



Secretary of State Audit Report

Oregon Youth Authority: Oversight of Basic and Diversion Services Funds

Summary

PURPOSE

The purpose of our audit was to determine whether the juvenile departments at four selected counties expended basic services and diversion funds for the 2005-07 biennium in accordance with intergovernmental agreements, which incorporate state laws and rules. A second report, which addresses juvenile justice data for the same counties, will follow.

BACKGROUND

The state provides various types of grant funding to Oregon counties for juvenile justice purposes, including basic services funds, diversion funds, and juvenile crime prevention funds. Basic services funds are used for detention and other juvenile department services; diversion funds are for services intended to keep youth from being placed in youth correctional facilities; and prevention funds are for services that meet the needs of youth who have specific risk factors and demonstrate at-risk behavior. The Oregon Youth Authority (Youth Authority) administers the basic and diversion funds through an intergovernmental agreement (agreement) with the counties. The four counties included in our audit, Marion County, Polk County, Wasco County and Tillamook County, expended more than \$1.0 million in basic services funds and more than \$.8 million in diversion funds for the 2005-07 biennium. The juvenile crime prevention funds, which are also included in the agreement, are administered by the Oregon Commission on Children and Families (Commission). We did not include these juvenile crime prevention funds in the audit.

Statute requires that counties create and maintain a plan that identifies juvenile crime prevention services, as well as numerous other services they intend to provide. The agreement requires that basic and diversion priority services are also included in the plan. The Commission coordinates development of the plan, but the Juvenile Crime Prevention Advisory Committee and the Youth Authority approve the juvenile justice services contained in the plan. In addition, each biennium, the Youth Authority reviews and approves a budget

for the basic services and diversion grants. To amend the budget, counties must notify the Youth Authority and, under certain conditions, obtain the Youth Authority's approval.

Counties must comply with various requirements to obtain reimbursement from basic services and diversion grant funds. These include expending state funds on costs incurred to implement services identified in the plan, and not using state funds to replace moneys counties would have otherwise provided to the county juvenile department. For basic services funds, the agreement requires counties to identify in the plan specific targets for meeting high-level outcomes, as well as intermediate outcome targets that support achievement of the high-level outcomes.

RESULTS IN BRIEF

County Juvenile Departments did not always expend basic services and diversion funds in accordance with intergovernmental agreements. Specifically:

- two counties used basic services and diversion funds to pay for services not identified in the plan;
- one county did not notify the Youth Authority of changes made to the grant budget;
- two counties did not provide the required intermediate outcome targets for their use of basic services funds, and none of the four counties reported actual outcome results;
- none of the four counties had a process to ensure state funds did not supplant county juvenile funding; and
- two of the four counties did not maintain adequate accounting records to identify the actual grant expenditures for which they requested reimbursement.

As a result, the Youth Authority cannot readily determine and demonstrate whether the basic services and diversion funds were spent in accordance with, and achieved the purpose of, the grants.

Two factors contributed to the conditions we noted. First, the Youth Authority did not consistently enforce the terms of the intergovernmental agreements or provide clear directions to the counties regarding key agreement requirements. A second factor was the lack of clarity regarding roles and responsibilities for grant administration at the state level.

RECOMMENDATIONS:

We recommend that the Youth Authority:

1. As part of grant administration oversight, provide clear and effective direction to the counties regarding the following requirements:

- development of the basic services and diversion grants budget that is clearly linked to the specific services and strategies identified in the plan;
- non-supplanting of county resources with state funds, including the process to determine whether supplanting occurred or may occur in the future;
- development of meaningful intermediate outcomes and targets for the services funded with basic services funds; and
- maintaining accounting records sufficient to identify actual grant expenditures for which counties requested reimbursement.

2. Periodically review county accounting records to identify actual grant expenditures for which counties requested

reimbursement and take action if inappropriate expenditures are found.

3. Clarify, in writing, the roles and responsibilities of the Youth Authority and other state agencies involved in the allocation, administration and monitoring of the juvenile justice grants.

OTHER MATTER:

We noted that counties do not have outcome measures that provide information on the number of youth diverted from youth correctional facilities and placed in community services programs or other programs funded by the diversion funds. This includes tracking any subsequent involvement diverted youth may have had with the juvenile justice system.

