

DEPARTMENT OF CRIMINAL JUSTICE SERVICES

**SPECIAL REPORT ON
ORGANIZATIONAL STRUCTURE
AND
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

At the Secretary of Public Safety's request, we adapted our audit of the Department of Criminal Justice Services to include a special review of its recent reorganization. Our special review found the following.

- No evidence that the reorganized structure of Criminal Justice Services prevents it from meeting its core functions.
- Selective managers do not fully support the recent reorganization as a permanent change.
- No evidence that the former organizational model prevented the agency from meeting its core functions either.

Additionally, our audit of Criminal Justice Services for the year ended June 30, 2009 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- matters involving internal control and its operations necessary to bring to management's attention;
- it has taken adequate corrective action with respect to audit findings reported in the prior year; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY REORGANIZATION	1-6
AUDIT FINDINGS AND RECOMMENDATION	7
AGENCY HIGHLIGHTS	8
AUDIT OBJECTIVES	9
AUDIT SCOPE AND METHODOLOGY	9-10
CONCLUSIONS	10
EXIT CONFERENCE AND REPORT DISTRIBUTION	10
AGENCY RESPONSE	11-12
AGENCY OFFICIALS	13

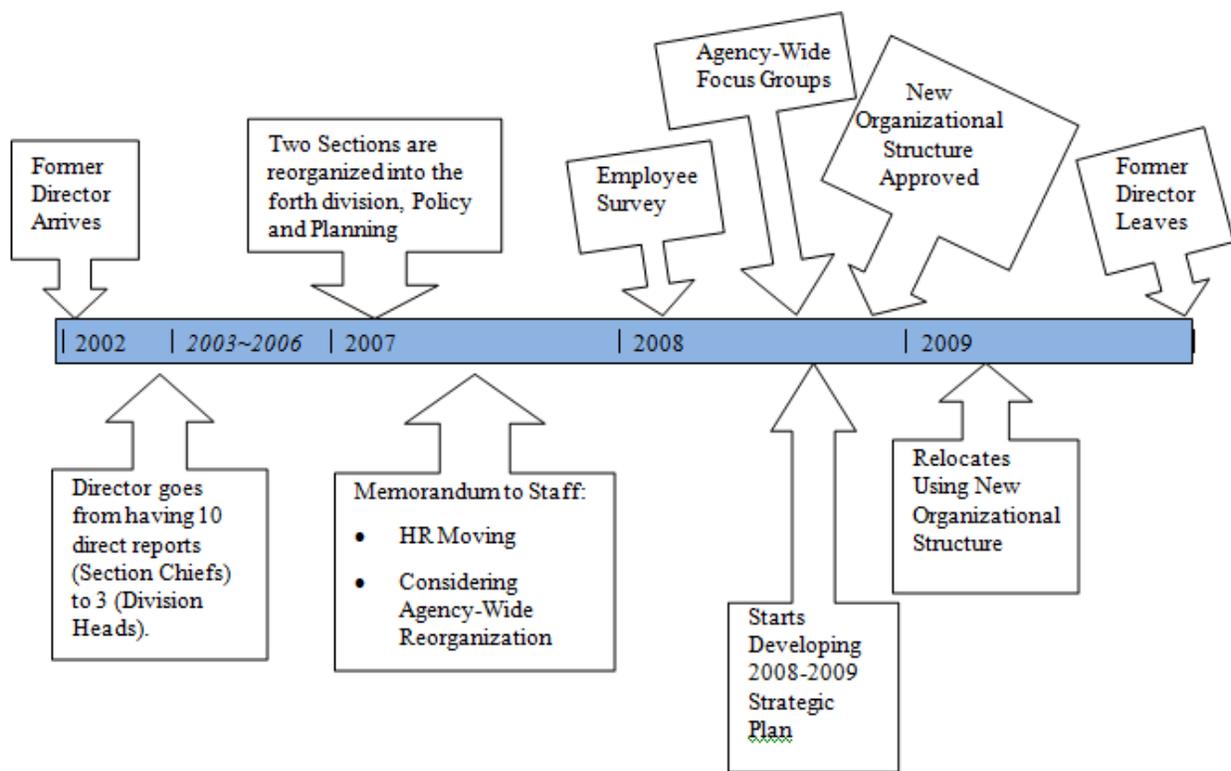
INTRODUCTION

The Secretary of Public Safety requested that we adapt our review of Criminal Justice Services to determine the reasons for a series of issues raised about the agency. We incorporated our review of these issues, coupled with several additional items brought to our attention by some local governments, into our standard audit process. The additional work included interviews with management and employees, analysis of the organizational structure and related documents, and a targeted review of payroll and human resource files.

AGENCY REORGANIZATION

A number of concerns raised by the Secretary are a result of an organizational restructuring instituted by the former Director of the agency. In order to address the Secretary's concerns, we needed to examine the timing and process followed in implementing the reorganization. Below is a timeline of events followed by a description of the process to implement the reorganization.

Timeline of Criminal Justice Services' Reorganization 2002-2009



The former Director (herein referred to as the Director) initiated several minor organizational changes beginning in 2002. Prior to his arrival, Criminal Justice Services had over ten sections and the senior management team consisted of “section chiefs.” During his early tenure, the director

created three divisions to oversee the various sections: Administration, Program Services, and Security and Regulatory Services.

By July 2007, the director created a fourth division, Policy and Planning, and rearranged multiple sections within the agency. In July 2007, the director issued a memorandum to staff informing them of additional significant changes; he was moving the human resources function out of the Division of Administration and establishing it as a separate office reporting directly to him, and he was considering the possibility of an agency-wide reorganization.

