

**State of Arizona
Office
of the
Auditor General**

PERFORMANCE AUDIT

**SUPREME COURT'S
ADMINISTRATIVE OFFICE
OF THE COURTS**

**ADULT SERVICES
DIVISION**

**Report to the Arizona Legislature
By Douglas R. Norton
Auditor General
July 1998
Report Number 98-14**



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OFFICE OF THE
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July 31, 1998

Members of the Arizona Legislature

The Honorable Jane Dee Hull, Governor

Mr. David K. Byers, Director
Administrative Office of the Courts

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Supreme Court's Administrative Office of the Courts, Adult Services Division. This report is in response to a May 27, 1997, resolution of the Joint Legislative Audit Committee and was conducted under the authority vested in the Auditor General by A.R.S. §41-2958.

The report addresses the need for the Division to take a stronger role in overseeing various aspects of the adult probation service programs operated by the counties including funding distribution, compliance with statutes involving caseload ratios, and probation service fees. We found that funding for both the standard and intensive probation programs has been overestimated for fiscal year 1999. We discovered that Maricopa County overestimated the number of probationers actively supervised in January 1998 by more than 4,400 cases, creating a potential budgetary impact of \$3.6 million. For the intensive probation program, overestimates have resulted in the Division receiving more funding than necessary to accommodate the number of probationers placed in the program.

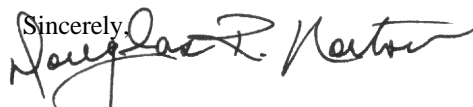
The report also recommends that the Division provide greater oversight of the counties' collection and use of probation fees. Although state law requires that probationers are assessed a supervision fee of not less than \$40 per month to help offset the cost of supervision, the statewide average fee amount collected per probationer for the first seven months of fiscal year 1998 was just under \$15. Although the Division has begun an initiative to increase the amount of fees collected, it currently cannot adequately monitor and assess counties' collections efforts. Additionally, the Division has not ensured that the fees, once collected, are fully used. The statewide unexpended balance of probation fees has more than tripled over the last five fiscal years with a balance on July 1, 1997, of more than \$5 million.

Finally, the report recommends that the Division can improve its oversight of Arizona's adult probation services by enhancing its periodic reviews of county programs, better using monthly statistical reports as an oversight mechanism, and establishing a mechanism to ensure that probation service contracts are adequately monitored.

As outlined in its response, the Division has agreed to and will implement or has already implemented all but one recommendation outlined in the report. The Division agrees in principle with the need to review the manner in which it requests funding for the Intensive Probation Supervision Program, but disagrees in part that the Program has excess capacity.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on August 3, 1998.

Sincerely,


Douglas R. Norton
Auditor General

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Supreme Court's Administrative Office of the Courts, Adult Services Division. This audit was conducted pursuant to the provisions of Arizona Revised Statutes (A.R.S.) §41-2958 and in response to a May 27, 1997, resolution of the Joint Legislative Audit Committee.

Although probation programs in Arizona are operated at the county level, the State, through the Supreme Court's Administrative Office of the Courts, retains administrative responsibility for all court programs. To this end, the Administrative Office of the Courts established the Adult Services Division (Division) in the mid-1980s to administer and oversee statewide adult probation services. For fiscal year 1998, over \$74 million is scheduled for expenditure on probation services, with the State contributing approximately \$45.9 million and the remainder provided by the counties and monies generated from fees and other sources.

The Division's primary responsibilities are to distribute state monies for programs such as standard and intensive probation supervision, and to perform a variety of oversight activities to ensure the State's contribution is used to increase the effectiveness of all county probation programs. To perform its responsibilities, the Division has a staff of 18 full-time employees, of whom 12 perform professional services such as program and regional administration. The remaining staff provide support services.

The Funding Needs for Two Adult Probation Programs Have Been Overestimated (See pages 7 through 14)

Funding needs for two of Arizona's probation programs have been overestimated for fiscal year 1999. In both standard and intensive probation, state assistance is aimed at allowing counties to maintain certain ratios of staff to the probationers supervised. The need for state funding for the standard probation program was overestimated for fiscal year 1999 because Maricopa County has inaccurately reported the number of active probationers. A review and analysis of the number of active standard probationers reported by Maricopa County's Adult Probation Department (Maricopa) found that the number overestimates Maricopa's funding needs for fiscal year 1999 by more than \$3.6 million. Although our disclosure of this significant discrepancy enabled the Division to make funding adjustments, the Division should ensure the accuracy of reported caseloads in future funding considerations.

For the intensive probation program (IPS), inaccurate projections of the number of IPS probationers has resulted in the Division overestimating the need for state funding for not only fiscal year 1999 but for several years in the past. In preparing its funding requests, the Divi-

sion has consistently overestimated the statewide number of IPS probationers who would actually participate in the program. This has resulted in the Division providing the counties with funding for more IPS staff than has been necessary. If participation in the program remains at less-than-anticipated levels, the Division needs to modify its future funding requests. In addition, the Division should analyze other cost factors associated with the program to further ensure counties are efficiently managing their IPS programs.

Collection and Use of Probation Service Fees Needs Greater Oversight (See pages 15 through 20)

In its role to assist the Supreme Court in providing administrative supervision of court services, the Division can provide greater oversight of the collection and use of probation fees. State law requires that probationers are assessed a supervision fee of not less than \$40 per month to help offset the costs of administering probation, unless the judge determines the probationer is only able to pay a lesser amount. However, the statewide average fee amount collected per probationer for the first seven months of fiscal year 1998 was just under \$15. Although the Division has begun an initiative to increase the amount of fees collected, it currently cannot adequately monitor and assess counties' collection efforts. In addition, the Division currently has no information available to determine what fees probationers are being assessed. Auditors' analysis of Maricopa County's collection data for November 1997 found that the average probation fee ordered was \$34, and that 28 percent of probationers were ordered to pay a fee of less than \$40 each month. Also, both the Division and the counties lack adequate mechanisms to track the status of collections efforts. Therefore, the Division should increase its reporting requirements for collections information and work toward improving exchange of collection information within the counties.

In addition to the problems with collecting probation service fees, the Division has not ensured that the fees, once collected, are fully used. Although the statutorily recommended minimum monthly probation supervision fee was increased from \$30 to \$40 in 1993 to replace state funding for 27 officers, by the end of fiscal year 1998 only 12.5 case-carrying probation officers will be funded from the supervision fees collected. Moreover, the statewide unexpended balance of probation fees has more than tripled over the last five fiscal years with a balance on July 1, 1997, of more than \$5 million. Furthermore, while a Supreme Court administrative order requires that "not more than 30 percent of the fund" may be used for purposes other than paying probation officer salaries, over the last three fiscal years, 8 counties expended an average of 58 percent of this money on non-salary uses.

Statewide Oversight Can Be Improved (See pages 21 through 28)

The Adult Services Division can improve its oversight of Arizona's adult probation services. In 1995, the Division implemented an operational review process as a means of measuring whether a probation department's services are in compliance with statutes, administrative orders, funding agreement requirements, program plans, and locally developed policies and procedures. Although these periodic on-site reviews are fairly comprehensive in scope, the Division can make several potential improvements to the process. For example, greater emphasis on independent verification can improve the Division's assurance of a county's compliance level; larger file reviews can reduce the risk of inaccurate conclusions; and greater emphasis on solution development can assist counties in addressing deficiencies and achieving compliance.

In addition to these periodic reviews, the Division also requires counties to report various probation statistics on a monthly basis; however, it is not fully using this data as a means of oversight. Specifically, the Division does not ensure county probation departments provide accurate, comprehensive, and consistent data necessary to monitor compliance with caseload ratios and use of state monies.

Finally, the Division currently has no mechanism in place to ensure that \$4.3 million in state monies distributed to county probation departments in fiscal year 1998 for contracted services is being used appropriately. The State provides monies to county probation departments to contract with local community agencies for a wide range of services including residential treatment programs; substance abuse aversion, counseling, and treatment; electronic monitoring; and services related to intensive and standard supervision. Despite the amount of money disbursed annually for contracted services, the Division has not established any mechanisms to ensure contracts are adequately monitored, nor has it established guidelines for county probation departments to perform contract monitoring at the local level.

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Table of Contents

	<u>Page</u>
Introduction and Background	1
Finding I: The Funding Needs for Two Adult Probation Programs Have Been Overestimated	7
Caseload Counts Used to Determine Funding Needs	7
Inaccurate Caseload Counts for Standard Probation Could be Costly for the State	8
Number of Intensive Probationers Considerably Less Than Projected	10
Recommendations.....	14
Finding II: Collection and Use of Probation Service Fees Needs Greater Oversight.....	15
Probation Fees a Condition of Probation.....	15
Division Lacks Data for Monitoring Fees.....	16
Division Has Not Adequately Overseen Counties' Use of Probation Fees	18
Recommendations.....	20

Table of Contents (concl'd)

	<u>Page</u>
Finding III: Statewide Oversight Can Be Improved.....	21
Importance of Statewide Oversight.....	21
Periodic Reviews of County Programs Could Be Improved	21
Monthly Data Not Used As An Oversight Mechanism.....	24
State-Funded Contracts Not Monitored.....	25
Recommendations.....	28
Agency Response	
Appendix	a-i

Tables

Table 1:	Statewide Adult Probation Programs Schedule of Expenditures by Funding Source Years Ended June 30, 1995 through 1998 (Unaudited).....	3
Table 2:	Adult Services Division Intensive Probation Program Comparison of Appropriated to Needed Slots and Potentially Excess Slots Before and After Adjustments Years Ended June 30, 1996 through 1998 (Unaudited).....	11

INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Supreme Court's Administrative Office of the Courts, Adult Services Division. This audit was conducted pursuant to the provisions of Arizona Revised Statutes (A.R.S.) §41-2958 and in response to a May 27, 1997, resolution of the Joint Legislative Audit Committee.

Role of Probation in Criminal Justice System

Probation is the most common sentencing alternative to prison. The Bureau of Justice Statistics reports that by the end of 1995, just over 3 million adults were under state or federal probation, and that probationers made up 58 percent of all adults under correctional supervision. The American Correctional Association defines probation as:

“A court-ordered dispositional alternative through which an adjudicated offender is placed under the control, supervision and care of a probation staff member in lieu of imprisonment, so long as the probationer meets certain standards of contact.”

