overview

After receiving reports of questionable expenditures, the Legislative Audit Committee directed the State Auditor's Office to perform an audit of the Harris County Community Supervision and Corrections Department (Harris County CSCD).

The audit consisted of reviewing and analyzing \$109 million in funds received by Harris County CSCD from 1993 to 1995 as a result of the *Alberti* court order and an additional \$52 million in community corrections grant funds received by Harris County CSCD from the Texas Department of Criminal Justice (TDCJ) during fiscal years 1994 and 1995.

We found significant problems in Harris County CSCD's administration of *Alberti*-funded programs as well as its other community corrections programs.

The *Alberti* Court Order

The *Alberti* case was a federal lawsuit brought on behalf of inmates in Harris County jails. In 1992, the court ruled that overcrowding conditions in Harris County jail facilities violated the inmates' constitutional rights and ordered the State and Harris

County to jointly prepare a plan to alleviate the overcrowding. Because the court found that the State's inability to accept convicted felons into the prison system was the primary cause of the overcrowding, the State was ordered to assume the primary financial burden of implementing the plan.

The joint plan included a number of strategies for reducing overcrowding, including the creation of new programs and the expansion of existing programs that provided alternatives to prison.

Uses of *Alberti* Funds

As finally negotiated, the joint plan provided that *Alberti* funds would be utilized for the following purposes:

1. Adding 1,000 super-intensive probation slots
2. Building two 500-bed intermediate sanctions facilities (Baker Street)
3. Expanding the Boot Camp by 100 beds
4. Expanding the women's program by 120 beds
5. Creating a 40-bed Conservation Camp

Overall Assessment of Harris County CSCD's Management of *Alberti* Programs

The major increase in funding resulting from the *Alberti* court order gave Harris County officials a unique opportunity to establish model programs to reduce recidivism and the long-term demand for incarceration. However, this opportunity was marred by financial mismanagement and inadequate oversight by local and state officials.

The federal court's mandate placed considerable pressure on Harris County CSCD and its oversight officials to bring programs on line quickly in order to alleviate overcrowding in Harris County jails. In addition, it appears that Harris County CSCD officials at first believed that if *Alberti* funds were not expended quickly, the funds might revert to the State. In their haste to bring programs on line, Harris County CSCD officials did not follow prudent management practices, especially with respect to the procurement of facilities, services, and equipment.

The pressing circumstances facing Harris County CSCD may explain, but should not excuse, the lack of due care in managing and expending funds received under the *Alberti* court order.

Figure 1

Summary of Harris County CSCD Expenditures of <i>Alberti</i> Funds (as of 9/30/95)		
Category	Amount	Percentage
Salaries and Fringe Benefits	\$36,363,905	43.45%
Facilities, Utilities, and Equipment	34,512,328	41.24%
Operating Supplies	4,718,848	5.64%
Contract Services for Offenders	3,788,526	4.53%
Professional Fees and Services	2,776,635	3.32%
Travel/Furnished Transportation	307,532	0.37%
Transfers to Other Funds	1,215,000	1.45%
Total	\$83,682,774	100.00%

Source: Harris County Auditor

An Overview of *Alberti* Expenditures

From 1993 through 1995, Harris County CSCD received approximately \$109 million in funding under the *Alberti* court order. As of September 30, 1995, Harris County CSCD had expended approximately \$83.7 million of *Alberti* funds and had a remaining balance of approximately \$25.4 million. Figure 1 provides a summary of *Alberti* expenditures. A more detailed description of expenditures as reported by the Harris County Auditor is included as Appendix 1 of this report.

The largest category of expenditures consists of salaries and fringe benefits paid for the operation of Harris County CSCD's expanded community corrections programs. Harris County CSCD was unable to produce approximately ten percent of the time and attendance records we requested for audit testing of these expenditures. However, further review established that the cause was poor record keeping and that the individuals in question were actually employed by Harris County CSCD and appropriately paid for their services.

Harris County CSCD's Contracting Practices Exposed *Alberti* Funds to Waste and Abuse

A substantial portion of *Alberti* funds were spent on various contracts for facilities, services, and equipment. We found significant problems with Harris County CSCD's contracting practices, which exposed *Alberti* funds to waste and abuse. Apparent conflicts of interest were pervasive, and competitive bidding was the exception rather than the rule. Contracts were awarded to personal acquaintances or individuals with inside information, which provided them with an unfair competitive advantage.

Examples of questionable contracts include:

- Spending \$23.2 million on a contract for constructing and equipping the Baker Street residential facility. Harris County CSCD did not follow prudent and customary business practices in awarding and administering this contract. The contract was awarded to a developer who had inside information as a result of an existing contractual relationship with Harris County CSCD. In addition, the terms of the contract were unusually favorable to the developer and did not adequately protect the interests of Harris County CSCD.

In a civil suit filed against the developer of the Baker Street facility, it was alleged that the facility could have been completed for substantially less money than the \$23.2 million paid by Harris County CSCD. However, the suit was settled out of court before evidence could be taken on this question. Our attempts to follow up on this and other questions concerning the Baker Street facility were hampered because critical records relating to this project were unavailable. Harris County CSCD reports that these records were either lost or stolen.

- Awarding nine contracts without competitive bids to one vendor to provide services, which included purchasing assistance, construction oversight, and facilities management. This vendor was already under contract to assist Harris County CSCD with purchasing when he received eight more contracts to provide additional services to Harris County CSCD. Payments under these

nine contracts totaled approximately \$1.4 million. Harris County CSCD was unable to furnish documentation concerning the vendor's qualifications for the various services provided or the reasonableness of the contracted amounts.

- Awarding 16 contracts without competitive bids to a company headed by an individual with a long-standing friendship with a Harris County CSCD official. The total value of these contracts was \$1.2 million and, as discussed below, a substantial part of these services did not relate to *Alberti* programs.

This company served in various capacities, including consultant, external auditor, software developer, and equipment vendor for Harris County CSCD. Since the company was not required to submit competitive proposals, there was inadequate documentation concerning the reasonableness of costs or the company's expertise to provide these various services.

In all of these cases, it is questionable whether Harris County CSCD received appropriate value for the expenditure of public funds.