The reorganization became an agenda item at senior management meetings by March 2008. In April 2008, the director and deputy director conducted an employee survey and used the results of this survey to support moving forward with the reorganization. Through our review of reorganization documents and discussions with current managers, we determined that from the time of the employee survey in April 2008 until the hiring of the Director of Strategic Planning and Development in August 2008, there were no significant communications to either the staff or managers about the reorganization.

In September 2008, the senior management team held agency-wide focus groups. In October 2008, the management team developed the Criminal Justice Services' 2008-2009 Strategic Plan, and held additional organizational planning meetings. By the end of October, the senior management team had determined the basic structure necessary to achieve their organizational vision. In November 2008, the management team published the results of the focus groups and met with the former Secretary of Public Safety to approve the planned changes. In December 2008, the Director issued a memorandum to staff informing them of the impact of budget reduction strategies and explaining how the proposed organizational changes would help the agency weather losses in personnel and funding.

Beginning in December 2008 and continuing through February 2009, the management team posted information about the reorganization on its website, including frequently asked questions, a presentation, information and tips for staff, and a public notification to constituents. The director unveiled the new organizational chart to staff in February 2009 and informed staff that these changes would occur in conjunction with the agency's move to its new headquarters in March 2009.

Organizing Around Core Functions

The former executive management team was concerned that the agency, as structured prior to the reorganization, operated in compartments or "silos." Their vision for a reorganization focused on the delivery of services by type or function, rather than the existent program-specific structure. Additionally, the new organizational model would elevate the importance of their grants administration and monitoring functions. As noted above, they believed the results of the April 2008 employee survey supported their concerns, thus they took significant steps beginning in September 2008 to achieve their vision.

However, despite their steps, about half of the agency's current management team believes that the director developed the reorganizational structure with limited participation from the senior

management team and other employees. Through interviews with staff, we became aware of a high level of dissatisfaction with the reorganization and it became apparent that the director failed to earn significant buy-in from key members of the agency's senior management team.