In Arizona, adult probation services are delivered through each of the 15 county adult probation departments contained within the state court system. As of February 1998, probation departments reported that there were over 34,000 probationers in Arizona. Probation supervision in Arizona typically involves a convicted felon being placed on three to seven years' probation for offenses ranging from DUI, theft, and drug charges to armed robbery and sex offenses. Furthermore, probationers may be given several conditions of probation, which can include up to a year's incarceration in the county jail. Failure to adhere to the probation conditions can result in increased sanctions or, ultimately, probation being revoked and the probationer having to serve the original prison sentence.

State Has a Major Role in Funding Probation Programs

With the adoption of A.R.S. §12-251 in 1927, the probation system in Arizona was established as part of the superior court system in each county. Ultimately, each county's presiding judge is responsible for its probation department. Specifically, A.R.S. §12-251(A) designates the presiding judge in each county to appoint a chief probation officer to manage the probation department.

Probation departments were initially funded exclusively by counties. The first significant state funding occurred during 1985, and since that time the State's monetary involvement has continued to increase. For fiscal year 1998, over \$74 million is scheduled for expenditure on probation services, with the State contributing approximately \$45.9 million and the remainder provided by the counties and monies generated from fees and other sources (see Table 1, page 3, for a schedule of expenditures by funding source). The State provides financial support for the following programs:

- **Standard Probation**—Standard probation is a sentencing option whereby a convicted offender is released into the community under the supervision of a probation officer in lieu of incarceration. By statute, the caseload ratio is 60:1, meaning that for every 60 probationers there is 1 probation officer. The State provides aid, primarily for the salaries of county-hired positions designed to help counties maintain this ratio. In fiscal year 1998 the Legislature appropriated approximately \$20 million for this purpose.
- **Intensive Probation**—This program for high-risk offenders began in 1986. It differs from standard probation in that it is more highly structured and requires stricter conditions. Program funding is typically determined by a statutory funding formula of 2 officers for every 25 offenders. In fiscal year 1998 the Legislature appropriated approximately \$18 million for this purpose.
- **Interstate Compact (ISC)**—In 1996, probation departments began supervising offenders placed on probation in other states but who transfer to Arizona (a service previously provided by the Department of Corrections). While the funding for most counties' ISC probationers is absorbed through the standard probation monies, four counties (Maricopa, Mohave, Pima, and Yavapai) have enough ISC probationers to require at least one probation officer. Therefore, the Legislature separately appropriated approximately \$1 million in fiscal year 1998 for these counties' ISC programs.
- **Community Punishment Program (CPP)**—The Legislature established this program in 1988 to provide enhanced services for high-risk offenders placed on standard or intensive probation who might otherwise fail to complete probation. Across all counties, the most common CPP services are education and treatment for substance abusers and sex offenders. Other components include electronic monitoring, educational skills development, life skills training, and services for mentally ill offenders. In fiscal year 1998 the Legislature appropriated approximately \$4 million for this purpose.
- **Drug Treatment Education Fund**—In the 1996 general election, Arizona voters approved Proposition 200. This proposition, formally known as the Drug Medicalization and Control Act of 1996, created a program that provides expanded drug treatment and

Table 1

**Statewide Adult Probation Programs
Schedule of Expenditures by Funding Source
Years Ended June 30, 1995 through 1998
(Unaudited)**

Source/Program	1995 (Actual)	1996 (Actual)	1997 (Actual)	1998 (Budgeted)
State monies: ¹				
General Fund appropriations				
Adult Standard Probation	\$15,447,168	\$17,492,273	\$18,468,955	\$19,702,182
Adult Intensive Probation	14,353,252	16,156,266	17,090,678	17,795,827
Community Punishment	3,115,811	3,440,737	3,447,883	4,138,976
Interstate Compact		776,433	1,051,563	1,115,911
Luxury privilege tax				
Drug Treatment and Education	<u> </u>	<u> </u>	<u>2,740</u>	<u>3,110,289</u>
Total state expenditures	<u>32,916,231</u>	<u>37,865,709</u>	<u>40,061,819</u>	<u>45,863,185</u>
Other monies:				
County general fund ²	15,292,434	15,726,591	16,735,435	17,271,775
Probation service fees	4,380,818	4,562,026	4,971,753	6,724,491
Other ³	<u>1,711,478</u>	<u>2,079,377</u>	<u>2,005,280</u>	<u>4,530,082</u>
Total Expenditures	<u>\$54,300,961</u>	<u>\$60,233,703</u>	<u>\$63,774,287</u>	<u>\$74,389,533</u>

¹ State monies include the amounts disbursed to the counties, amounts paid by the State on behalf of the counties for expenditures such as motorpool charges and vehicle purchases, and amounts paid by the State for administrative costs and centralized services such as research, automation, and certification.

² Amounts include estimates for six (Gila, Graham, Greenlee, La Paz, Mohave, and Santa Cruz) of the seven counties that have combined juvenile and adult probation departments. Because these six counties do not separately account for adult probation expenditures, they estimated the amount expended.

³ Amounts include federal grants, city grants, and other state grants such as Department of Education grants. Federal Drug Enforcement Account expenditures and Transferred Youth treatment expenditures are not included.

Source: Auditor General staff analysis of the Administrative Office of the Courts' financial reports, county finance department reports, and county adult probation department reports for years ended June 30, 1995 through 1998.

education services. Specifically, the Act requires that individuals convicted of drug possession for the first or second time be placed on probation so that they can receive treatment. Funding for this program is provided by a percentage of the luxury privilege tax, estimated to be \$3,110,289 for fiscal year 1998.

The State's level of funding varies by type of probation program. While the State contributes a portion of the revenue to administer standard probation, it provides 100 percent of the funding for enhanced services for offenders, such as intensive probation supervision. State appropriations for each program are largely based on requests made by each county. Statute requires that each county's presiding judge submit an annual budget request to the Administrative Director of the Courts, describing projected financial needs and expenditure plans for probation services. The Division incorporates the individual county request into a single statewide budget request presented to the Legislature.

Once the Legislature appropriates funding for probation services, the Division distributes the state monies to the counties on a quarterly basis, who then use the money for officer salaries and operating costs. The Division distributes state monies based on funding agreements entered into with each county at the beginning of each fiscal year. Through these agreements the Division commits to a certain level of funding while retaining some monies for later use if counties justify additional needs. Throughout the year, counties submit for the Division's review monthly reports detailing program activity. Additionally, the Division performs a mid-year review to assess counties' expenditure of program monies.

While counties expend most of the state monies received, statute requires that any unexpended monies shall revert each year. For example, counties reverted approximately \$60,000 and \$71,000 in fiscal years 1996 and 1997, respectively, for the intensive probation program.

State Has Key Oversight Responsibilities for County Probation Programs

Although probation programs in Arizona are operated at the county level, the State, through the Supreme Court's Administrative Office of the Courts, retains administrative responsibility for all court programs. Article VI, Sections 3 and 7 of the Arizona Constitution gives the Supreme Court administrative supervision over all courts in the State and requires it to appoint an administrative director and staff to assist the chief justice in discharging his administrative duties. To this end, the Administrative Office of the Courts established the Adult Services Division (Division) in the mid-1980s to administer and oversee statewide adult probation services. While the Division has no direct authority over county probation officers, it does retain some supervisory authority through the Administrative Office of the Courts. For example, various statutes and Supreme Court administrative orders require

county probation departments to submit budget requests and activity reports to the Supreme Court, which are monitored and acted upon by the Division.

The Division's primary responsibilities are to distribute state monies for the previously mentioned five programs and to perform a variety of oversight activities to ensure the State's contribution is used to increase the effectiveness of all county probation programs. These oversight activities include performing periodic evaluations of probation program operations; providing technical assistance and training; performing research and statistical compilation; coordinating approximately 250 state vehicles; and overseeing the application and distribution processes for approximately \$3 million of Drug Enforcement grant monies to enhance counties' ability to prosecute drug offenses and related crimes. To perform its responsibilities, the Division has 18 full-time employees, of whom 12 perform professional services such as program and regional administration, while the remaining staff provide support services.

The number of staff required to administer probation programs at the county level is dependent upon the total number of active standard and intensive probationers in each county. The total number of probationers supervised in each county varies, ranging from approximately 100 in Greenlee County to over 21,000 in Maricopa County.¹ Similarly, probation department staffing ranges from under ten full-time employees (Graham, Greenlee, and LaPaz Counties) to nearly 900 (Maricopa County).² Although the Administrative Office of the Courts promotes statewide unity of probation departments, each county differs in its local policies, procedures, needs, and resources.

While most of the \$45.9 million in state funding for probation programs in fiscal year 1998 was distributed to the counties, the Division retained approximately \$1.7 million, or about 3.8 percent of the total appropriation, to perform its oversight role. Another 1.5 percent, or about \$670,000, was spent on various centralized services such as certification of probation officers, research, and automation.

Audit Scope and Methodology

This audit focuses primarily on the Division's role in overseeing the various aspects of adult probation service provisions including funding distribution, compliance with statutes involving caseload ratios, and probation service fees. To evaluate how well the Division is fulfilling its oversight roles, many methods were used, including:

¹ Figures are as of February 1998.

² For the total number of probationers and probation department staff for each county, see Appendix.

- Surveying all 533 Maricopa County probation supervisors and officers to confirm the number of active probationers being supervised as of January 31, 1998;
- Analyzing financial reports from each county for fiscal years 1995 through 1998 to ascertain the amount of monies spent on each type of probation program;
- Analyzing financial documents to identify expenditures for certain probation services;
- Observing Division staff perform reviews of two county probation departments, which included case file reviews and a ride-along with a probation officer to gain a complete understanding of the Division's periodic review process;
- Reviewing 10 of the 12 previously completed operational review reports to determine the level at which counties maintain compliance with statutes, administrative orders, and policies and procedures;
- Interviewing all 15 Chief Probation Officers to obtain their perspective on fee collections, the Division's operational review process, and funding practices;
- Collecting and analyzing monthly statistical reports to ascertain the adequacy of information reported to the Division; and
- Contacting 10 other states to learn best practices regarding both the monitoring of state-funded contracts as well as methods of funding adult probation programs.

This report presents findings and recommendations in three areas regarding the need to:

- Better ensure the accuracy of reported funding needs for probation officers;
- Develop greater oversight of the collection and use of probation service fees; and
- Improve the Division's current methods of county probation department oversight.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Administrative Office of the Courts, the Director and staff of the Adult Services Division, county clerks of the court, presiding judges, and the chief probation officers and their staffs for their cooperation and assistance throughout the audit.