***Alberti* Funds Were Expended for Purposes Not Specified in the Plan Developed under the Court Order**

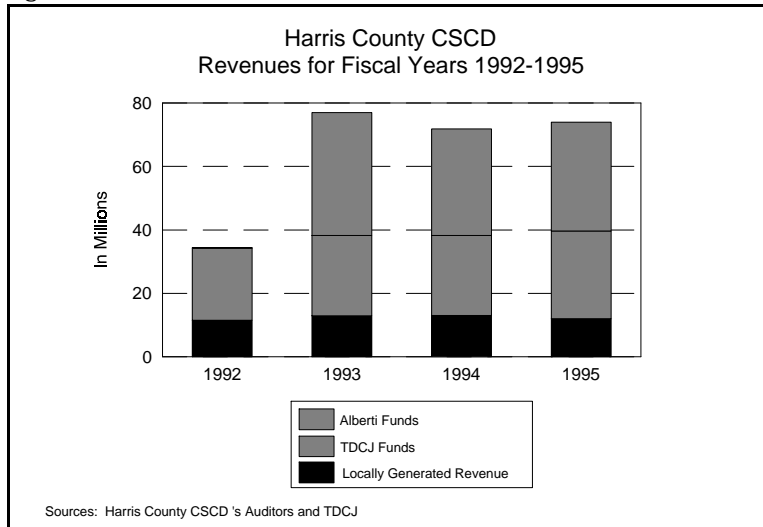
In our view, Harris County CSCD adopted an overly liberal interpretation of permissible uses of *Alberti* funds. We estimate that approximately \$4.5 million was spent for purposes other than those specified in the joint plan developed under the court order. Examples include:

- \$1.3 million paid to a private care provider for residential alcohol and drug abuse treatment services and an intermediate sanctions facility for women.
- \$1.2 million transferred from *Alberti* funds to offset shortfalls in other Harris County CSCD programs funded through the State.
- \$750,000 paid for computers and related equipment to support Harris County CSCD operations other than *Alberti* programs.
- \$575,000 paid for audit fees and software development costs that did not relate to *Alberti* programs.

A more comprehensive description of questionable costs identified by this audit is included in Appendix 2 of this report.

Problems in Managing *Alberti* Funds Mirrored Broader Problems in Harris County CSCD's Control Environment

Figure 2



For many years prior to the *Alberti* court order, Harris County CSCD had experienced financial accounting weaknesses. The *Alberti* court order served to infuse substantial additional funding into an organization which already had difficulty managing its existing resources. Figure 2 shows how *Alberti* funding augmented Harris County CSCD's revenues.

There was an overall laxness in Harris County CSCD's control environment which resulted in a failure to maintain proper accountability over funds. Previous audits by TDCJ's internal

audit department, a private CPA firm, and the Harris County Auditor repeatedly identified significant weaknesses in Harris County CSCD's financial and program management. Examples of ongoing concerns raised by prior audits include:

- inability to produce accurate financial statements
- unresolved fiscal year-end fund balances
- inadequate contract management
- inadequate budgeting controls and unavailability of current budgets
- inadequate controls over physical inventory
- lack of documentation for key transactions
- failure to properly prepare journal vouchers used for adjustments, corrections, and reallocation of costs among programs

Despite these numerous red flags, audit findings and recommendations were largely ignored by Harris County CSCD and did not receive adequate attention from Harris County oversight officials or from TDCJ's administration.

We also noted that Harris County CSCD entered into a contract with a state senator for legal consulting services. Under the terms of the contract, a flat fee of \$4,000 per month was paid for legal services, irrespective of the amount of services rendered. Harris County CSCD paid out a total of \$84,000 before this contract was terminated.

Invoices provided no description or itemization of legal services, nor was there a work product or other tangible evidence of services provided. Therefore, no documentation

exists through which to determine whether Harris County CSCD received appropriate value for this expenditure.

As noted above, Appendix 2 of this report includes a more detailed description of Harris County CSCD expenditures regarded as questionable, as well as the rationale for questioning each item of cost. Appendix 3 includes more specific findings and recommendations concerning the control weaknesses identified by the audit.

Local Oversight of Harris County CSCD Appears to Have Been Ineffective

Primary responsibility for local oversight of Harris County CSCD is vested in a panel of district and county judges. Meetings of the judicial oversight panel were held in closed session, so it is not possible to ascertain the degree of oversight actually provided by the judges.

However, based on the lack of attention to prior audit findings and the large number of questionable contracts and other transactions entered into by Harris County CSCD, it appears that the judicial oversight panel placed too much reliance on Harris County CSCD's administrators and did not devote sufficient attention to independently monitoring and overseeing the activities of Harris County CSCD.

Joint State/County Oversight of *Alberti*-Funded Programs Was Not Effective

The *Alberti* court order specifically called for ongoing oversight of *Alberti* programs to be jointly performed by local and state officials. Appendix 4 of this report provides a detailed description of the monitoring and evaluation requirements included in the court order.

It appears that the oversight provisions of the *Alberti* court order were largely ignored by state and local officials. Perhaps because oversight was a shared responsibility, no one assumed a leadership role to ensure that the monitoring and evaluation of *Alberti* programs contemplated by the court order actually took place. For example:

- The court order called for continual review and evaluation of the effect of the joint plan by a Joint Task Force comprised of local and state officials. The order further provided that the Task Force was to meet at least quarterly from 1992 until 1995. As the success of the plan was evaluated, the Task Force was to make additional proposals, adjustments, and modifications to the plan.

Despite the express terms of the court order, there was little systematic monitoring or evaluation of the joint plan. The Task Force met monthly from July 1992 through January 1993, met once more in August 1993, then never met again.

- The court order called for annual revisions of the joint plan to be filed with the Harris County Commissioners Court and appropriate state officials. In addition, the parties reserved the right to revise or amend the plan at any time in the event of changes in conditions or law. We found no evidence of any revision to the joint plan over the life of the court order.

The lack of adequate oversight is perhaps best illustrated by the fact that in September 1995, when continued funding for *Alberti* programs was being debated, local and state officials were surprised to discover that Harris County CSCD had been able to accumulate a \$25.4 million surplus in unspent *Alberti* funds.

TDCJ Assumed a Passive Role with Respect to Oversight of *Alberti* Programs

Given its statutory responsibility for oversight of community corrections programs, it appears that TDCJ should have assumed a leadership role in monitoring and evaluating *Alberti* programs. However, because these programs were established under the auspices of a federal court order, TDCJ adopted what was essentially a “hands off” approach.

As early as 1993, TDCJ had indications of financial management problems with respect to the expenditure of *Alberti* funds. Despite its statutory oversight responsibilities and the express terms of the court order, TDCJ did not intervene. It appears that TDCJ came to regard Harris County CSCD as being entitled to receive its fixed annual stipend of *Alberti* funds, irrespective of whether such funds were needed, and with wide latitude concerning how such funds could be spent. As a result, TDCJ did not pay adequate attention to the provisions of the court order which called for monitoring and periodic revision of *Alberti*-funded programs and did not take an active role in ensuring that expenditures were appropriate and fell within court-ordered guidelines.