We reviewed the agency's reorganized structure further to determine whether the dissatisfaction is the result of resistance to change or whether the reorganized structure prevents the agency from achieving its core functions. Criminal Justice Services documented its core functions in its 2008-2009 Strategic Plan as follows:

- Distribute federal and state funding to localities, state agencies, and nonprofit organizations in the areas of law enforcement, prosecution, crime and delinquency prevention, juvenile justice, victims services, corrections, homeland security, and information systems;
- Monitor and manage compliance with state and federal grant requirements;
- Establish and enforce minimum training standards for law enforcement, criminal justice, and private security personnel;
- License and regulate the private security industry in Virginia;
- Certify and credential all state and local law enforcement personnel;
- Provide training, technical assistance, program, and professional development services to all segments of the criminal justice system; and
- Conduct criminal justice system wide planning, research, and evaluations.

We found no evidence during our review that the reorganized structure of Criminal Justice Services prevents it from meeting these core functions. However, because the former executive management team is no longer with the agency, selective managers have not fully adopted this reorganization as a permanent one. Additionally, we saw no evidence that the former organizational model prevented the agency from meeting these core functions either.

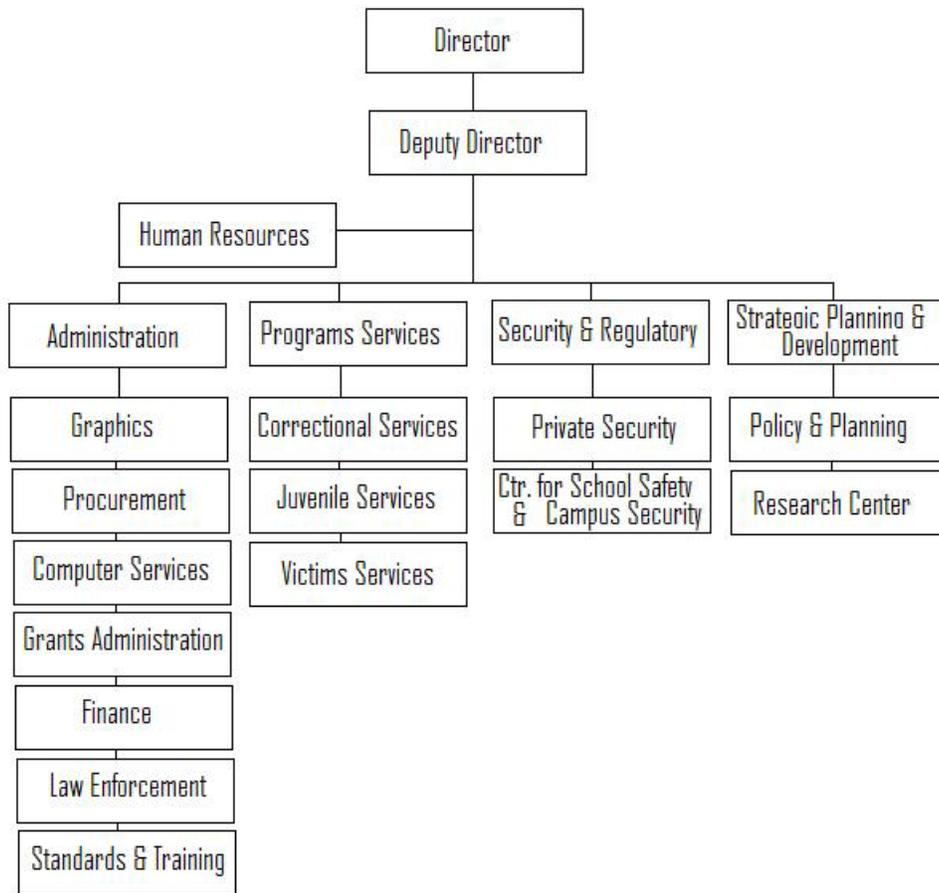
Finding

The agency's new executive management team will have to choose between maintaining the current reorganized structure or reverting to the former organizational model. We offer more analysis of these options in the "Findings and Recommendation" section of this report.