FINDING I

THE FUNDING NEEDS FOR TWO ADULT PROBATION PROGRAMS HAVE BEEN OVERESTIMATED

For two of Arizona's probation programs, caseload data does not support the level of state funding proposed by the Division for fiscal year 1999. For both standard and intensive probation, state assistance is aimed at allowing counties to maintain certain ratios of staff to the probationers supervised. However, in the standard probation program, inaccurate counts of Maricopa County's supervised probationers overestimated the funding need for probation officers for fiscal year 1999. For the intensive probation program, overestimates have resulted in the Division receiving more funding than necessary to accommodate the number of probationers placed in the program. Therefore, to prevent the State from providing any unnecessary funding in future years for these programs, the Division should ensure that the data on which state assistance is based is as accurate as possible.

Caseload Counts Used to Determine Funding Needs

The State has established caseload ratios as a means for ensuring a certain level of public safety and for determining the amount of monies each county needs to operate its two primary probation programs. For the standard probation supervision program, statutes require that counties maintain an average caseload ratio of 1 probation officer to 60 probationers. For the intensive probation supervision (IPS) program, which is aimed at higher-risk individuals, state law requires a ratio of 1 officer to 15 probationers, 2 officers to 25 probationers, or 3 officers to 40 probationers. The most common team structure used by the county probation departments is 2 officers to 25 probationers.

Although the county probation departments operate both the standard and intensive probation programs, the Division is responsible for requesting, receiving, and distributing the state monies allocated for these programs. As such, the Division provides counties with instructions and training on what categories of probationers are considered as "active" for purposes of funding at the prescribed statutory level. Therefore, each month counties are required to report the number of active IPS and standard probationers to the Division, which uses these numbers to review compliance with the ratios and to determine the need for state funding. The State fully funds the IPS program, but its assistance to the standard probation program is intended to supplement, not supplant, the money that the counties provide for this program.

Inaccurate Caseload Counts for Standard Probation Could Be Costly for the State

The standard probation program's need for state funding has been overestimated for fiscal year 1999 because Maricopa County has inaccurately reported the number of active probationers. A review and analysis of the number of active standard probationers reported by Maricopa County's Adult Probation Department (Maricopa) found that the number misrepresents Maricopa's funding needs for fiscal year 1999 by more than \$3.6 million. Due to the significant financial ramifications resulting from inaccurately reported figures, the Division should immediately ensure the accuracy of Maricopa's reported caseloads and consider reviewing other counties' reported numbers as well.

Number of active probationers overstated in Maricopa County—Maricopa County has overstated the number of active standard probationers it actively supervises. This review focused on Maricopa County because it was the only county reporting a substantial need for additional probation officers to maintain the required caseload ratio.¹ Specifically, as of December 31, 1997, Maricopa reported it had 22,901 active standard probationers. Based on this number, the Division determined that Maricopa's caseload ratio was 74:1 versus the required 60:1, and that Maricopa would need an additional 71 probation officers to achieve compliance.

To confirm the Division's assessment of Maricopa's need for additional officers, auditors performed a January 1998 review and analysis of the number of active standard probationers. All Maricopa County Adult Probation Department employees who had the potential for supervising cases were surveyed and asked to report the number of cases (if any) they supervised on January 31, 1998. One hundred percent of the 533 individuals surveyed responded and reported that they supervised a total of 18,576 standard probationers. This number was not significantly different from the number the officers reported to Maricopa's management for the same period (18,521 probationers). Despite the similarity in these two numbers, Maricopa reported to the Division that as of January 31, 1998, it had 23,008 active standard probationers. This number is more than 4,400 cases (or 24 percent) higher than the number determined through our survey and the number compiled by the county from the probation officers' monthly reports. Because the Division does not receive the figures officers report to Maricopa's management, the Division would not have known of the reporting discrepancy.

There are two reasons why the number of active probationers Maricopa reports to the Division is inflated. First, the number is derived from an automated system, the Law Enforcement Judicial Information System (LEJIS), that contains numerous errors. For example, a

¹ Gila and Mohave Counties also reported a need for additional standard probation officers. Gila's caseload ratio was calculated at 63:1, and Mohave's was 66:1. However, these two counties would only require between one and two probation officers each to achieve compliance.

January 31, 1998, LEJIS printout indicated that one officer had 158 active cases, yet further review of the printout revealed that 40 of these cases had expired probation terms. In fact, one case had expired in 1986. The system also listed 33 individuals who no longer work with the Department as having active caseloads. Second, Maricopa's methods for adjusting the LEJIS data also result in additional inflation. For example, Maricopa does not subtract all inactive cases, such as the Mexican national probationers who have been deported to Mexico. Likewise, when calculating its standard probationer numbers, Maricopa does not eliminate all of the intensive probationers listed on the system.

While this review did not specifically look at whether any overfunding had occurred in previous years, a limited review conducted by Maricopa County (at the Division's request) early in 1997 found that its data system overestimated the number of active probationers by 5 percent. Additionally, Maricopa has been using the same automated system and method to calculate the number of active cases for several years, which suggests the County may have overestimated the need for additional officers in prior years as well.

Over-reporting creates potential for unnecessary funding—Because Maricopa County supervises about 64 percent of the approximately 29,000 statewide active standard probationers, any exaggeration in its numbers can potentially result in significant unnecessary costs for the State. As demonstrated earlier, Maricopa overestimated the number of probationers actively supervised in January 1998 by more than 4,400 cases. This number overestimates Maricopa's funding needs for fiscal year 1999 by more than \$3.6 million. Given the significant fiscal impact such an overestimation could have, during the course of the audit auditors contacted both the Division and Maricopa County probation officials to discuss the results of our study and convey its potential fiscal ramifications on the pending fiscal year 1999 budget.

Subsequent to those meetings, the Division initiated further meetings with Maricopa as well as with both JLBC and the legislative appropriations committee leadership to discuss the issue. Additionally, the Division took immediate steps to ensure funding disbursed to Maricopa in fiscal year 1999 is based on the revised count of 18,576 active probationers rather than the 23,008 probationers estimated by Maricopa.

Division should verify probationer counts—Although our audit work disclosed inaccurately reported caseload counts that were being considered when estimating fiscal year 1999 funding needs, the Division should take steps to ensure these statistics are accurately reported in the future. While the Division has recognized the importance of obtaining probationer counts on a monthly basis, it only checks the data for such items as: (1) whether the number of probationers at the beginning of the month matches the number of probationers at the end of the previous month; or, (2) whether there has been any dramatic change in the number of probationers from one month to the next. Because some inaccuracies cannot be identified through such superficial analyses, the Division will need to develop additional mechanisms for verifying the monthly data. Specifically, the Division should work with Maricopa to develop a method for accurately recording and reporting the number of active

probationers. In the short-term, Maricopa could rely on data reported each month by individual officers to serve this purpose. However, if Maricopa continues to use LEJIS for long-term case management purposes, it should take steps to ensure the system can provide accurate and reliable data.

Although this audit report focused on Maricopa County, a cursory review of two other counties' data suggests that other counties may also report inaccurate numbers. For example, when the Division recently conducted a review of one county and requested a listing of active probationers, several of the cases on the list were found to be inactive. Therefore, the Division should conduct audits of all counties' data to verify the accuracy of probationer counts statewide. Once these audits are completed, the Division will need to ensure that the counties continue to provide accurate numbers. Consequently, the Division should require each county to develop and implement quality control procedures for the systems used to count probationers. Furthermore, as an ongoing monitoring mechanism, the Division could conduct active audits of caseloads during its regular reviews of each county's probation program (see Finding III, pages 21 through 28 for further information on the Division's operational review process).

Number of Intensive Probationers Considerably Less Than Projected

Unlike the inaccurate caseload counts identified for Maricopa's standard probation program, we found that inaccurate projections for the IPS program have resulted in the Division overestimating the need for state funding for not only fiscal year 1999, but for several years in the past as well. In preparing its funding requests, the Division has consistently overestimated the statewide number of IPS probationers who would actually participate in the program. This has resulted in the Division providing the counties with funding for more staff than has been necessary. If participation in the program remains at less-than-anticipated levels, the Division needs to modify its future funding requests. In addition, the Division should analyze other cost factors associated with the program to further ensure counties are efficiently managing their IPS programs.

Actual number of IPS probationers considerably lower than projected—Over the last three fiscal years, the Division's IPS funding requests have been based on accommodating substantially more probationers than have actually been placed in the program. The Division determines its funding request by applying a growth figure to the number of IPS "slots" (i.e., the number of probationers who could be served) appropriated by the Legislature during the previous year. Because probationers can enter and exit the IPS program at any time, the Division and the counties must establish IPS teams that allow for changes in the size of the IPS population. Therefore, when determining the amount of funding needed,

consideration must be given not only to the actual number of probationers but to the maximum number of probationers each county might have in any given year. However, as illustrated in Table 2, even the maximum number of probationers sentenced to intensive

Table 2
Adult Services Division
Intensive Probation Program
Comparison of Appropriated to Needed Slots
and Potentially Excess Slots Before and After Adjustments
Years Ended June 30, 1996 through 1998
(Unaudited)

	1996	1997	1998
Appropriated Slots	3,225	3,375	3,951
Needed Slots at Peak Capacity ^a	<u>2,699</u>	<u>2,646</u>	<u>3,182</u>
Potentially Excess Slots	<u>526</u>	<u>729</u>	<u>769</u>
Less:			
Transfers to Other Programs ^b	25	0	225
Reverted Slots	<u>50</u>	<u>75</u>	<u>188</u>
Remaining Potentially Excess Slots	<u>451</u>	<u>654</u>	<u>356</u>
Percentage of Potentially Excess Slots	13.9%	19.4%	9.0%

^a The number of program slots needed at peak capacity is a conservative estimate based on a review of actual caseload data in which the month with the most probationers on a statewide basis (June 1996, August 1996, and April 1998) were on intensive probation. Although this maximum number of probationers may have occurred in only one month of the year, auditors annualized this figure to conservatively allow for a larger number of probationers than were actually supervised throughout the year. The 1996 number is based on data from the last three quarters of the fiscal year because no data was available for the first quarter. The 1998 number is based on data from the first ten months of the fiscal year.

^b Monies originally appropriated for IPS slots were transferred out to other programs within the Supreme Court, such as the adult and juvenile standard probation programs.