TDCJ Experienced Problems in Overseeing Other Harris County CSCD Programs

State oversight of Harris County CSCD's other community corrections programs was compromised by lack of attention to financial management weaknesses and by infighting within TDCJ.

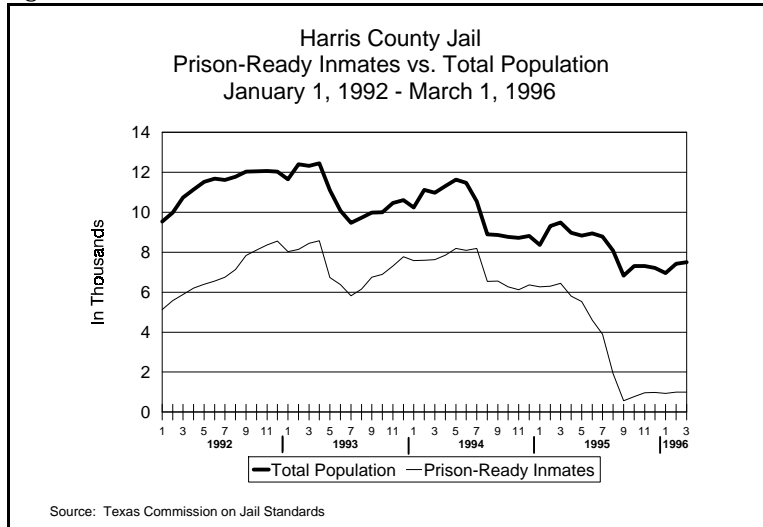
Audits of Harris County CSCD dating back to 1982 repeatedly identified financial management weaknesses, yet there is little evidence that TDCJ held Harris County CSCD accountable for taking appropriate action to resolve these findings.

A notable example of problems in TDCJ's oversight of Harris County CSCD concerned an audit performed by TDCJ's internal audit department. The audit commenced in February 1993. The draft audit report identified numerous financial management weaknesses and examples of noncompliance with TDCJ program rules. Harris County CSCD vehemently objected to the proposed audit findings and found an unlikely ally in TDCJ's Community Justice Assistance Division (CJAD). CJAD assumed an advocacy role on behalf of Harris County CSCD and publicly sided with Harris County CSCD against TDCJ's internal audit department. Due to resistance by Harris County CSCD and TDCJ's internal disagreements, the audit report was not finalized until June 1995, which was nearly two and a half years after the audit began. As a result, the usefulness of the audit as a management tool was significantly weakened.

TDCJ's failure to reconcile its internal disagreements and take a unified and consistent approach to its oversight responsibilities undermined efforts to hold Harris County CSCD accountable for the expenditure of public funds.

Contingency Planning for the Termination of the *Alberti* Court Order Was Inadequate

Figure 3



In August 1995, when there was no longer a backlog of prison-ready inmates in Harris County jails, the State successfully moved to vacate the court order. Figure 3 describes the changes to the Harris County Jail population over the life of the *Alberti* court order.

Since the *Alberti* court order was remedial in nature, it should have been clear that the State would seek to vacate the order as soon as the overcrowding in Harris County jails was alleviated. However, *Alberti* programs seem to have been designed

and operated based on an unrealistic expectation that funding for these programs would continue indefinitely. As a result, there was no contingency planning for the reduction in funding that would logically be expected to occur once the court order was vacated.

Alberti funds were used to create ambitious programs that Harris County CSCD could not afford to operate over the long term without augmented funding from either local or state sources. When *Alberti* funding was terminated in the fall of 1995, no additional funds for these programs were made available. As a result, Harris County CSCD's community corrections programs suffered severe disruption, which included:

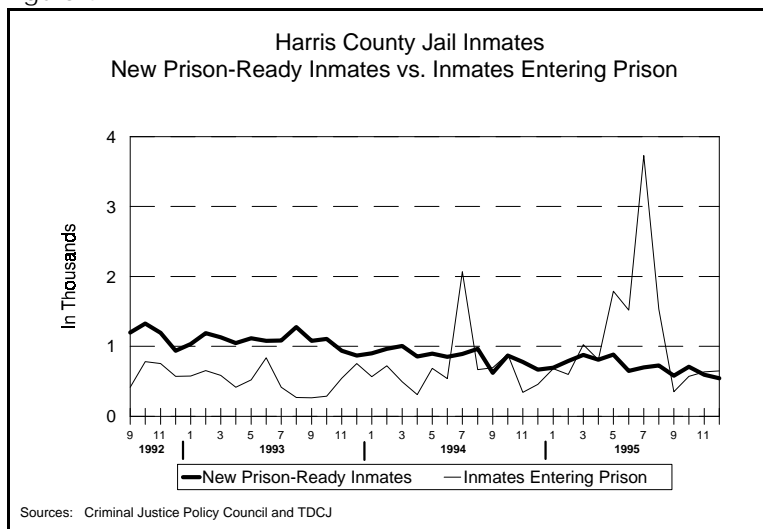
- laying off 500 employees
- closing the Baker Street facility and reassigning approximately 400 resident probationers
- closing the Conservation Camp
- canceling the super-intensive probation program
- scaling back the operations of the Boot Camp

Prior to the termination of *Alberti* funding, Harris County CSCD was able to serve 6,000 probationers annually in residential programs. Presently, Harris County CSCD is serving approximately 1,500 probationers annually in the Boot Camp, which is the only residential probation facility that remains open.

These severe disruptions occurred despite the fact that there was an accumulated surplus of \$25.4 million in *Alberti* funds, plus an additional \$2.85 million final payment subsequently received by Harris County CSCD from the State. It appears that the adverse impact on program operations could have been significantly lessened by better contingency planning at the local and state level.

Evaluating the Impact of *Alberti* Funding Is Not Possible Due to Insufficient Data

Figure 4



Sources: Criminal Justice Policy Council and TDCJ

As noted above, despite the terms of the court order, there was little systematic evaluation of *Alberti* program results. Although over \$109 million in funding has been provided to Harris County CSCD under the *Alberti* court order, there is no clear conception of whether *Alberti* programs had any appreciable effect on reducing recidivism and the long-term demand for incarceration.

Figure 4 illustrates that, over the life of the *Alberti* court order, there was a gradual decline in the number of felons being sentenced to prison by

Harris County judges. The extent to which this decline can be attributed to the use of the alternative sanctions programs established under the *Alberti* court order has apparently never been analyzed.