We recommend that the Youth Authority consider developing an outcome measure that reflects whether services paid for with diversion funds are successful, both short-term and long-term, in keeping youth from being placed in youth correctional facilities.

AGENCY'S RESPONSE

The Oregon Youth Authority generally concurs with the findings in the audit and generally agrees with the recommendations. The Youth Authority's specific responses to our recommendations are included in the Audit Results and Other Matter sections below.

Background

State Provides Juvenile Justice Grants to Counties

Among the types of juvenile justice grant funding the State provides to Oregon counties are basic services funds, diversion funds, and juvenile crime prevention funds. Statutes authorize the use of basic services funds for detention and other juvenile department services and diversion funds for services that are intended to keep youth from being placed in youth correctional facilities. Juvenile crime prevention funds are for services that meet the needs of youth who have specific risk factors and demonstrate at-risk behavior. The Youth Authority administers the basic services and diversion funds through an intergovernmental agreement

(agreement) with each county.¹ The agreement incorporates relevant statutory requirements and agency administrative rules. The four counties included in our audit, Marion County, Polk County, Wasco County and Tillamook County, collectively spent more than \$1.0 million in basic services funds and more than \$.8 million in diversion funds for the 2005-07 biennium. The agreement for the 2005-07 biennium also included juvenile crime prevention funds, which were administered by the Oregon Commission on Children and Families (Commission). The four counties spent more than \$6 million of these funds during the biennium. We did not include these juvenile crime prevention funds in our audit.

¹ For diversion funds, the Youth Authority also contracts with the Central and Eastern Oregon Juvenile Justice Consortium instead of with each of the seventeen counties that are members of the consortium.

Counties Must Meet Requirements to Obtain Grant Funds

Several steps must occur before counties can access the basic services and diversion grant funds provided through the agreement. Statutes require that counties create and maintain a local Coordinated Comprehensive Plan (Plan) that identifies juvenile crime prevention services and other services they intend to provide to children and families.

The Commission coordinates development of the Plan, but the Juvenile Crime Prevention Advisory Committee and the Youth Authority approve the juvenile crime services contained in the Plan. In addition, each biennium the Youth Authority reviews and approves a budget for the basic services and diversion grants. Under the terms of the agreement, counties must notify the Youth Authority and, under certain

conditions, obtain Youth Authority approval to amend the grant budget. Counties are also required to submit a payment request to receive reimbursement for grant expenditures.

Counties must also expend the state funds on costs incurred to implement services identified in the Plan. In addition, for basic services funds, counties are required to identify in the Plan specific targets for meeting high-level outcomes, as well as intermediate outcome targets that support achievement of the high-level outcomes. Finally, statute prohibits counties from supplanting county resources with state funds. This means counties cannot use state funds to replace moneys they would have otherwise provided to the county juvenile department.

Audit Results

The county juvenile departments did not always expend basic services and diversion funds in accordance with intergovernmental agreements. Some basic services and diversion expenditures were not identified in the Plan. In addition, counties did not consistently comply with key terms of the agreement such as identifying intermediate outcomes in the Plan and notifying the state of changes made to the grant budget. As a result, the Youth Authority cannot readily determine and demonstrate whether the basic services and diversion funds were spent in accordance with, and achieved the purpose of, the grants.

Some Grant Expenditures Were Not Identified in the Plan

The agreement required counties to expend the basic services and diversion funds on costs incurred to implement the Plan. In addition, the Youth Authority requires counties to develop a grant budget based on the Plan that identifies the specific

services and programs that will be funded by the grants.

We reviewed the Plan and grant budget in effect during the 2005-07 biennium for each of the four counties. At two counties, some services and programs budgeted for the 2005-07 biennium were not identified in the Plan. For example, one county budgeted diversion funds for juvenile department office rent, telecommunication, transportation, and probation officers, none of which were identified in the Plan. Another county expended diversion funds on an educational advocacy service that was not identified in the Plan.

According to the Commission, some counties chose to identify juvenile crime prevention and diversion strategies in the Plan rather than specific services and programs. However, neither the two counties noted above nor the Youth Authority was able to demonstrate how some of the budgeted items supported strategies in the Plan. As a result, the Youth Authority may not be able to determine whether grant expenditures meet the purpose of the grants as established by the county in the Plan.