Source: Auditor General staff analysis of the number of appropriated slots reported in the Joint Legislative Budget Committee appropriation reports for the years ended June 30, 1996 through 1998, and the Adult Services Division's actual Intensive Probation Program probationer data.

probation in each of the last three fiscal years has fallen considerably short of the number of IPS slots anticipated and subsequent monies appropriated to hire officers (even when considering actions taken to transfer funding for slots to other programs or revert monies back to the General Fund). In its budget requests, the Division has applied its projected growth figures to the previous year's appropriation instead of the number of slots actually filled. This has perpetuated, and compounded, any overestimates of needed slots. For example, while the Division transferred out funding for 75 slots in fiscal year 1997, leaving an additional 654 slots available, it was still appropriated 576 more slots in 1998 than the original 1997 appropriation and 1,305 slots more than needed at peak capacity in 1997.

While the manner in which the Division applies its growth projection appears to result in an excess numbers of slots, determining the full extent of the excess capacity is difficult for several reasons. First, the Division must consider geographical location when allocating IPS funding to many of the rural counties. For example, while Page may have only six individuals on intensive probation, it may not be in the best interest of that community to require an IPS team stationed in Flagstaff to supervise those probationers. Therefore, counties with sparsely populated communities may never attain a full ratio of 25:2. However, during the audit, the Division could not provide information regarding how many of the extra slots can be attributed to geographical needs. Second, the Division generally allows counties to operate their IPS teams at about 85 percent capacity. Once counties approach this capacity level, the Division begins to plan for and distribute funding for an additional team to ensure that counties do not exceed the statutorily mandated ratio of 25:2.

Division needs to address discrepancies between projected and actual numbers—To ensure that counties use state funding for the IPS program with the efficiency intended by the statutory ratios, the Division should reduce future funding requests. The appropriations by the Legislature over the past three years appear to have been greater than needed, given the actual numbers of probationers in the program. When determining the need for IPS funding in future years, the Division should apply its growth figure to the actual number of probationers placed in IPS in the previous year.

Other IPS cost factors should be analyzed—Because IPS is fully funded by the State, the Division should consider other factors that can impact the funding dedicated for this program, including:

- **Cost per IPS probationers**—The Division should analyze the variation among the counties in cost per probationer to determine if greater cost standardization can be achieved. Auditors' review and analysis of each county's financial data indicated that the annual cost per IPS probationer has varied among the counties by at least \$5,000 for each of the past three fiscal years. For example, during 1997, the annual cost per IPS probationer ranged from about \$3,500 in Mohave County to \$8,900 in Santa Cruz County.

- **Percentage of IPS probationers**—Although the decision to place an individual on intensive probation is ultimately a judicial one, the Division may also want to consider establishing guidelines regarding how the IPS program is used. An analysis of each county's probationer data found that, statewide, about 8 percent of all probationers are on IPS. However, some counties use their IPS programs more extensively than others. For example, during fiscal year 1997, Apache, Cochise, and Yuma all had more than 20 percent of their probationers on IPS. On the other hand, Maricopa and Mohave used the IPS program for only about 5 percent of their total probationers. Because every county uses a state-developed risk assessment to help determine which individuals to place on IPS, further analysis is needed to determine why there is such a wide variance in the program's use.

- **Length of the IPS program**—Finally, the Division should conduct further analysis to determine how the length of time a probationer participates in the program impacts funding and whether counties should adhere to more consistent time frames. Review of Division reports from 10 counties indicates that the average length of IPS programs among these counties ranges from 9 months per probationer to more than 18 months. Although an administrative order establishes strict supervision guidelines for each of the IPS program's three phases, the Division has not established an optimum length for each phase or the entire program. Establishing an optimum length could help ensure that probationers are not kept in the program longer than needed.

By further analyzing these factors and developing solutions as necessary, the Division could help ensure that no unnecessary costs are encountered and that counties are efficiently managing their IPS programs.

Recommendations

1. The Division should ensure that the standard probation program is not over-funded in the future by:
 - a. Working with Maricopa County to develop an accurate method for recording and reporting its number of active probationers;
 - b. Auditing the other 14 counties' active probationer data;
 - c. Requiring each county to develop and implement quality control methods for the systems used to record and report the number of active probationers; and,
 - d. Continuing to audit counties' active probationer data when it conducts its regularly scheduled reviews of each county's probation programs.
2. The Division should also ensure that unnecessary funding is neither requested nor provided for the IPS program in the future by:
 - a. Reducing the number of slots in future funding requests to more closely reflect the actual number of participants;
 - b. Ensuring counties establish only the number of teams necessary, and reducing the number of teams when warranted; and
 - c. Reviewing other cost factors such as the cost per probationer, and the length of the IPS program to ensure that no unnecessary costs are encountered.

FINDING II

COLLECTION AND USE OF PROBATION SERVICE FEES NEEDS GREATER OVERSIGHT

In its role to assist the Supreme Court in providing administrative supervision of court services, the Division can provide greater oversight of the counties' collection and use of probation fees. While state law requires that probationers are assessed a \$40 per month supervision fee to help offset the costs of administering their probation, the statewide average fee amount collected per probationer for the first seven months of fiscal year 1998 was just under \$15. Although the Division is aware that most counties do not collect the \$40 per month probation fee from probationers, it has limited data available to assess the current status of counties' collections efforts. Moreover, even when counties collect probation fees, the Division has done little to ensure the counties use the available probation fee monies as intended. Therefore, to improve the counties' collection and use of probation fees, the Division should enhance coordination efforts and ensure that counties more fully utilize the probation fees they collected.

Probation Fees a Condition of Probation

Individuals placed on probation receive a number of conditions, including the requirement to pay various financial assessments. By statute, all probationers are assessed a probation service fee. The county retains the fee to help offset the costs for probation officer and staff salaries, administrative expenses, and other costs related to the probation program. According to research compiled by the U.S. Department of Justice, probation service fees not only generate needed revenue but also promote offender responsibility, and create a deterrent effect as a form of punishment, representing a form of symbolic restitution to the taxpayers. When probationers are not held to the requirement to pay this monthly fee, it not only undermines the credibility of probation but reduces the extent to which probationers are offsetting the cost of their supervision.

Currently, several entities are involved in assessing, monitoring, and collecting probation fees. Under A.R.S. §13-901(A) the superior court is required, as a condition of probation, to assess a monthly fee of not less than \$40 unless, after determining that the probationer is unable to pay the fee, assesses a lesser fee. The clerk of the court is responsible for accepting payments and depositing them into the adult probation services fund. Finally, the probation department is responsible for monitoring the probationer's compliance with court-ordered payment terms. In fiscal year 1997, counties collected approximately \$5 million in probation

fees. This money, along with revenue provided by each county's Board of Supervisors as well as state appropriations, accounts for the funding available for court and probation operations. As such, any increase in the amount of probation fees collected could potentially replace state and/or county appropriated funding for a portion of probation program operations. Therefore, although the Division has no direct role in the collection process, it can play an oversight role to ensure adequate efforts are made on the part of counties to ensure probationers offset the cost of supervision.

Division Lacks Data for Monitoring Fees

Although the Division has begun an initiative to increase the amount of fees counties collect, it cannot adequately monitor and assess counties' collection efforts. Specifically, the Division currently has no information available to determine the amount of fees probationers are being assessed. In addition, both the Division and the counties lack adequate mechanisms to track the status of collections efforts. Therefore, the Division should increase its reporting requirements for collections information and work toward improving exchange of collection information within the counties.

Division initiative to improve collections—In response to concerns about low collections, the Division recently began an initiative to improve counties' collections efforts. Recognizing that monthly probation fee collections were on average less than \$15 per probationer, early in fiscal year 1998 the Administrative Office of the Courts established a "minimum goal that each department collect an average monthly probation service fee of \$20 per standard and intensive probationer." This initiative was expected to increase fee collections by almost \$1.7 million a year, an amount that could be used for additional probation officer positions. Alternatively, Division officials suggest that additional probation service fee revenues could be used to fund a statewide automated system.

Inadequate information to assess collection efforts—Although the Division's recent initiative focuses on improving overall collections, it currently does not require counties to report the information necessary to fully assess their collections performance. Due to varying levels of probation fee data collection at the counties, auditors' attempts to study individual county collections were limited. For example, one county did not report collections data for at least nine months. Additionally, a few other counties reported financial data in aggregate form, not differentiating between total amounts of restitution and probation fees collected. This limited data stems, in part, from the Division's failure to require counties to uniformly maintain and report basic financial information associated with the collection of probation fees. Consequently, while the Division's initiative seeks to improve overall collections, it continues to lack the necessary information to fully assess the individual counties' performance. The Division has no data available to determine the monthly probation service fee for each probationer nor does it maintain adequate mechanisms to track collections efforts.

- **No available data regarding probation fee assessments**—While statutory language recommends a \$40 monthly probation service fee per probationer, the Division does not require counties to report fee amounts ordered. Without knowing the total amount ordered, the Division cannot determine whether assessment levels are being set appropriately. While the Division assumes that overall collections are poor, based on the state-wide calculated monthly average of less than \$15 collected per probationer, there is some indication that judges may not be regularly ordering probationers to pay the statutory amount. For example, analysis of Maricopa County’s collection data for November 1997 found the average probation fee ordered was \$34. Further analysis revealed that while fewer than 1 percent of probationers were assessed a monthly fee greater than \$40, a significant number of probationers are ordered to pay considerably less than a \$40 fee. Specifically, of those probationers who were identified as being assessed a fee in November 1997, 28 percent were ordered to pay a fee of less than \$40 each month. Further, 21 percent were ordered to pay a fee of \$20 or less.

To determine how well counties are able to meet the Division’s established goal of an average of \$20 per probationer, the Division will need to require counties to report the monthly fees assessed against each probationer.

- **Inadequate mechanisms to track collections**—Regardless of the amount probationers are ordered to pay, both the Division and the counties lack adequate mechanisms to track collections efforts. The Division’s primary oversight of collections efforts entails gathering monthly totals from each county on the total amounts collected for each fee category (i.e., restitution, probation fees, fines, etc.). However, this information is only a partial assessment of how well counties are collecting monies, since it does not compare the amounts collected with the actual amounts probationers are ordered to pay. Instead, the Division computes each county’s monthly average probationer collection rate by dividing the county’s total active probationer count into the total amount collected. As a result, when the Division attempts to monitor collections performance through its review and analysis of monthly reported figures, it does not obtain a complete picture of collection efforts.