In any event, *Alberti* programs were never used to full capacity. For the most part, the Conservation Camp and the Boot Camp were fully utilized. However, the Baker Street residential programs generally had a utilization rate of between 50 and 70 percent of capacity.

While it may be surmised that *Alberti* programs had some impact on relieving overcrowded conditions in Harris County jails, it seems clear that the primary cause of reduced overcrowding was TDCJ's acceptance of an unprecedented number of inmates from Harris County jails during the spring and summer of 1995. (See Figures 3 and 4.)

Recommendations for Harris County CSCD

We recommend that Harris County CSCD take immediate steps to address unresolved audit findings, with priority given to the prompt elimination of financial control weaknesses and the strengthening of controls over contracting.

We recommend that the judicial oversight panel take a more active role in monitoring and evaluating Harris County CSCD's programs and in ensuring accountability for funds. To help avoid future concerns about the proper use of public funds and the adequacy of oversight, we recommend that the judicial oversight panel conduct all meetings according to the guidelines set forth in the Texas Open Meetings Act.

Recommendations for TDCJ

We recommend that TDCJ resolve any internal disagreements that may remain and develop a unified and consistent approach to managing its responsibilities for overseeing community corrections programs. TDCJ should clarify the respective responsibilities of CJAD and the internal audit department for monitoring and evaluating these programs.

In the past, it appears that TDCJ allowed program considerations to take priority over fiscal management considerations. We recommend that TDCJ place increased emphasis on ensuring fiscal accountability on the part of Harris County CSCD and all other community supervision and corrections departments.

Although the *Alberti* court order has now been vacated, the manner in which *Alberti* programs were administered can provide important lessons if the State finds itself subject to a similar court order in the future. Should this occur, we recommend that TDCJ take a more proactive role in ensuring:

- compliance with the terms of the court order
- more effective monitoring and evaluation of program results
- proper accountability for funds

Schedule of *Alberti* Revenues and Expenditures

<i>Alberti</i> Funds					
from Inception through September 30, 1995					
	Fiscal Year Ending			Seven Months Ended	Totals
	2/28/93	2/28/94	2/28/95	9/30/95	
Revenues:					
State	\$30,977,525	\$24,267,305	\$42,962,800	\$8,575,000	\$106,782,630 ¹
Interest	70,192	481,308	819,608	306,843	1,677,951
Fees & Other	0	14,319	415,364	266,068	695,751
Total Revenues	31,047,717	24,762,932	44,197,772	9,147,911	109,156,332
Expenses:					
Salaries & Benefits	13,072	6,685,263	18,349,456	11,316,114	36,363,905
Materials & Supplies	0	555,797	2,602,274	1,560,777	4,718,848
Buildings & Leasehold Improvements:					
Expansion CRIPP (Boot Camp)	0	979,844	135,914	62,893	1,178,651
CISF #4 (Baker St. Facility)	2,973,069	8,608,434	0	2,808	11,584,311
CISF #5 (Baker St. Facility)	2,973,069	6,236,813	0	0	9,209,882
40-Bed Conservation Camp	0	2,588,722	64,845	9,670	2,663,237
Peden Building	0	0	310,942	183,976	494,918
CCF #2 Women's Facility	0	0	9,632	301,840	311,472
CCF #3 Assessment & Diagnostic	0	0	0	2,576	2,576
Inventoried Equipment	0	3,309,959	1,708,551	751,147	5,769,657
Non-inventoried Equipment	0	88,923	71,935	342	161,200
Repairs	0	595,887	207,266	210,145	1,013,298
Services & Other	244,353	3,700,465	2,815,708	1,927,757	8,688,283
Transportation & Travel	0	107,007	59,259	141,266	307,532
Operating Transfers to Supervision & Community Corrections Programs	0	1,215,000	0	0	1,215,000
Total Expenditures	6,203,563	34,672,114	26,335,782	16,471,311	83,682,770
Net	\$24,844,154	(\$9,909,182)	\$17,861,990	(\$7,323,400)	\$25,473,562

Source: Harris County Auditor (unaudited by the State Auditor's Office)

Note: This schedule includes detailed information concerning *Alberti* revenues and expenditures. There are certain unreconciled discrepancies between this schedule and Figure 1 of this report; however, such discrepancies are relatively minor.

¹ This figure does not include a final *Alberti* payment of \$2,858,333 received subsequent to September 30, 1995. In addition, this figure exceeds our audited figure as of September 30, 1995, by \$121,250.

Description of Questionable Costs

During this audit, we identified certain expenditures that we regard as “questionable costs.” Most of these expenditures relate to the *Alberti*-funded programs; however, some questionable costs relate to locally generated revenues or community corrections funds received through TDCJ.

Definition of Questionable Cost - Identifying a cost as questionable does not mean that the expenditure was illegal or otherwise unallowable, or that the cost is subject to recoupment by the State. The *Alberti* programs, for example, were not subject to any state or federal regulations which specifically defined allowable program costs. In the absence of regulatory guidance, we examined costs in light of prudent management practices in order to determine whether:

- costs were necessary and reasonable uses of public funds
- costs had adequate supporting documentation
- costs benefited the programs to which they were charged
- costs conformed to limitations imposed concerning the use of funds
- procurement transactions were conducted with the maximum free and open competition
- contracts were negotiated at arm’s length and were supported by documented price analyses
- contract awards were devoid of actual or apparent conflicts of interest
- contracts contained all provisions necessary to define sound and complete agreements

We questioned the items of expenditure listed in this appendix because the cost, or the manner in which it was incurred, did not appear to conform to the prudent management practices specified above. In each case, we provide our rationale for questioning the cost.

We emphasize that in most if not all of these cases, Harris County CSCD did receive some value for these expenditures. However, for the reasons stated, we are unable to provide assurance that Harris County CSCD received appropriate value for the expenditures.

Costs Charged to *Alberti* Programs for Other Than Specified Purposes

We identified the following instances in which *Alberti* funds were used for purposes other than those specified in the Joint Plan, without evidence of discussion or approval by the Joint Task Force.