Core Functions, Before and After the Reorganization

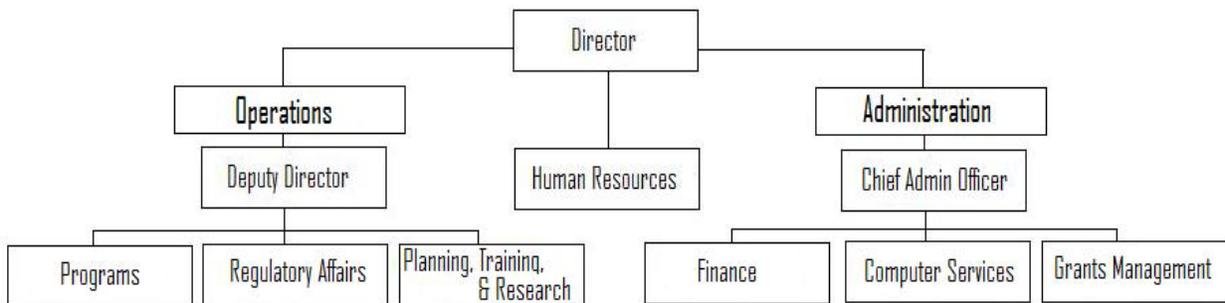
The following section details how Criminal Justice Services fulfilled its core functions prior to and after its major reorganization in March 2009. It is important to note that Criminal Justice Services underwent a series of minor changes in their organizational structure beginning in 2002. To prevent losing sight of the overarching effect of the agency reorganization, the following section details the changes we observed by comparing the Department's organizational charts prior to and after the March 2009 organization. The following chart depicts the Department's organizational structure prior to the reorganization.

Chart 1 - Criminal Justice Services Organizational Structure – Prior to the March 2009 Reorganization



The following chart depicts the current organizational structure the Department implemented in conjunction with the agency's move to its new headquarters in March 2009.

Chart 2 - Criminal Justice Services Organizational Structure – March 2009 - Current



Distribute Federal and State Funding

Before the reorganization, sections within different divisions were responsible for aiding grantees. Employees in the Program Services division applied for federal and state grants and helped sub-recipients write sub-grant applications for these awards. In addition, the Law Enforcement Section in the Division of Administration provided these functions for law enforcement grants. Today, only the Office of Programs applies for federal and state grants. This Office then helps sub-recipients write applications for sub-grants for all programs, including law enforcement.

Monitor and Manage Compliance with Grant Requirements

Before the restructuring, employees in the Program Services division were responsible for ensuring programmatic compliance with state and federal grants. Employees from three different sections (Correctional Services, Juvenile Services, and Victims Services) provided training and technical assistance to sub-grantees. Additionally, the Law Enforcement section had similar responsibilities for grants related to law enforcement. The Grants Administration section of the Division of Administration provided financial monitoring for all grant programs. A staff of about four employees ensured that sub-recipients were submitting quarterly reports timely and spending awards in accordance with their grant proposals.

The reorganization significantly changed the Department's monitoring of grants. The restructuring established an Office of Grants Administration, which elevated the Grants Administration section's role within the agency to the same level as other operational divisions. The reorganization moved ten compliance monitors from the Division of Program Services and the Law Enforcement section to the Office of Grants Administration. Prior to the reorganization, staff monitored individual grants within their singular areas of expertise. A key objective of the reorganization was to shift monitors' focus from individual grants to the Department's entire grant universe. While these monitors still provide technical assistance to grant programs in their areas of expertise, Criminal Justice Services expects staff to monitor financial and program compliance for all of the agency's grants.

Establish and Enforce Minimum Training Standards for Personnel in the Criminal Justice Environment

Prior to the reorganization, the Security and Regulatory Services Division and the Standards and Training Section shared responsibility for the establishment and enforcement of minimum training standards. The Standards and Training Section in the Division of Administration was responsible for establishing minimum training standards for criminal justice personnel, including law enforcement and law enforcement academies.