By requiring counties to report both the amount ordered and the amount collected, the Division would have a more complete assessment of counties’ collections performance. The Division should also identify any additional information that should be regularly captured, such as when payments are to begin, the cumulative amount owed, and the cumulative amount collected. Furthermore, the Division should ensure that counties submit monthly data in a consistent manner.

Division can help improve data exchange within counties—In addition to establishing additional reporting requirements, the Division can also help facilitate information exchange within the counties. The majority of county probation departments report having difficulty receiving timely and complete information from the clerk of the court offices. Although each

county's clerk maintains its collections on automated accounting systems, the ability to extract necessary financial data varies from county to county, thus making it difficult to monitor collections at the individual probationer level as well as for the county as a whole.

The Division can possibly assist in addressing this problem by serving as a liaison/facilitator to improve information exchange within counties. Currently, 13 of the 15 county clerks use the same automated system, Arizona Courts Automation Project, to record and maintain collection information. Since this system was developed by the Administrative Office of the Courts and is supported by its staff, the Division should look for ways to build in the necessary reporting elements to enable clerks of the court to provide the essential information. And, although the Division is aware of varying levels of cooperation among county clerks and probation departments, it does not have direct authority over clerk of the court operations. Therefore, the Division may need to seek a supreme court administrative order that clarifies the county clerks' role in providing the necessary information. A similar order exists to ensure restitution is paid promptly to crime victims.

Division Has Not Adequately Overseen Counties' Use of Probation Fees

In addition to the problems surrounding probation service fee collections, the Division has not ensured that the fees, once collected, are fully utilized. Specifically, at the end of fiscal year 1997, more than \$5 million in fees collected statewide remained unexpended. As a result, it does not appear these fees are being used to offset the costs of probation as intended. Therefore, the Division needs to ensure that a greater portion of the adult probation program is covered by probation fees.

Underutilization of probation fees undermines intended purpose—Even though the Legislature intended that probation fees would help offset the cost of providing probation programs, these monies are being underutilized. The statewide unexpended balance of probation fees has more than tripled over the last five fiscal years with a balance on July 1, 1997, of more than \$5 million. Among individual counties, the balance for fiscal year 1997 ranged from \$19,396 to over \$2.4 million, with nine counties' balances exceeding \$200,000. In fact, while counties might argue that they need to maintain a minimum balance to ensure that monies are available to cover costs at the beginning of the next fiscal year, at the close of fiscal year 1997, the balance of probation service fee monies among all counties amounted to approximately 50 percent of the total money available during the fiscal year.

Because such a large percentage remains unexpended, probation fees are not helping offset probation costs to the extent possible. Specifically, counties are not spending the monies to fund as many probation officers as intended. Laws 1993, Chapter 254, raised the monthly probation supervision fee from \$30 to \$40 with the intent that this increase would replace state funding for 27 officers. However, Division records indicate that by the end of fiscal year 1998, only 12.5 case-carrying probation officers will be funded from the supervision

fees collected, leaving a shortfall of 14.5 fee-funded officers. Therefore, nearly five years after the monthly probation fee was raised to \$40, counties have yet to meet the expectation of funding all 27 probation officers from these fees. Consequently, the Joint Legislative Budget Committee (JLBC) staff, in its fiscal year 1999 appropriations report, does not recommend any additional funding to address perceived officer shortages, in part because counties are not funding positions according to this recent legislative stipulation.

Division needs to ensure counties fund positions with probation service fee monies—The Division should take steps to ensure that counties use a greater portion of probation fee monies to fund probation officer positions. Primarily through its annual and mid-year budget review process, the Division should require counties to report additional information regarding their probation fees to determine the extent to which counties can fund the cost of probation officer positions using these fees.

- **Annual review**—During its annual review of county budget requests, the Division should ensure that it obtains adequate data regarding a county’s projected use of its probation fees. Currently, while each county is required to submit an annual budget request packet, the counties are required to provide very little data regarding probation fees. A review of previous budget requests revealed that in the last two years, some counties did not submit any budget information regarding probation fees collected. Meanwhile, a review of individual county probation fee balances revealed that two of the three counties that are currently reporting officer shortages had probation fee balances of more than \$200,000 at the end of fiscal year 1997. Therefore, to better ensure that counties use probation fee monies to help pay for probation officer positions, the Division should require counties to provide financial detail along with a narrative description of how they will spend probation fees. Since the monthly probation service fee was raised to \$40 in 1993, annual county probation fee collections have increased by an average of \$1.7 million. Thus, it appears that counties could pay for the cost of the 27 probation officers with probation fees.
- **Mid-year review**—The Division should also request additional data regarding fees during its mid-year program review. Currently, for each type of probation program (i.e. standard, intensive probation) the Division requires counties to provide a mid-year program financial statement detailing expenditures during the first half of the fiscal year. The Division then uses this data to make any necessary funding adjustments. Therefore, the Division should consider the availability of probation fee monies during its mid-year review. For example, if a county needs additional probation officers, the Division could require that the county use probation fees (to the extent available) first to address this need.

The Division should also ensure that counties comply with the Supreme Court’s requirement to use a majority of the fees to pay for officers’ salaries. Administrative Order No. 86-8

requires that “not more than 30 percent of the fund” may be used for purposes other than paying the salaries of probation officers or presentence investigators. However, a review of county probation fee expenditures over the last three fiscal years indicates fewer than half the counties are expending 70 percent of their actual expenditures on these salaries. Therefore, the Division should require counties to comply with the order by ensuring that counties’ cumulative expenditures from their probation fee monies are spent on officer salaries.

Recommendations

1. To obtain a more complete assessment of counties’ collections performance, the Division should require counties to maintain and report more specific probation fee information, such as:
 - a. the name of each new probationer assessed a monthly probation fee and the amount of the fee
 - b. the total number of new probationers who were assessed a monthly probation fee
 - c. the amount of probation fees collected for each probationer in the current month
 - d. the cumulative amount collected for each probationer, and
 - e. the cumulative amount still owed for each probationer
2. The Division should ensure that counties submit monthly collections data in a consistent manner.
3. The Division should seek an administrative order to clarify the county clerks’ role in providing necessary probation fee collection information.
4. The Division should take steps to ensure counties assume the responsibility for annually funding the 27 probation officer positions intended when the Legislature allowed a probationer fee increase by:
 - a. requiring counties to include probation fee financial information as part of the annual and mid-year budget review process along with a narrative description of how probation fees will be spent.
 - b. considering the availability of probation fee monies in its annual and mid-year reviews.
5. The Division should regularly review probation fee balances to determine if 70 percent of cumulative expenditures are spent on officer salaries as stipulated in the Supreme Court’s administrative order.

FINDING III

STATEWIDE OVERSIGHT CAN BE IMPROVED

The Adult Services Division can improve its oversight of Arizona's adult probation services. Although the Division has established comprehensive reviews of each county probation department, this process can be improved to provide greater assurance that adequate services are delivered in each county. In addition, although the Division requires counties to report various probation statistics on a monthly basis, it is not fully using the data as a means of oversight. Finally, although the Division does take steps to oversee most state money, it currently has no mechanism in place to ensure that approximately \$4.3 million in state monies for fiscal year 1998 distributed to county probation departments for contracted services is being used appropriately.

Importance of Statewide Oversight

Although probation programs in Arizona are operated at the county level, the State, through the Division, retains administrative responsibility for adult probation services. The Division carries out its statewide oversight role through a variety of activities including ensuring all probation departments have standard procedures and are in compliance with applicable statutes, Supreme Court administrative orders, and guidelines.

The Division's oversight role is important in that it promotes statewide uniformity in the provision of probation services. The Division is the State's link to county probation departments to ensure that the State's contribution for probation services is used to increase the effectiveness of all county probation programs. In addition, the Division encourages standardization of procedures and promotes uniform probation services throughout Arizona. It is important for the Division to obtain an adequate independent assessment of how probation departments are performing and maintaining compliance with statutes, administrative orders, and policies and procedures.

Periodic Reviews of County Programs Could Be Improved

The Division's current reviews of county probation departments could be improved. In 1995, the Division implemented an operational review process as a means of measuring whether a probation department's services are in compliance with statutes, administrative

orders, funding agreement requirements, program plans, and locally developed policies and procedures. Although these periodic on-site reviews are comprehensive, the Division can make several potential improvements to the process.

Division established operational reviews—The Division established an operational review process as one method of overseeing local probation departments’ practices and procedures. This process involves both a self-assessment performed by probation staff and an on-site visit conducted by Division staff. A self-assessment questionnaire is completed prior to the on-site visit to allow counties to preliminarily assess their compliance with all statutory and administrative requirements. After the Division receives the counties’ self-assessment questionnaires, staff perform on-site operational reviews over the course of a 2- to 12-day period. During these visits Division staff conduct interviews, observe operations, and review case files to determine the extent to which local probation departments are in compliance with laws and standards. The Division examines nearly all aspects of probation services during a review including each county’s supervision procedures for intensive and standard probationers, sex offender registration and notification, and minimum accounting standards.

Operational reviews are designed to develop a partnership between the Division and the local probation department, to facilitate compliance, to establish and maintain program and fiscal accountability, and to ensure adequate accounting and monitoring procedures for all state monies. If areas of noncompliance are identified, the Division will provide the probation department, where feasible, with administrative and technical assistance to correct the situation.

Operational review process needs strengthening in several areas—While the Division’s operational review process encompasses major areas, the process could be improved to provide increased independent assurance that each county is providing adequate adult probation services. Auditors’ analysis and assessment of the review process identified the following areas that could cause problems if not addressed:

- **Greater emphasis on independent verification**—Although Division staff attempt to assess compliance through a review of various case files, the conclusions drawn from such reviews are at times based on self-reported information rather than independent verification. The Division’s operational review manual indicates staff will familiarize themselves with all aspects of the department’s operations prior to the on-site visit and will only obtain clarification of the department’s responses in the self-assessment questionnaire, but this does not appear to occur for each review. Once on-site, Division staff spend considerable time interviewing department staff regarding information contained in the self-assessment questionnaire, while less time is spent on independent verification. Division staff confirmed that a substantial amount of fact-gathering for the operational review is based on the self-assessment and department staff interviews. When attending one on-site review, auditors observed minimal independent verification efforts. Without

sufficient verification of reported information, the Division has limited assurance of a county's level of compliance.

Therefore, Division staff should attempt to clarify any concerns with departmental policies and procedures prior to the site visit, thus providing more familiarity with a department's operations while allowing increased time for additional forms of verification.