Amount	Description	Comments
\$1,340,620	Payments to a private care provider for residential alcohol and drug abuse treatment services and an intermediate sanctions facility for women	The alcohol and drug abuse treatment services were not specifically identified in the Joint Plan. It was not the original intent of the defendants to contract for the intermediate sanctions facility.
\$1,215,000	Transfers	Transfers from fiscal year 1993 <i>Alberti</i> funds to offset shortfalls in TDCJ funding for other programs for fiscal year 1994.
\$622,790	Purchase of 490 laptop computers	These items are used by Harris County CSCD probation officers department-wide, rather than for programs specified as planned uses of <i>Alberti</i> funds. Also see additional comments below under "Other Questionable Costs."
\$107,000	Purchase of modems for laptop computers	These items are used department-wide, rather than for programs specified as planned uses of <i>Alberti</i> funds.
\$53,122	Purchase of computer system upgrades	These items are used department-wide, rather than for programs specified as planned uses of <i>Alberti</i> funds.
\$575,500	Audit fees and software development charges	These charges were unrelated to <i>Alberti</i> programs. Additionally, Harris County CSCD received \$94,250 in special funding from TDCJ-CJAD which was earmarked to pay for a portion of the audit fees. Instead, the fees were paid for with <i>Alberti</i> funds.
\$688,626	Lease of electronic monitoring equipment	This equipment was used department-wide, rather than for programs specified as planned uses of <i>Alberti</i> funds.
\$70,591	Vehicle insurance for fiscal year 1994	\$89,415 in <i>Alberti</i> funds was used to purchase insurance for all Harris County CSCD vehicles for fiscal year 1994. Of the total insurance premium, \$70,591, or 79 percent, related to vehicles assigned to non- <i>Alberti</i> programs.
\$28,351	Purchase of a telephone/ communication system upgrade	<i>Alberti</i> funds were used to pay for this purchase as part of an expansion at Harris County CSCD's East Texas Freeway facility. <i>Alberti</i> programs did not use this facility.
\$13,500	Purchase of polygraph equipment	This equipment is used by Harris County CSCD's Internal Affairs operation and not by <i>Alberti</i> programs.

Other Questionable Costs

Contracts		
Amount	Description	Comments
\$23,244,551	The Baker Street development contract	Contractual relationship with the developer created the appearance of a conflict of interest. Terms of the contract strongly favored the developer and exposed Harris County CSCD to a substantial risk of financial loss.
\$1,369,066	Payments to a vendor for purchasing, construction oversight, and facilities maintenance	The contracts for construction oversight and facilities maintenance were awarded to a vendor who was already under contract with Harris County CSCD to assist with purchasing. The contracts were awarded without obtaining bids, and Harris County CSCD was unable to provide any documentation regarding the vendor's qualifications with respect to these areas.
\$1,222,737	Payments to a company, which served in various capacities including consultant, external auditor, software developer, and equipment vendor	The head of this company had a long-standing friendship with Harris County CSCD's former Fiscal Director. Payments were made under 16 contracts awarded without competitive bids. Harris County CSCD could not locate contracts pertaining to \$270,500 in payments to this company. Additionally, no work product could be located for two contracts under which payments totaling \$70,000 were made.
\$405,000	Construction management contract for the Conservation Camp	The contract was awarded without obtaining competitive bids. Payments were tied to calendar dates rather than to performance.
\$307,451	Construction management contract for the Boot Camp	Contractual relationship with the developer created the appearance of a conflict of interest. The contract was awarded without obtaining competitive bids.
\$84,000	Payments to a state senator for legal services	In the absence of documentation or other tangible work product, we cannot assess whether appropriate value was received for payments made under this contract.
\$26,504	Contract overages on six construction contracts	Harris County CSCD could not locate supporting documentation for these supplementary payments.
\$622,790	Purchase of 490 laptop computers	Although these computers are available from a variety of dealers, Harris County CSCD purchased them from the manufacturer as a sole source acquisition. Harris County CSCD was unable to provide justification for treating the transaction as a sole source purchase rather than obtaining competitive bids.

Other Questionable Costs		
Amount	Description	Comments
Purchase of Vans		
\$50,815	Purchase of three vans	Another competitor submitted a lower bid of \$48,540. The winning bidder failed to meet several published bid specifications.
Other Expenditures		
\$135,532	Various expenses charged to travel and furnished transportation	Inadequate or absence of supporting documentation to demonstrate that the expenditures were reasonable and necessary for Harris County CSCD operations.
\$29,645	Various payments classified as professional services	Supporting documentation was inadequate to allow an informed approval decision or a determination that the expenditures were reasonable and necessary for Harris County CSCD operations.

Description of Control Weaknesses

We found the overall control environment at Harris County CSCD to be ineffective.

From our review, it appears that oversight officials delegated too much authority to Harris County CSCD's administrators. It is not suggested that oversight officials should be involved in the day-to-day operations of Harris County CSCD. However, they must ensure that Harris County CSCD has an effective system of management controls. Effective management controls are indispensable for the proper administration of Harris County CSCD's programs and can provide a mechanism to assist oversight officials in monitoring the activities of Harris County CSCD.

Many of the management control weaknesses outlined in this appendix have been identified in the past without corrective action. We recommend that these control weaknesses be corrected without further delay and that the judicial oversight panel take a proactive role in monitoring Harris County CSCD's progress toward that objective.

We identified the following control weaknesses during our review:

Financial and Accounting Controls

We found Harris County CSCD's financial and accounting controls to be inadequate. Specific issues identified during the audit included:

Using Funds for Other than Intended Purposes - Harris County CSCD used approximately \$4.5 million of *Alberti* funds for purposes not specified in the joint plan developed under the court order.

Inappropriate Allocation of Costs - Harris County CSCD inappropriately allocated costs to programs that did not benefit from such costs.

Inadequate Financial Statements - Harris County CSCD's audited financial statements did not provide a comprehensive accounting of its financial position and activities. *Alberti* funds were not included in the audited financial statements for fiscal year 1994, although they comprised 47 percent of revenues for that year. Numerous other funds were omitted from the financial statements, most of which were unexpended carry-forward balances.

Contracting Controls

The most serious problems identified concerned Harris County CSCD's contracting practices, which exposed public funds to waste and abuse. Controls over contracting were inadequate, and we identified numerous instances where the controls that did exist were disregarded by Harris County CSCD administrators. Specific issues identified during the audit included:

Lack of Review and Approval of Major Contracts by Oversight Officials - With few exceptions, contracts for substantial dollar amounts were executed by Harris County CSCD without the review and approval of the judicial oversight panel.

Apparent Conflicts of Interest - The manner in which Harris County CSCD awarded contracts created the appearance of unfair competitive advantage and conflicts of interest. Examples include:

- The contract for the development of the Baker Street facility was awarded to an individual who had access to inside information as a result of an existing contractual relationship with Harris County CSCD.
- Eight additional contracts were awarded without competitive bids to a vendor already under contract to assist with purchasing.
- Sixteen contracts were awarded without competitive bids to a company headed by an individual with a long-standing friendship with Harris County CSCD's former Fiscal Director.