The former Division of Security and Regulatory Services established and enforced minimum standards for private security personnel. Currently, the Office of Regulatory Affairs develops and enforces minimum training standards for law enforcement, criminal justice, and private security personnel.

Licensing and Regulating the Private Security Industry

Before the restructuring, employees in the Division of Security and Regulatory Services licensed and regulated the private security industry in Virginia. Today the Office of Regulatory Affairs performs all regulatory functions including the promulgation of minimum training standards as noted above, and the licensure of Private Security personnel.

Certify and Credential All State and Local Law Enforcement Personnel

Prior to the reorganization, employees in the Division of Administration's Standards and Training Section certified and credentialed all state and local law enforcement personnel. Currently, the Division of Regulatory Affairs certifies and credentials all state and local law enforcement personnel.

Provide Training and Technical Assistance to all Segments of the Criminal Justice System

Before the agency reorganization, employees in the Divisions of Administration, Program Services, and Strategic Development (formerly Policy, Planning, and Research) all provided training, technical assistance, and program and professional development services to different grantee populations. The reorganization consolidated this responsibility within the Office of Planning, Training, and Research, which now coordinates these activities within Criminal Justice Services.

The largest employee group in the Office conducts training for school resource and campus security officers, Homeland Security training for law enforcement, jails' training for sheriff's departments, and training programs for private security instructors. In addition, this Office of Planning, Training, and Research coordinates with other agency offices, when appropriate, to provide professional development services. For example, the Office of Programs provides professional development services for Pretrial and Community Corrections programs.

Conduct Criminal Justice System-wide Planning, Research, and Evaluations

Prior to the reorganization, the Division of Strategic Development (formerly Policy, Planning, and Research) conducted criminal justice system-wide planning, research, and evaluations along with selected trainings. These functions, along with all training, now reside with the Office of Planning, Training, and Research.

AUDIT FINDINGS AND RECOMMENDATIONS

Determine an Organizational Structure for Criminal Justice Services

The new director of Criminal Justice Services will have to address the organizational structure of the agency upon his arrival. As the previous discussion notes, both organizational structures will achieve Criminal Justice Services' core functions.

However, because of the apparent disagreement by management and staff over which organizational structure is the most effective and whether the planning of the reorganization adequately addressed all parties concerns, there exists an environment of dissatisfaction with the current situation. While those dissatisfied with the reorganization have openly expressed their opinion, we should note that an almost equal number of managers and staff also believe that the reorganization is a better approach to addressing the agency's core functions.

The new director should address this issue immediately to ensure that he has sufficient time to follow through and manage the process. We also urge the new director to maintain a professional skepticism when discussing organizational models with the current management team.

The new director should consider conducting a new employee survey to determine the actual number of employees who support and oppose the reorganization and their views as to where the reorganization positively or negatively affects Criminal Justice Services' core functions. The results of this survey should factor into any remedial actions.

Improve Communication Practices

Criminal Justice Services communicated to sub-grantees in June 2009 to draw down General Fund grant balances in advance of budgetary controls becoming effective at year-end. At year-end, the Department of Planning and Budget places holds on all unspent General Funds while it determines whether to revert or re-appropriate funds back to the agency. When we inquired as to the intent of this communication, Criminal Justice Services stated that they were only referring to two specific grants that totaled about \$4.4 million in fiscal 2009, of which sub-grantees had drawn down over 80 percent prior to the communication.

Criminal Justice Services acknowledged that they should have been more specific in their original communication; however, due to the vagueness of their original communication, some localities cited this communication as their justification for drawing down funds from other state agencies. Criminal Justice Services was aware of the vagueness of their original communication, but only informed sub-grantees who questioned the guidance of their intent.

By not foreseeing the consequences of this communication, Criminal Justice Services failed to comprehend their authority as a grants administrator. In the future, Criminal Justice Services should establish and adhere to a policy for releasing official guidance on grant awards. A policy for the release of official guidance should include, but not be limited to, a process to review guidance before its release, a method to post the guidance publicly, and a process that guides subsequent revisions or retractions.