Counties Did Not Comply with Key Terms of the Agreements

Identifying Intermediate Outcomes

For basic services, counties are required to identify in the Plan specific targets for meeting high-level juvenile crime prevention outcomes. Counties are also required to identify intermediate outcome targets that support achievement of the high-level outcomes. Two of the four counties did not develop measurable intermediate outcome targets for basic services. The other two counties identified intermediate outcomes, but did not provide a baseline for comparison. None of

the four counties reported actual intermediate outcome data.

Outcome measurement provides valuable feedback that helps determine and communicate the effectiveness of state funded services and programs. The required intermediate outcomes provide a measurable indicator of county progress toward achieving high-level juvenile crime prevention outcomes. Without outcome measurements, the Youth Authority cannot demonstrate whether the funds are being spent effectively.

Non-Supplanting of County Resources with State Grants

Statutes prohibit counties from supplanting county resources with state funds. This means counties cannot use the basic services and diversion funds to replace moneys they would have otherwise provided to the county juvenile department for youth targeted by the grants.

None of the four counties had a process in place to ensure the basic services and diversion grants were not supplanting county resources. In fact, staff from some counties indicated that they did not know how to interpret the non-supplanting terms of the agreement and had not received clear direction from the Youth Authority in determining the possibility of supplanting. As a result, the Youth Authority does not have assurance that the counties are using the state funds to increase resources for services to youth who are in the juvenile justice system.

Notifying the Youth Authority of Grant Budget Changes

To make even minor grant budget changes for either basic services or diversion services, the agreement requires counties to submit written notification to the state. The Youth Authority then reviews the notice and may, at its discretion, ask the

Juvenile Crime Prevention Advisory Committee to review and approve the requested budget changes. Changes that comprise more than 10 percent of the total grant budget must be reviewed and approved by the Juvenile Crime Prevention Advisory Committee.

One of the four counties expended \$2,676 in basic services funds on services not identified in either the Plan or the grant budget. County staff told us that they moved the budgeted dollars from a crisis shelter program to cover administrative costs. However, the county did not notify the state regarding the budget changes as is required by the agreement. Moreover, the county reported the expenditures on the quarterly request for payment submitted to the Youth Authority as crisis shelter expenditures, not as administrative costs. As a result, these basic services grant expenditures were not in accordance with the Plan or grant budget, and consequently may not have met the purpose of the grant.

Maintaining Records of Grant Expenditures

In order to be reimbursed for grant expenditures, counties are required to submit to the Youth Authority written quarterly requests for payment. When we reviewed grant expenditures the Youth Authority reimbursed, we found that two of the four counties did not maintain accounting records sufficiently detailed to verify that actual grant expenditures were consistent with what was listed on the quarterly request for payment submitted to the Youth Authority. Without accounting records supporting grant reimbursements, the Youth Authority cannot demonstrate whether actual grant expenditures are in accordance with the terms of the agreement, grant budget, or the Plan.

Two Factors Contributed to Conditions We Noted

Enforcement of Agreements Was Lacking

When reviewing the basic services and diversion grant budgets, the Youth Authority did not verify that budgeted basic and diversion services were identified in the Plan.

According to Youth Authority management, the grant budget is compared to a common allocation form that identifies the high-level outcomes and the associated budget for basic and diversion services. However, we found that the high-level outcomes may not be sufficient to provide a direct link to the services and programs identified in the Plan. We also found that the Youth Authority did not verify that counties have meaningful and measurable intermediate outcomes and targets for the services funded by the basic services and diversion grants they received. According to Youth Authority management, the Youth Authority is working with the counties to assist them with the development and reporting of intermediate outcomes.

In addition, the Youth Authority did not provide clear direction to the counties regarding supplanting of county resources with state grants. We learned from Youth Authority management that the Youth Authority depends on the counties to raise concerns regarding supplanting. Moreover, when the basic services and diversion funds were originally approved by the legislature and allocated to the counties by the Youth Authority, the Youth Authority did not establish a baseline to determine whether supplanting occurred.