Lack of Competitive Bidding and Arm's-Length Negotiation - Many contracts were entered into without competitive bidding. It appears that Harris County CSCD administrators frequently did not comply with the provisions of the Local Government Code pertaining to competitive bidding.

Due to the lack of competitive bidding, there is no assurance that Harris County CSCD received appropriate value for the expenditure of public funds. Contract files which we reviewed contain no documented price analyses or other evidence that costs were negotiated at arm's length.

Inappropriate Delegation of Authority to Subordinates for Execution of Contracts - Subordinate employees, rather than the Executive Director, frequently executed contracts on behalf of Harris County CSCD. In a number of cases, contracts were signed by employees without executive responsibilities and whose job duties were unrelated to the services to be provided under the contracts.

Poorly Drafted Contracts - Contracts did not contain provisions to adequately protect Harris County CSCD's interests. In many cases, the contracts:

- did not adequately describe the services to be performed or link payments to specific deliverables
- provided for flat-rate reimbursements without any documented price analysis or requirement for the submission of itemized receipts
- did not include specific remedies for breach and did not include provisions authorizing audits to be performed or permitting access to contractor records

Purchasing Controls

Harris County CSCD's purchasing practices did not ensure that public funds were prudently expended. Specific issues identified during the audit included:

Inadequate Support for Payments to Vendors - Harris County CSCD's system for review and approval of payments to vendors was inadequate. Payments to vendors were often expedited, even though adequate support for the payment was lacking. For example, we identified instances of:

- payments made to vendors which were unsupported by contracts or other appropriate documentation
- payments made for products that did not meet specifications
- payments made to vendors with no evidence of a work product

Noncompliance with Purchasing Policies - Harris County CSCD frequently did not comply with its own purchasing policies. Examples include:

- purchase orders and vouchers which were processed without required signatures
- purchasing decisions which were based on criteria other than published bid specifications

Lack of Appropriate Segregation of Duties - The former Fiscal Director performed multiple functions relating to purchasing without effective oversight or appropriate segregation of duties. For example, with respect to the vendor who is his personal friend, the former Fiscal Director signed multiple contracts, amendments, invoices, and

payment vouchers and also signed for and picked up at least eight checks made payable to the vendor.

Unnecessary Purchases - Harris County CSCD purchased equipment which was not needed. Examples include purchases of laptop computers and cellular telephones in quantities greater than appear necessary for program operations.

Inventory Controls

Harris County CSCD's controls to safeguard physical assets were incomplete and ineffective. We understand that Harris County CSCD is in the process of developing policies to improve controls over inventory; however, this had not been completed by the time our fieldwork ended.

Issues noted during the audit relating to inventory controls included:

Lack of Current and Accurate Inventory Records - Harris County CSCD's inventory listings were neither comprehensive nor current. In some cases, the inventory listings did not provide sufficient information for items to be located.

Inventory policies do not include a mechanism to track the disposition of computer hardware and software upgrades.

Lack of Security Precautions for High-Risk Inventory - Out of an audit sample of 45 high-risk items, Harris County CSCD was unable to locate five items, including two laptop computers, two computer hardware upgrades, and a video recorder. Harris County CSCD also has a large stockpile of unused computer equipment which was not adequately secured against damage.

Other Management Control Issues

Harris County CSCD's controls over record keeping were inadequate. Harris County CSCD was unable to locate a number of requested documents. For purposes of our audit, the most critical missing records related to the planning and construction of the \$23.2 million Baker Street residential facility. The inability to produce requested documents resulted in a limitation on the scope of this audit.

Controls over employee travel and training were also ineffective. We noted many instances where employees received payment for travel and training expenses without obtaining required review and approval.

Oversight Provisions of the *Alberti* Court Order

The joint plan implemented under the *Alberti* court order contained numerous provisions requiring local and state officials to monitor and evaluate *Alberti*-funded programs. Despite these express terms of the court order, it appears that little effort was made to comply with these provisions.

The following table delineates the provisions in the joint plan pertaining to monitoring and evaluation, as well as the compliance efforts relating to these provisions.

<i>Alberti</i> Joint Plan Provisions for Monitoring and Evaluation		
Provision	Description	Outcome
Annual revision of the plan	To be filed by the state and county defendants with the County Commissioners Court and appropriate state officials through September 1995	No evidence of annual plan revisions
Other revisions or amendments to plan	Could be submitted at any time by state and county defendants in the event of change of conditions or law	No evidence of plan revisions or amendments
Joint Task Force to be created	Composed of the Harris County Criminal Justice Task Force and representatives of the State	Although Task Force was never formally created, informal meetings occurred during initial phase of the <i>Alberti</i> court order
Task Force to meet according to specified schedule	To be held every month until December 1992 and at least quarterly thereafter until September 1995	Met monthly July 1992 through January 1993, once more in August 1993, and not again
Subcommittees and special state/county steering committee to be formed	To be formed to oversee implementation and evaluation of the plan	No evidence of subcommittee formation
Additional proposals, adjustments, and modifications to the plan	To be made as needed until September 1995 by the Task Force as the success of the plan was evaluated	No evidence that the success of the plan was evaluated by the Task Force or that additional proposals, adjustments, or modifications were made

Alberti Joint Plan
Provisions for Monitoring and Evaluation

Provision	Description	Outcome
Updated and revised forecast of inmate populations	To be made by the Criminal Justice Policy Council (CJPC) and Sam Houston State University (SHSU)	Performed by CJPC and SHSU
Implementation of methodology for evaluation of plan's impact	To be performed by the Joint Task Force, working with CJPC and SHSU, to evaluate the plan's impact and to determine the effect on targeted components of the jail inmate population	No evidence of evaluation of plan's impact

Management's Response from Harris County CSCD

Administrative Office of the District Courts
Harris County, Texas

George Godwin

CHAIRPERSON, STANDING COMMITTEE ON COMMUNITY SUPERVISION
FAX: (713) 755-8973

301 San Jacinto, Room 100
Houston, Texas 77002
PHONE: (713) 755-6575

May 9, 1996

Douglas C. Brown
General Counsel
Office of the State Auditor
Two Commodore Plaza
206 East Ninth Street, Suite 1900
Austin, Texas 78701


Dear Mr. Brown:

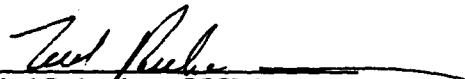
Enclosed is the Harris County CSCD management response to the draft *Audit Report on the Harris County Community Supervision and Corrections Department*. Attached are materials which should clarify the responses in several areas.