- **Larger file reviews reduce risk of inaccurate conclusions**—The Division's overall conclusions regarding essential aspects of program compliance appear to be drawn from limited file reviews. For example, during a November 1997 operational review, 1 out of 16 Interstate Compact cases and 2 out of 13 sex offender cases were reviewed to determine overall department compliance or noncompliance in these two categories. Determining compliance or noncompliance from a small sample of cases increases the risk that the cases reviewed may not reflect the actual status of cases in general.

Therefore, the Division may want to consider reviewing a larger number of case files to provide greater assurance of a county's compliance level. For example, for small probationer populations in high-risk categories, such as sex offenders, the reviewer should look at all cases. By doing so, the Division will reduce the risk of drawing erroneous conclusions.

- **Greater emphasis on solution development**—Although the Division's operational review manual states that each operational review report will include recommended corrective action(s) if an area of noncompliance is identified, auditors' review found the reports presented to county probation officials at the completion of an operational review do not routinely provide recommendations that offer suggestions on how to address areas of noncompliance. Moreover, even when the Division returns to conduct a follow-up review and finds continuing noncompliance, it still does not offer solutions on how to achieve compliance.

To assist counties in addressing deficient areas, the Division should offer specific recommendations. In fact, the Division used to do this prior to 1994 when it conducted site visits. Unlike the operational review report, site visit reports identified specific tasks the county needed to implement to achieve compliance. According to the Division, specific recommendations were not incorporated into the operational review process at the request of chief probation officers. However, providing specific recommendations can assist probation departments in reaching full compliance. Furthermore, many of the chief probation officers interviewed indicated that they would like more assistance rather than just having areas of noncompliance pointed out to them.

- **More flexibility with staffing assignments**—The Division's current method for assigning staff to conduct operational reviews may limit its ability to independently assess county performance. The Division's regional administrators are primarily responsible for all aspects of oversight in their geographical area of the State. Although a regional ad-

administrator's role is to advocate resource needs for probation departments, they are also required to perform operational reviews in their geographic region. Therefore, when regional administrators perform operational reviews on their counties, they are required to play an adversarial role by pointing out deficiencies. According to Division staff, these conflicting roles make it difficult for regional administrators to independently assess the effectiveness of the county departments for which they are responsible.

To alleviate these conflicting roles, the Division may want to consider other options for staffing operational reviews. For example, the Division could designate a separate task team responsible for conducting operational reviews. This method is currently used by the Administrative Office of the Court's Juvenile and Court Services Divisions, which either contracts for or has staff who perform operational reviews. Alternatively, the two regional administrators could perform operational reviews on their opposite region.

Since the Division is in the final year of its first three-year operational review cycle, this would be an opportune time to reevaluate and incorporate new techniques for the next cycle of reviews.

Monthly Data Not Used as An Oversight Mechanism

While the Division's operational reviews provide a comprehensive review every three years, it has not adequately used monthly statistical reports as an oversight mechanism. Specifically, the Division does not ensure county probation departments provide accurate, comprehensive, and consistent data necessary to monitor compliance with caseload ratios and use of state monies. Therefore, the Division should take steps to enhance its use of monthly statistical reports as an oversight mechanism.

Division does not ensure data reported is accurate, consistent, and comprehensive—Although the Division requires counties to report basic information each month, it does not ensure the accuracy, comprehensiveness, and consistency of this information. Each county is required to report monthly statistics pertaining to collection of fines and fees, case activity, number of total active probationers, and community service hours. This type of information is essential for several reasons. First, to a certain degree, it can help the Division assess each county's performance by identifying trends and anomalies in the reported data. Second, it can help the Division determine whether counties are maintaining statutorily required caseload ratios. Finally, the information is used as a basis for making funding decisions for county probation programs and services.

Despite the criticality of obtaining accurate and consistent data, the Division does not adequately ensure the quality of the data. Specifically:

- **Division does not ensure accuracy of data**—As illustrated in Finding I (see pages 7 through 14), there is a distinct possibility that some counties may not be reporting the most accurate figures as they pertain to caseload size. However, the Division relies on numbers provided by the counties, who are basically only checking the data for anomalies and whether numbers at the beginning of the month match numbers at the end of the previous month. Accurate statistics are essential for the Division to ensure public safety and determine the amount of state funding needed to maintain statutorily established caseload ratios.
- **Not requiring comprehensive information**—As illustrated in Finding II (see pages 15 through 20), the Division does not collect the statistics necessary to fully oversee and assess the extent to which counties are providing adult probation services. For example, the information regarding collections provides only a partial assessment of how well counties are collecting monies, since it at no time compares the amounts collected with actual amounts ordered. Additionally, some counties have reported data in aggregate form, not differentiating between the total amounts of restitution and probation service fees collected. Without more comprehensive data, the Division cannot adequately assess county probation programs.
- **Division does not ensure consistency of data**—The counties lack consistency in the way they collect data. Currently, each county maintains data on its own automated system. Although the Division distributes forms to probation departments explaining how to complete monthly data reports, these forms are confusing and lack definitions of terms, according to Division staff. Therefore, each county seems to capture the data they feel is important, since there are limited guidelines in place to ensure that all counties capture the same information.

Division needs to ensure accuracy, comprehensiveness, and consistency of reported information—The Division should take steps to ensure the accuracy, comprehensiveness, and consistency of the information the counties maintain. **First**, the Division should conduct random, periodic verification of reported data to obtain a better assurance that counties are accurately recording program data. **Second**, the Division should expand its efforts to determine the adequacy of county operations by identifying and requesting additional information needed to make more comprehensive assessments. **Further**, the Division should provide training to clarify reporting directions so it can better ensure all counties are consistently providing the same information.

State-Funded Contracts Not Monitored

While the Division's oversight efforts address most aspects of county programs, these efforts do not address state money disbursed to county probation departments for contracted services. Despite the approximately \$4.3 million in state monies distributed for fiscal year

1998 to county probation departments for contracted services, the Division has no mechanism in place to ensure these monies are being used appropriately. As is commonly done in other states, the Division should establish a mechanism to ensure that probation service contracts are adequately monitored.

Lack of contract monitoring cannot ensure appropriate use of state monies—Currently, the Division does not monitor state money disbursed to county probation departments for contracted services. The State provides monies to county probation departments to contract with local community agencies for a wide range of services including residential treatment programs; substance abuse aversion, counseling, and treatment; electronic monitoring; and services related to intensive and standard supervision. In fiscal year 1998 the Division is authorized to disburse approximately \$4.3 million of state monies for 151 total contracts. Approximately \$1.5 million is used for contract services in the Community Punishment Program, \$2 million is used in the Drug Treatment Education Fund, and the remaining money is used for standard, Intensive Probation Supervision, and Interstate Compact Supervision programs.

Although the Supreme Court has established administrative orders giving the Division authority to audit or have audited all records of any court or its subcontractors related to the use and expenditure of program monies, it currently has no staff responsible for contract monitoring. Additionally, the Division has not established guidelines for county probation departments to perform contract monitoring nor has it ensured the counties are performing tasks necessary to determine whether contractors are providing the services specified in the contract, whether the services paid for are actually being received, and whether the contract is beneficial to the probationers being served. Consequently, without adequate controls there is no assurance that contract monies are appropriately spent.

Division needs to establish contract monitoring mechanism—To provide greater assurance that state monies dedicated for contracted services are being used appropriately, the Division should ensure a mechanism is in place to monitor such contracts. Contract monitoring can be performed by either Division staff or county probation personnel. At a minimum, the Division could incorporate contract monitoring into the operational review process. This is currently done by some of the other states contacted. For example, each time the Massachusetts Administrative Office of Trial Courts conducts an audit of local probation departments, it reviews all state-funded contracts regardless of the dollar amount. In addition to including a mechanism in operational reviews for contract monitoring, the Division should also conduct annual reviews since operational reviews are not performed annually.

Alternatively, the Division can help create guidelines for probation departments so counties can monitor their own contracts. Currently, Colorado and Texas have similar mechanisms in place. The Colorado Office of the State Court Administrator created a system in which it is the individual county's responsibility to review how their contracts are being performed. The Office of the State Court Administrator then monitors the department's contract monitoring practices during its operational review. Similarly, the Texas Community Justice As-

sistance Division issued a contract manual to probation departments that explains contract clauses. Community Justice Assistance Division staff currently use this manual to help probation departments learn how to monitor their own contracts. If Arizona established a similar procedure, the Division could monitor county probation departments' monitoring practices when it conducts an operational review.

According to Division officials, the upcoming operational reviews for the two largest probation departments (Maricopa and Pima) will include a contract monitoring component for all contracts over \$25,000. The Division Director indicated that prior operational reviews did not evaluate contracts since few counties maintained contracts greater than \$25,000. While implementing a monitoring component for contracts exceeding \$25,000 provides improved oversight of contract monies, the Division's guidelines for contract monitoring should provide at least minimal monitoring for all contract monies, regardless of the dollar amount.

Recommendations

1. To provide a more independent assessment of probation departments' adequacy, the Division should consider several changes in its operational review process, including:
 - a. Obtaining a better understanding of probation department operations prior to the on-site visit, thus allowing staff to spend more time independently verifying information and reviewing an additional number of case files;
 - b. Providing more direct recommendations to better assist departments in reaching compliance; and,
 - c. Using alternative staff assignments to alleviate possible role conflicts involved with staff reviewing county departments for which they also have oversight responsibilities.
2. To more effectively use monthly statistics as an oversight mechanism the Division should:
 - a. Periodically verify reported information to ensure its accuracy;
 - b. Ensure it requests sufficient information from the counties so that it can comprehensively assess probation programs; and,
 - c. Provide regular training to county probation staff on how to correctly complete monthly statistical forms.
3. The Division should establish a mechanism to monitor state-funded contracts. This function could be performed in-house or by requiring counties to monitor their own contracts. If counties are required to monitor their own contracts, the Division should provide guidance on how this function should be performed, then evaluate counties' contract monitoring process annually as well as when it conducts operational reviews.