Furthermore, before a county is reimbursed for grant expenditures, the Youth Authority obtains and reviews written quarterly requests for payment. However, during the 2005-07 biennium, the Youth Authority did not request or review

accounting records of grant expenditures supporting the county written quarterly requests for payment.

Grant Administration Responsibilities Were Not Defined

The Commission is responsible for coordinating the development of the Plan, but the Youth Authority and Juvenile Crime Prevention Advisory Committee approve the basic, diversion and juvenile crime prevention services in the Plan. We found that administrative rules do not address or are not clear about administration and monitoring of the basic services and diversion grants, including the monitoring of related outcomes identified in the Plan and the approval of the grant budget. For example, administrative rules did not clarify which agency is responsible for ensuring that counties identify and report on intermediate and high-level outcomes addressing basic services.

In addition, for the 2005-07 biennium, the Youth Authority and the Commission did not agree in writing on each agency's responsibilities regarding the allocation, administration and outcome monitoring of the juvenile justice grants. Moreover, based on interviews with representatives from various entities responsible for the juvenile justice grants, we question whether an informal agreement regarding grant administration exists. This lack of clarity regarding grant administration roles and responsibilities may have contributed to the inadequate grant oversight we observed on the Youth Authority's part and the consequent non-compliance with the agreement.

Recommendations

We recommend that the Youth Authority, as part of grant administration oversight, provide

clear and effective direction to the counties regarding the following requirements:

- development of the basic services and diversion grants budget that is clearly linked to the specific services and strategies identified in the Comprehensive County Plan;

Agency's Response:

This audit covers contracts during the 2005-07 biennium. Beginning in the 2007-09, the Oregon Youth Authority (OYA) and the Oregon Commission on Children and Families (Commission) separated contracts and since that time OYA has required counties to develop service plans that outline the services they will provide with their Juvenile Crime Prevention and diversion funds. County reimbursement requests are directly aligned with their plans and budgets. Counties are required to develop their service plans in coordination with their Local Coordinated Plans. These plans are reviewed and approved by OYA.

Additionally, OYA requires counties to record in JJIS (Juvenile Justice Information System) Diversion/JCP Basic Service-funded services provided to youth. This will enable OYA to monitor services provided as well as assist in measuring recidivism and DBA outcomes for youth served. OYA will continue to work with counties to monitor services tracking for these funding streams.

- non-supplanting of county resources with state funds, including the process to determine whether supplanting occurred or may occur in the future;

Agency's Response:

Contracts include language prohibiting supplanting of county resources with state funds. Current language states that the "County shall maintain previous levels of

funding for the Target Population or shall not reduce such levels of funding by an amount greater than the Target Populations proportional share of reductions of county revenue." In addition, county policies prohibit supplanting. While OYA has responded to questions from counties clarifying the intent of contract language, it will now develop specific written directions on the prohibition of supplanting county resources with state funds.

- development of meaningful intermediate outcomes and targets for the services funded with basic services funds; and

Agency's Response:

Beginning in 2007-09, OYA requires counties to report on its services in relation to the high-level outcome of "recidivism," which was adopted during the 2007 legislative session. This is tracked through JJIS. The OYA also tracks progress toward maintaining the Discretionary Bed Allocation (DBA) on a daily basis, both through documentation and ongoing co-management of youth cases that are committed to OYA custody by juvenile courts. DBA is used as a target for services. OYA will work with counties to clearly define intermediate outcomes that contribute to the high-level outcomes.

- maintaining accounting records sufficient to identify actual grant expenditures for which counties requested reimbursement.

Agency's Response:

Currently quarterly billings are developed based on the service plan and the corresponding budget line items. Counties request reimbursement for funding spent pursuant to their approved plans and budgets. Counties are also required to request approval from OYA for changes deemed necessary by counties. OYA reviews the quarterly billings for alignment

with the approved plans and budgets.

OYA will develop a process to audit county accounting records for alignments between county plans, budgets and requests for reimbursements. OYA will also review and enhance the agencies process for review of requests for reimbursements submitted by the counties.

We recommend that the Youth Authority periodically review county accounting records to identify actual grant expenditures for which counties requested reimbursement and take action if inappropriate expenditures are found.

Agency's Response:

Contracts currently require all counties and their providers to maintain fiscal records in accordance with the contract and be notified that records are subject to review. OYA will examine opportunities and resources that could be used for periodic review of county accounting records in the 2009-11 biennium.