I would like to take this opportunity to commend all of the staff who worked on this audit, especially Rob Bollinger and Brenda Winkler. They conducted their job duties in a professional manner and made constructive suggestions throughout the process.

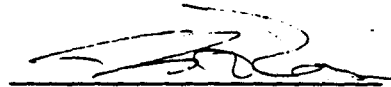
Please feel free to contact me if you have any questions regarding this response.

Sincerely,


Doug Shayer, 262nd District Court
Administrative Judge,
Criminal Division


Neel Richardson, CCCL 8
Presiding Judge,
County Criminal Courts at Law


George Godwin, 174th District Court
Chairman, CSCD Committee


Sherman Ross, CCCL #10
Co-Chairman, CSCD Committee

Attachments

**Response to the State Auditor's Draft Report
regarding
The Harris County Community Supervision and Corrections
Department**

Following are general comments as well as specific information regarding the draft of the Audit Report on the Harris County Community Supervision and Corrections Department. We disagree with several of the broad and specific conclusions of the draft, however we realize that some matters could have been conducted in a more businesslike manner. The Department and the Board of Judges Trying Criminal Cases in Harris County have taken active measures to correct these areas.

Prior to the State's decision to audit the Department, many of the problems and issues cited in the draft report were already of serious concern to the Board of Judges, and steps were initiated to address and correct the deficiencies. Among these were significant changes in the management and fiscal operations of the Department.

At this time, it is the belief of the Judges and the Department that the problems have been addressed and either fully resolved or near resolution and the Department has re-established fiscal integrity and accountability. It is anticipated that enhanced and continued oversight by the Judges as well as a strengthened working relationship with local and state entities will prevent similar problems from recurring in the future.

Examples of the pro-active stance that the Judges and the present CSCD management have taken are as follows:

-Since September 1995, the Judges have required the Department to utilize the Harris County Purchasing Agent's Office for all bid specifications, general purchasing and contract development.

-Judicial oversight and monitoring of activities of the Department, including fiscal matters, has been enhanced. Meetings with the Chairman and Co-chairman of the Standing Committee and the Department's Interim Director take place on a regular basis. Standing Committee approval is required on all contracts. Additionally, all payments and requests for purchase orders in excess of \$5,000 must be approved.

-The Department has worked closely with the Harris County Auditor's Office and the Harris County Purchasing Agent's Office to develop and implement specific

HCCSD Audit Response - page 2

contract management, purchasing and payment procedures. These procedures, which significantly strengthen the Department's fiscal controls were put in place in December 1995 on an interim basis, and were formally approved by the Standing Committee for Community Supervision and Corrections Matters in March 1996.

-A complete revision of the Department's Fiscal Procedures Manual is currently near completion. This manual incorporates the purchasing and payment procedures noted above and defines the essential criteria needed to ensure that all funds expended by the Department are reasonable and necessary.

-The manual also addresses business office procedures, the budget process, inventory controls and guidelines for travel approval and reimbursement as well as other fiscal matters. This manual is presently in draft format, however the actual procedures are already in place throughout the Department.

-A very positive working relationship with the Texas Department of Criminal Justice and its Community Justice Assistance Division has been developed with open lines of communication on all sides.

Additional comments and clarification:

The Joint Proposed Plan represented a commitment by the leadership of the State of Texas and Harris County to implement programs which would not be stopgap or temporary in nature. It was designed to provide a complete and permanent continuum of sanctions to assure that as far as possible, future federal court intervention would not occur again.

-The box on page 3 of the draft titled, "Use of *Alberti* Funds" indicates five purposes for which these funds were to be utilized according to the Joint Proposed Plan. In addition to these five items, the Plan, under Section IV, subsection C states: "The County and State Defendants are committed to the full utilization and expansion of the alternative sanctions programs currently in place."

-Following approval of the proposed plan by Chief Judge James DeAnda, United States District Court, the Harris County Community Justice Plan was amended to utilize the *Alberti* funds. Previously funded treatment programs were closed so that they could be consolidated with the new *Alberti* programs and allow for associated cost benefits. All *Alberti* fund expenditures for the specific programs enumerated in the order as well as those which were expanded as part of the joint

HCCSD Audit Response - page 3

plan were approved by CJAD through normal community corrections plan procedures and requirements.

-The implementation of the Joint Plan, which included the construction of permanent structures, was accomplished with the participation and approval of State officials. There was never any indication that funding would not continue once the *Alberti* order was vacated. In fact, it was the working assumption that these programs would continue to be funded.

-The approved Plan referred to programs then in effect. Harris County Community Supervision and Corrections Department had an electronic monitoring program already in place which Department officials believed qualified under the order for expansion using *Alberti* funds. (page 15, Block 8). This same justification applies to a majority of the items listed on page 15.

-The comments regarding the purchase of three vans (page 17, Block 1) appear to be inaccurate. Department purchasing records indicate that the winning bidder complied with published bid specifications and the lowest bidder failed to meet several published bid specifications.

-The two laptop computers (including the hardware upgrades) and the video recorder cited as missing (page 21) have been located and their location correctly inventoried. All computers and related equipment are now properly inventoried as well.

-The computer equipment currently not in use is now properly stored, inventoried and adequately secured against damage (page 21).

Response from the Texas Department of Criminal Justice



TEXAS DEPARTMENT OF CRIMINAL JUSTICE

Wayne Scott
Executive Director

May 9, 1996

Douglas C. Brown
General Counsel
Office of the State Auditor
P. O. Box 12067
Austin, Texas 78711-2067

Dear Mr. Brown:

Thank you for the opportunity to comment on the draft audit of the Harris County Community Supervision and Corrections Department (CSCD). The management of the Department of Criminal Justice responds as follows.

The Department of Criminal Justice concurs with the recommendations pertaining to TDCJ.

The first recommendation—that TDCJ develop a unified and consistent approach to overseeing community corrections programs which clarifies the respective responsibilities of the Community Justice Assistance Division (CJAD) and the internal audit department—has been implemented. The Community Justice Assistance Division is responsible for routine oversight and auditing of local CSCDs. Internal audit focuses on broader issues involving community corrections, and may, at the request of the board, the Executive Director or director of CJAD, perform non-routine audits. The Executive Director ensures coordination of the CJAD and internal audit function.

The second recommendation pertaining to the Department of Criminal Justice—that TDCJ place increased emphasis on ensuring fiscal accountability—is being implemented. The Community Justice Assistance Division is developing standardized contracts and standardized rates for local CSCDs. Additional staff devoted to contract monitoring will be employed. In addition to the standard fiscal audits conducted by private CPA firms, CJAD will soon be performing follow-up audits, efficiency audits and internal control audits. While remaining sensitive to programmatic considerations, in the future CJAD will require strict adherence to accounting procedures from local CSCDs and private CPA firms.