Agency Response

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Appendix

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Appendix

County Adult Probation Departments Populations Served in Standard, Interstate Compact, and Intensive Probation Programs at February 28, 1998 and Departments' Staffing Levels at December 31, 1997 (Unaudited)

Probation Population

County	Standard	Interstate Compact	Intensive	Total	Total Staff
Maricopa	18,762 ^a	896	1,518	21,176	898.0
Pima	3,481	238	608	4,327	284.8
Mohave	1,202	114	66	1,382	51.5
Yavapai	1,017	43	161	1,221	69.5
Pinal	894	31	83	1,008	53.0
Yuma	722	32	214	968	68.5
Coconino	771	32	118	921	50.5
Gila	814	11	33	858	24.4
Navajo	555	16	44	615	26.5
Cochise	406	29	136	571	50.0
Santa Cruz	224	11	34	269	20.0
Apache	194	19	40	253	20.0
Graham	183	2	14	199	8.0
La Paz	116	10	5	131	6.4
Greenlee	<u>95</u>	<u>2</u>	<u>9</u>	<u>106</u>	<u>7.4</u>
Total	<u>29,436</u>	<u>1,486</u>	<u>3,083</u>	<u>34,005</u>	<u>1,638.5</u>

^a The amount Maricopa County reported for February is a decrease of over 4,000 from the amount the County reported for January. The decrease is a result of Maricopa's adjustment for our estimate of its reporting inaccuracies.

Source: Adult Services Division, February 1998 *Monthly Statistical Report* and 1998 fiscal year *Midyear Closing Report* (as of December 31, 1997).

Agency Response

July 22, 1998

Mr. Douglas R. Norton, Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Mr. Norton:

Thank you for the opportunity to comment on the performance audit report of the Adult Services Division.

For several years we have been requesting funding to develop and deploy an adult probation automated case management system. Funding has not been provided and the results from this audit highlight the critical need for such a system. Attempting to accurately manage 40,000 offenders and their daily movement with their respective compliance to court-ordered conditions, whether financial or treatment requirements, is a formidable task even with a functioning automated system. Without one, it is close to impossible. We simply can not provide the level of accountability we think is sufficient nor that this audit has shown is necessary. Absent funding we will continue to struggle with untimely information, basic aggregate level data and less than accurate predictions.

I would like to comment on the three major points found by your audit before we present the item-by-item review.

First, though surprised by the mistake, we concur that Maricopa Adult Probation Department (MAPD) reported higher caseload numbers than actually should have been recorded. This audit is a perfect illustration of how well the branches can work together to improve government programs. Your audit uncovered an error, we took immediate action to correct the problem and working with the Joint Legislative Budget Committee (JLBC), we were able to prevent any over expenditure of taxpayer dollars.

We are grateful that your staff detected the error so that other entities could react responsibly. However, it is important to understand that the numbers reported by Maricopa County are real cases representing actual workload for the department. The numbers represented individuals who resided in the county at the time of sentencing pursuant to A.R.S. § 12-251. For funding purposes we have administratively imposed a more restrictive definition. Maricopa Adult Probation Department

erroneously counted individuals for whom they had jurisdiction but the actual person was not actively being supervised in the county.

When the AOC was notified of the error, discussions took place immediately with JLBC staff. In addition, the Appropriation Sub-Committee Chairs were made aware of the situation. No funds were disbursed to Maricopa Adult Probation Department because of the error. The department responded quickly; corrected the erroneous numbers and instituted additional procedures to make sure the count will be accurate in the future.

Second, we do not agree with your methodology used to calculate excess capacity in the Intensive Probation Supervision (IPS) Program as displayed in Table 2 on page 11. There are a number of factors that we believe reduce actual capacity. For example, in order to provide protection to Arizona citizens we must locate IPS officers around the state irrespective of the size of a particular community or its geography. In these remote areas IPS will never reach full capacity. Additionally, it is impossible to perfectly predict caseload growth for the fifteen departments. Caseload growth is dictated in large part by prosecutorial philosophy and judicial decisions. A change in either or both may alter drastically -- up or down-- the probation caseload in a given county.

You acknowledge that caseloads are impacted by these issues and yet the worst case scenario is presented in Table 2 on page 11. The protection of the community is paramount in our officer allocation decisions and our ability to maintain appropriate caseload ratios is essential to public safety. It is always our objective to remain at or under caseload capacity. We are restricted by law from being over capacity with this high risk offender population, who but for this program, would be in the Department of Corrections.

You made no attempt to display the possible "slots" associated with serving rural/remote communities (in FY 98-140 slots) nor did you reduce the capacity to account for the transfer of funds to other probation accounts (in FY 98-225 slots) or fund reverts (teams never placed in FY 98-188 slots) because projected growth did not occur. If these adjustments were included in Table 2, the "extra slots" number is reduced from 769 to 216 in FY 98; only 5.5 percent of appropriated capacity. This same type of analysis was done for the other two years and is presented in the more formal segment of our response.

Finally, the audit encourages us to move to bolster compliance with court ordered financial obligations but it does not recognize the dramatic increases in collections that have occurred over the years. For example, probationers' restitution payments have increased from \$5,680,872 in FY 93 to \$7,917,361 in FY 97; this is 39 percent increase. Since we have instituted the goal of collecting an average of \$20 per month per probationer minimum for probation fees all but three rural departments met this goal as of May 1998. Another example of our commitment to collections is our administration of the Interstate Compact Program (ISC) for probationers. As reported by the Arizona Commission on Criminal Justice (ACJC) in FY 96, the Department of Corrections collected \$15,314 from ISC probationers for deposit in the Victim Assistance Fund (VAF). In FY 97, the first full year the duty to supervise these offenders shifted to our probation departments, \$181,445 was collected from the ISC probationers; this represents a 1,080 percent increase over the previous year.

This audit has provided us with an opportunity to review the entire process of collecting data, defining terms, granting funds and monitoring probation services. We recognize the hard work of your staff and the required individual recommendation response follows.

RESPONSE TO RECOMMENDATIONS

Recommendation One

- ◆ **The Division should ensure that the standard probation program is not over-funded in the future by:**
 - a. **Working with Maricopa County to develop an accurate method for recording and reporting its number of active probationers;**
 - b. **Auditing the other 14 counties' active probationer data;**
 - c. **Requiring each county to develop and implement quality control methods for the systems used to record and report the number of active probationers; and**
 - d. **Continuing to audit counties' active probationer data when it conducts its regularly scheduled reviews of each county's probation programs.**

We agree with the Auditor General's finding and audit recommendations have been implemented. However, we also believe that further explanation is warranted.

As stated earlier we acknowledge the reporting error by Maricopa Adult Probation Department (MAPD). When the discrepancy was brought to our attention by your audit team we immediately met with Joint Legislative Budget Committee staff and legislators responsible for appropriations to modify our previously submitted Fiscal Year 1999 budget request. Additionally, there were meetings with the MAPD Executive Team to correct population counts and ensure future caseload counts are accurate. It is important to reiterate that the count discrepancy was due to the department including cases that are not considered "active" for funding purposes. These cases still involve workload for the individual officers.

As a result of the Auditor General's findings, departments are now being required to conduct periodic hand counts that are completed separate from the numbers generated by any automated system. This information is formally reported to ASD in addition to the population figures reported to ASD monthly. Meetings with chief probation officers clarified what cases should be counted as "active" for funding purposes. Written definitions and explanations were mailed to the departments July 15, 1998, for use in FY 1999 and regional training will commence this summer.

Beginning in Fiscal Year 1999, State Aid Enhancement and Intensive Probation Supervision funding agreements will require county probation departments to conduct biannual hand counts of their active probation populations. Before a new position or team is placed in a county, Division staff will verify the population count.

Recommendation Two

- ◆ **The Division should also ensure that unnecessary funding is neither requested nor provided for the IPS program in the future by:**
 - a. **Reducing the number of slots in future funding requests to more closely reflect the actual number of participants;**
 - b. **Ensuring counties establish only the number of teams necessary, and reducing the number of teams when warranted; and**
 - c. **Reviewing other cost factors such as the cost per probationer, and the length of the IPS program to ensure that no unnecessary costs are encountered.**

We agree in principle with this Auditor General finding. However, demographic, geographic, and community safety concerns dictate an officer allocation model that will always result in being under capacity when examining on a statewide aggregate capacity basis.

IPS positions are established for a county department prior to the existing teams reaching caseload capacity (i.e., when there is 85 percent utilization or 21 out of 25 IPS probationers). This allows time for officer recruitment and training, ensures the team will not exceed caseload capacity, and affords the opportunity for planned growth without compromising community safety. Most counties will generally operate at less than 100 percent capacity due to this officer deployment model. Additionally, travel time and distance between cities and towns in rural Arizona dictate that some teams assigned to certain areas within a given county will likely never achieve full capacity. It is important to afford all Arizonans, including those in remote communities, the same community protection and offer defendants living in rural Arizona the same opportunity for intensive probation services. If intensive probation were not available, commitment to the Department of Corrections would likely be imposed on this population of offenders.

Furthermore, local prosecutorial and sentencing practices can greatly impact IPS within individual counties and lead to population fluctuations. While it is difficult to plan for such fluctuations, it is important to preserve prosecutorial discretion and judicial sentencing discretion.

It is also important to note that once a new team has been placed, the county's average caseload size will decrease and it may take several months for caseloads to again approach 85 percent of capacity.

We were continue placing a growth team in a county prior to the existing teams reaching 100 percent capacity. However, where feasible, the Division will place new teams incrementally. That is, we will place only one officer and create a three person team (which can supervise up to 40 probationers). When the probation population grows enough to support the addition of the second officer, we will at that time create a two 2-person team.

We disagree in part , with your finding that the Intensive Probation Supervision has excess capacity.

We must also state that all budget requests are based upon projections and as such may not be able to take into account all possible scenarios that might occur after these projections are made. While we will strive to accurately project caseload growth, projections will never be made that might compromise public safety. We will also never be able to predict caseload growth with 100 percent

accuracy.