We also recommend the Youth Authority clarify, in writing, the roles and responsibilities of the Youth Authority and other state agencies involved in the allocation, administration and monitoring of the juvenile justice grants.

Agency's Response:

This review examined 2005-07 agreements. Since that time, OYA has its own agreement with the counties and the administration of the Juvenile Crime Prevention Program transferred to the Commission. OYA will explore communication tools to clarify the distinctions in responsibility.

Other Matter

Status of Diverted Youth Not Tracked

We found that counties do not have outcome measures that

capture information on the number of youth diverted from youth correctional facilities and placed in community services programs and other programs funded by the diversion grant. This includes tracking any subsequent involvement diverted youth may have had with the juvenile justice system.

An outcome measure addressing diversion services should measure results of the funded programs in order to assess whether the programs are achieving their goals. Without a diversion services outcome measure, the Youth Authority cannot demonstrate that diversion funds are spent effectively.

We recommend that the Youth Authority consider developing an outcome measure that reflects whether services paid for with diversion funds are successful, both short-term and long-term, in keeping youth from being placed in youth correctional facilities.

Agency's Response:

OYA will work internally and with counties on opportunities and potential to identify short and long term outcomes that reflect whether and what services prevent youth from entering youth correctional facilities.

Objectives, Scope and Methodology

We conducted this audit to meet the requirements of House Bill 3420, passed in 2007. The bill directs the Secretary of State to audit the performance of at least four county juvenile departments during each of the 2007-09 and 2009-11 biennia. This report—one of two that will result from our work performed during the 2007-09 biennium—addresses oversight of juvenile justice grant funds provided through the Oregon Youth Authority. A second report, which addresses juvenile justice data for the same counties, will follow.

The purpose of this audit was to determine whether the juvenile departments at four selected counties expended basic services and diversion funds for the 2005-07 biennium in accordance with intergovernmental agreements, which incorporate state laws and rules. We judgmentally selected Marion County, Polk County, Tillamook County, and Wasco County to include in our review. We limited the audit scope to basic services and diversion grants reimbursed by the Youth Authority during the 2005-07 biennium.

For each selected county, we reviewed the 2005-07 quarterly requests for payment to determine whether the Youth Authority approved the payments and whether the counties received them. We also verified that the total amounts the Youth Authority paid to the four selected counties did not exceed the maximum amounts listed in each agreement, that requests for payment were accurate, and that requested amounts did not exceed each county's expended amounts. In addition, we verified that the maximum amounts listed in the agreement for basic and diversion services were accurate.

At each county we selected a judgmental sample of basic services and diversion grant expenditures. We based the sample selection on factors such as the expenditure amount, expenditure date, expenditure type, and the quarter during which reimbursement was requested. In aggregate, we selected 101 out of a total of 1,193 basic services and diversion grant expenditures the four counties made during the 2005-07 biennium. Based on the results of our review at each selected county, we determined that it was not necessary to expand our scope to include more grant expenditures.

We reviewed the expenditures we selected for accuracy and sufficient supporting documentation, and to

determine whether they were incurred during the term of the agreement. We also tested whether the expenditures were in accordance with the 2005-07 grant budget detail and requirements contained in OMB Circular A-87, which requires the counties to use established principles and standards for determining allowable grant costs.

We reviewed the County Local Comprehensive Plans to determine whether services and programs funded by the basic services and diversion grants were identified in the Plans. We also verified whether each county identified basic services intermediate outcome measures in the Plan.

We reviewed relevant Oregon Revised Statutes and Administrative Rules, and the intergovernmental agreement between the Youth Authority and the four selected counties. To obtain information about grant administration best practices, we also reviewed grant administration guides and other audits.

In order to gain an understanding of the grant administration and grant expenditures reimbursement processes at the Youth Authority, we interviewed Youth Authority grant administration management and personnel. We also interviewed management and personnel at each selected county to gain an understanding of the county's grant administration processes.

We conducted our work according to generally accepted government auditing standards.





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*Courtesies and cooperation extended by officials and staff of the
Oregon Youth Authority were commendable and much appreciated.*

*This report, a public record, is intended to promote the best possible
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