The third and final recommendation—in the event a situation similar to *Alberti* occurs again, TDCJ should take a more proactive role in ensuring compliance with the court order, effective monitoring and evaluation of program results and proper accountability for funds—will be implemented assuming adequate legal authority on the part of TDCJ. In regards to *Alberti* funds, the predominant legal opinion at the time said the court order constituted a judgment directing the disposition of the funds, and consequently TDCJ and the state lacked any authority over the monies. Should the state have greater authority regarding the expenditure of court-ordered funds, the Department will aggressively pursue a more proactive role in order to ensure both compliance with the court order and the efficient and effective use of the monies.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeff Baldwin".

Jeff Baldwin
Executive Assistant TDCJ

State Auditor's Follow-up Comments

We appreciate the responses received from Harris County CSCD and from the Texas Department of Criminal Justice and the measures that both agencies have outlined to address the issues raised by this audit and previous audits. We wish to briefly address several points raised by Harris County CSCD in its management response.

- Harris County CSCD maintains that there was a "working assumption" that funding for *Alberti* programs would continue after the court order was vacated. We were unable to verify that state officials who participated in the development of the joint plan shared that assumption. To the contrary, state officials recognized that if overcrowding was alleviated and the court order was vacated, any decisions concerning future funding for *Alberti* programs would have to be made by the Legislature through the biennial appropriations process.
- Harris County CSCD believes that our audit takes an overly narrow view of permissible uses of *Alberti* funds. We recognize that the court order is open to interpretation in this regard. However, in addition to the court order, we reviewed Joint Task Force planning documents that were prepared at the same time the court order was entered, and which specifically enumerated the proposed uses of *Alberti* funds. Our audit approach was to question instances where *Alberti* funds were used for purposes other than those enumerated in the court order and the planning documents executed contemporaneously with the court order.

This is not to say that the court order did not permit a measure of flexibility in the uses of *Alberti* funds. The court order included a specific mechanism for overseeing the implementation of the plan and approving any proposed revisions to the plan. However, we saw little evidence of oversight by the Joint Task Force beyond the initial development of the plan, and we saw no evidence that the Joint Task Force ever considered or approved changes to the original plan.

Objective, Scope, and Methodology

Objective and Scope

The objective of our audit was to provide an independent accounting and analysis of all funds received under the *Alberti* court order and state funds allocated to Harris County CSCD for fiscal years 1994 and 1995.

Limitation of Scope

Management of Harris County CSCD was unable to provide us with a number of requested documents. For the purposes of our audit, the most critical missing records related to the planning and construction of the \$23.2 million Baker Street residential facility. According to management, these documents were reported lost or stolen around April 1995.

The handling of the Baker Street development has been a subject of controversy since July 1993; the amount spent on this project represents approximately 21 percent of the \$109.5 million in total *Alberti* funding received during the period the court order was in effect. Our inability to obtain and review this information resulted in a significant limitation on the scope of our work.

Matters relating to the development of the Baker Street facility are under review by the Harris County District Attorney's Office, but no final disposition of these matters had been reached as of the conclusion of this audit.

Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, analyzing the information, and evaluating the information against pre-established criteria.

Information collected to accomplish our objectives included the following:

- Interviews with Harris County CSCD management and staff
- Interviews with Harris County judges and court administrators
- Interviews with staff of the Harris County Auditor's Office
- Interviews with staff of the Harris County Treasurer's Office
- Interviews with staff of the Harris County District Attorney's Office
- Interviews with staff of the Texas Department of Criminal Justice

- Interviews with staff of the Criminal Justice Policy Council
- An interview with staff of Sam Houston State University
- An interview with a committee of private industry executives who recently reviewed Harris County CSCD's business practices
- Documentary evidence such as:
 - Harris County CSCD documents, reports, and correspondence
 - Policies and procedures related to fiscal operations
 - Documents and reports obtained from the Harris County Auditor's Office
 - Audit reports and management letters from the Harris County CSCD's external auditor
 - Documents from the Harris County Sheriff's Office
 - The *Alberti* court order and Remedial Plan
 - Reports and other documents from the Texas Department of Criminal Justice
 - Reports and other documents from the Criminal Justice Policy Council
 - Documents from the Commission on Jail Standards
 - The Texas Local Government Code

Procedures and tests conducted:

- Gained an understanding of internal controls sufficient to plan the audit
- Reviewed working papers of Harris County CSCD's external auditor and the Harris County Auditor
- Prepared and analyzed reports using expenditure transaction data provided by the Harris County Auditor's Office
- Gained an understanding of meetings held and other oversight activities performed by the State/County Criminal Justice Joint Task Force, the Board of Judges Trying Criminal Cases, the Harris County Auditor's Office, and the Texas Department of Criminal Justice
- Performed detailed testing of selected expenditures
- Performed other tests of reasonableness
- Performed a test of inventory records
- Performed a physical observation for a sample of high-risk inventory items
- Corroborated previously noted instances of *Alberti* funds spent outside the areas stipulated by the Remedial Plan

Criteria used:

- Best business practices
- Harris County CSCD policies and procedures
- Approved Harris County CSCD budgets

- The *Alberti* court order and Remedial Plan
- Policies, standards, and guidelines set forth by the Texas Department of Criminal Justice - Criminal Justice Assistance Division, including the TDCJ-CJAD Financial Management Manual
- The Texas Local Government Code
- Standard audit criteria

Other Information

Fieldwork was conducted from November 27, 1995, to January 19, 1996. We did not verify the accuracy of:

- data provided by Harris County CSCD with respect to program capacity and offenders served
- local revenues for fiscal years 1992-1995 (Figure 2)
- funding provided by TDCJ-CJAD for fiscal year 1993 (Figure 2)
- information relating to the Harris County jail population from January 1, 1992, to March 1, 1996 (Figure 3)
- information relating to new prison-ready inmates versus inmates entering prison from September 1992 to December 1995 (Figure 4)
- schedules of expenditures of *Alberti* funds from inception through September 30, 1995 (Figure 1 and Appendix 1)

With these exceptions, our audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

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

- Robert H. Bollinger, CPA (Project Manager)
- Arthur Arispe
- Charles P. Dunlap, Jr., CPA
- William D. Hastings, CPA
- Kimberlee N. McDonald
- William J. Seitz
- Brenda Winkler, CQA
- Douglas C. Brown (Audit Manager)
- Craig D. Kinton, CPA (Director)