Table 2 of the report contains additional information that we believe misrepresents the number of extra slots. On page 12 of the report you acknowledge geographical considerations for rural departments but do not account for these considerations within Table 2. Also, JLBC authorized IPS fund transfers and subsequent capacity reductions were not included in Table 2, nor were any fund reverts taken into consideration. Based on these adjustments, the Division completed an analysis of the previously described conditions and prepared a chart that reflects this reduced capacity. A revised chart follows:

Year	Appropriated Capacity	Transfer of Slots	Rural Deployment	Reversion of Slots	Adjusted Excess	Capacity of Appropriated Slots
1996	3,225	25	110	50	351	89%
1997	3,375	-	76	75	578	83%
1998	3,951	225	140	188	216	94%

For example, in FY 1998, Table 2 shows a legislatively appropriated slot capacity of 3,951. A footnote further explains slot capacity was reduced by 225 because these slots were transferred to adult standard and juvenile standard probation programs during the fiscal year. In actuality, since these slots were no longer available for IPS placement, a modified appropriated slot capacity should have been more accurately presented as 3,726. Additionally, at the close of FY 1998 there were 7.5 teams that were either not placed or had been returned to the AOC by probation departments as a result of a decrease in their IPS caseloads. The funding for the 7.5 teams was reverted, which further reduces the actual capacity by another 188 slots. Given this, a modified slot capacity should have been reflected as 3,538. There are 140 slots that can be attributed to rural/remote counties with time and distance issues, which would further reduce any true capacity to 3,398. In April 1998, there were 3,182 IPS probationers under supervision, which the table shows as "peak capacity." This figure is only 216 slots or 94 percent of the modified slot capacity. For years, with JLBC staff concurrence, we have added a team when caseloads reached 85 percent of capacity (21 probationers to the 25 caseload cap). It should be noted that in response to the audit report in FY 99 we will be requiring probation departments to be at 90 percent of their capacity for 90 days before any new case-carrying positions will be authorized.

Our goal is to operate the IPS program at a level that is as close to capacity as possible without exceeding that capacity. This is necessary to ensure public protection without compromising officer safety. For these reasons, and given the fact that even slight population fluctuations can affect individual caseloads tremendously, there will be times throughout the year where there will be extra slots within the program. We will do our best to operate the program at its peak capacity, but for reasons described above, operating at 90 percent may be the best we can hope for.

Despite the cost associated with operating an intensive probation program in Arizona which is sensitive to the needs and limitations of each community, the *1998 Program Authorization Review* conducted by the Governor's Office of Strategic Planning and Budgeting (OSPB) and the Joint Legislative Budget Committee (JLBC) reported that the IPS program resulted in a net savings of at least \$15 million in FY 96 by reducing the use of prison.

Recommendation Three

- ◆ **To obtain a more complete assessment of counties' collections performance, the Division should require counties to maintain and report more specific probation fee information, such as:**
 - a. **the name of each new probationer assessed a monthly probation fee and the amount of the fee;**
 - b. **the total number of new probationers who were assessed a monthly probation fee;**
 - c. **the amount of probation fees collected for each probationer in the current month;**
 - d. **the cumulative amount collected for each probationer; and**
 - e. **the cumulative amount owed for each probationer.**

The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

The above information is already compiled by the Clerk of the Superior Court who, as noted in the audit report, is responsible for the collection and depositing of court-ordered financial assessments, and the maintenance of accompanying records. Accordingly, it is the Clerk's responsibility to keep the records used by the adult probation to monitor probationers' payment status. Requiring probation departments to establish and maintain duplicative records is neither practical nor judicious use of public funds. What is needed is timely and accurate dissemination of this information to probation officials so appropriate actions can be taken to increase compliance with financial orders. Similarly, detailed collection records should be maintained at the county level but need not be submitted to the Adult Services Division. Aggregate collection information in the form of amount ordered versus amount collected should, however, be submitted to the Division on a monthly basis.

Recommendation Four

- ◆ **The Division should ensure that counties submit monthly collections data in a consistent manner.**

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

County probation departments are required to report monthly collections data. That data, however,

has been limited to the amount collected, as the departments do not have an automated cash management system that can provide further detail. Additionally, the lack of timely, accurate and detailed information has restricted the probation departments' ability to report the amount ordered versus the amount collected.

We still experience frustration surrounding the collection of court-ordered financial obligations. This is a problem that the entire court system must continue to address. Many clerk's offices, who are responsible for accepting payments and maintaining related records, are unable to report collection information automatically to the probation department. This lessens the opportunity for an officer to receive immediate feedback from the clerk's office to better ascertain the payment status of probationers on his/her caseload. The AOC continues to take an active role in the development of a statewide automation system that will one day be able to provide accurate collection information, probation population figures, and demographic data. The lack of a statewide automation system continues to create serious difficulties for the Division and the probation departments.

At the end of Fiscal Year 1997 the Division acknowledged the inadequacy of the data received and began the process of revising the monthly statistical reporting forms for standard and intensive probation so more useful information could be obtained. Staff also examined a financial management software package which could assist the probation departments in providing the necessary information. Furthermore, in September 1997 the Maricopa County Clerk's Office implemented a new RFR (Restitution, Fines and Recovery) system which enables the probation officer to receive a monthly printout of their caseload detailing the amount ordered to be paid per probationer, the amount collected that month, and any arrearage. This report assists the probation officer, supervisor and probation manager in monitoring compliance with court-ordered financial obligations and addressing any arrearage in a timely manner.

The necessity of detailed account information is also being carried forward to the statewide automation project currently underway.

Recommendation Five

- ◆ **The Division should seek an administrative order to clarify the county clerk's role in providing necessary probation fee collection information.**

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation Six

- ◆ **The Division should take steps to ensure counties assume the responsibility for annually funding the 27 probation officer positions intended when the Legislature allowed a probationer fee increase by:**
 - a. **requiring counties to include probation fee financial information as part of the annual and mid-year budget review process along with a narrative description**

- b. of how probation fees will be spent; and considering the availability of probation fee monies in its annual and mid-year reviews.**

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The 1999 funding agreements now include the requirement that 27 case-carrying probationers must be funded statewide, using probation fee monies. Additionally, departments are also required to submit detailed personnel reports that identify every position and the related funding source. These reports are sent to the Division as part of the mid-year budget review process, when the main budget request is submitted, and as part of the closing year budget reports. This information will enable the Division to better assess the departments' compliance with funding 27 officers using probation fees, as well as identify other probation funding sources beyond those provided by the state.

Recommendation Seven

- ◆ The Division should regularly review probation fee balances to determine if 70 percent of cumulative expenditures are spent on officer salaries as stipulated in the Supreme Court's administrative order.**

The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

A.R.S. § 12-267, as amended by laws 1995, Chapter 192, effective October 1, 1995, no longer requires that a specified portion of probation services fee be utilized for probation officer salaries. The Administrative Order 86-8 needs to be revised to reflect this change.

Recommendation Eight

- ◆ To provide a more independent assessment of probation departments' adequacy, the Division should consider several changes in its operational review process, including:**
 - a. Obtaining a better understanding of probation department operations prior to the on-site visit, thus allowing staff to spend more time independently verifying information and reviewing an additional number of case files;**

The finding of the Auditor General is agreed to and the recommendation will be implemented.

As preparation for an operational review, Division staff familiarize themselves with the probation department through the review of previous operational review reports, available annual reports, budgetary documents, and the department's self-assessment questionnaire and policy and procedure manual. However, in writing the operational review reports the Division has not always clearly identified instances of independently verifying, either through interviews or observations, the information provided in those documents. More case file reviews will be conducted to foster the independent verification of departmental practice and procedure.

- b. Providing more direct recommendations to better assist departments in reaching compliance; and**

The finding of the Auditor General is agreed to and the recommendation will be implemented.

- c. Using alternative staff assignments to alleviate possible role conflicts involved with staff reviewing county departments for which they also have oversight responsibilities.**

The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

As stated in the Operational Review Manual, operational reviews are designed to develop a partnership between the AOC and the local probation department to facilitate compliance and establish and maintain program and fiscal accountability. Furthermore, the operational review process promotes a spirit of cooperation and if areas of noncompliance are identified, the probation department will be provided, where feasible, with administrative and technical assistance in correcting the situation. This can best be accomplished by the staff having oversight responsibilities. That staff, more than any other, is acutely aware of department operations and personnel, and has developed, over the course of years, propitious relationships with the chief probation officer and executive management staff. This relationship allows Division staff to assist probation departments to achieve full compliance and therefore provide the best probation services available to the State of Arizona.

However, it should be noted that operational reviews are not conducted exclusively by regional staff with direct oversight responsibilities. Division staff with primary responsibility in the opposite region or technical services often assist in the review. Furthermore, Technical Services staff, which have no direct oversight responsibility, examine each Operational Review Report to ensure comprehensiveness and consistency. Furthermore, the AOC will be increasing its internal and external auditing capacity by contracting with accounting firms to conduct both programmatic and financial audits.

Recommendation Nine

- ◆ To more effectively use monthly statistics as an oversight mechanism the Division should:**
 - a. Periodically verify reported information to ensure accuracy;**
 - b. Ensure it requests sufficient information from the counties so that it can comprehensively assess probation programs; and**
 - c. Provide regular training to county probation staff on how to correctly complete monthly statistical reports.**

The finding of the Auditor general is agreed to and the recommendation will be implemented.

As previously noted in this letter, beginning in fiscal year 1999 county probation departments will be required to conduct biannual hand counts of their probation caseload. Those figures will be annually verified by Division personnel or an independent contractor. A new monthly statistical reporting form is being developed to increase the amount of information received from probation departments and the PIMS and statewide automation systems will be programmed to capture that information. As noted, county personnel will be provided regular training once the new reporting form is completed and ready for implementation.

Recommendation Ten

- ◆ **The Division should establish a mechanism to monitor state-funded contracts. This function could be performed in-house or by requiring counties to monitor their own contracts. If counties are required to monitor their own contracts, the Division should provide guidance on how this function should be performed, then evaluate counties' contract monitoring progress annually as well as when it conducts operational reviews.**

The finding of the Auditor General is agreed to and the recommendation is being implemented.

The creation of the Drug Treatment and Education Fund during the 1997 Legislative Session doubled the amount of state monies utilized for contract services. The Division identified a need to establish a process for contract monitoring and this has been incorporated into the Operational Review process. Starting with the Maricopa County Operational Review, which began in June 1998, all state funded contracts of \$25,000 or more will receive an on-site review, while all contracts under \$25,000 will undergo a self audit.

Again, I thank your staff for the professionalism demonstrated throughout the course of this audit and assure you that those recommendations we agreed with will be implemented.

Sincerely,

David K. Byers, Director
Administrative Office of the Courts

DKB:sar/baudit2.wpd

cc: Barbara Broderick, Director, Adult Services Division
Mike DiMarco, Budget Director, Administrative Services Division

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^a The amount Maricopa County reported for February is a decrease of over 4,000 from the amount the County reported for January. The decrease is a result of Maricopa's adjustment for our estimate of its reporting inaccuracies.

Source: Adult Services Division, February 1998 *Monthly Statistical Report* and 1998 fiscal year *Midyear Closing Report* (as of December 31, 1997).