AGENCY HIGHLIGHTS

Criminal Justice Services provides operational and support services to local governments to promote and enhance public safety. Criminal Justice Services distributes federal and state funding to localities, state agencies, and nonprofit organizations in the areas of law enforcement, prosecution, crime and delinquency prevention, juvenile justice, victims services, corrections, and information systems. Criminal Justice Services also provides training, technical assistance, and program development services to all segments of the justice system.

FINANCIAL SUMMARY

Criminal Justice Services receives primarily General Fund Appropriations to fund local police departments. These local police department payments, commonly referred to as House Bill 599 payments, accounted for about 73 percent of the agency's fiscal 2009 expenses. Budget funding for these payments decreased to about \$181 million for fiscal 2010 and will decrease to about \$161 million in the proposed budget for fiscal years 2011 and 2012.

Criminal Justice Services also gets funding from several federal criminal justice grants and various fees collected by courts. They use this funding to award criminal justice grants to localities. They also administer the Forfeited Shared Asset program and regulate private security services. A summary of budgeted and actual activity by program for fiscal year 2009 is below.

Summary of Budgeted to Actual Expenses by Program

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
HB 599 Transfer Payments	\$ 206,501,876	\$ 192,117,956	\$ 192,117,956
Federal and State Justice Services Grants	82,364,599	83,481,590	60,294,198
Asset Forfeiture and Seizure Management	5,308,104	6,045,538	5,225,820
Regulation of Private Security Services	2,732,315	2,777,214	2,494,711
Criminal Justice Training and Standards	2,355,681	2,256,830	1,941,184
Administrative and Support Services	1,722,683	2,051,457	1,663,074
Criminal Justice Research, Planning, and Coordination	<u>537,517</u>	<u>423,282</u>	<u>423,143</u>
Total	<u>\$ 301,522,775</u>	<u>\$ 289,153,867</u>	<u>\$ 264,160,086</u>

Source: Original budget – Appropriation Act Chapter 879, Adjusted Budget and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

March 26, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Department of Criminal Justice Services** (Criminal Justice Services) for the year ended June 30, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of Criminal Justice Services' internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports. In addition, we reviewed the prior and current organizational structures in light of the agency's core functions.

Audit Scope and Methodology

Criminal Justice Services' management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Grant payments
Payroll
Revenues

Information Security
Organizational Structure

We performed audit tests to determine whether Criminal Justice Services' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of Criminal Justice Services' operations. We tested transactions and performed analytical procedures, including budgetary and trend analysis. Additionally, we compared Criminal Justice Services' organizational structure to its strategic plans and evaluated its implementation of its current structure to best practices.

Conclusions

We found that Criminal Justice Services properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Criminal Justice Services records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving Criminal Justice Services' operation that require management's attention and corrective action. These matters are described in the section entitled "Agency Reorganization." The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Criminal Justice Services has taken adequate corrective action with respect to audit findings reported in the prior year.

We found no evidence that the reorganized structure of Criminal Justice Services prevents it from meeting its core functions or that the former organizational model prevented the agency from meeting its core functions either. In addition, we found that selective managers do not fully support the recent reorganization as a permanent change.

Exit Conference and Report Distribution

We discussed this report with management at Criminal Justice Services on April 12, 2010 and the Secretary of Public Safety on March 26, 2010. Management's corrective action plan to the State Controller is included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.



AUDITOR OF PUBLIC ACCOUNTS

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COMMONWEALTH of VIRGINIA

Department of Criminal Justice Services

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TDD (804) 386-8732

April 16, 2010

Mr. David A. Von Moll, State Comptroller
Department of Accounts
P.O. Box 1971
Richmond, Virginia 23218-1971

Dear Mr. Von Moll:

This letter outlines the audit findings and the corrective action plan associated with the audit conducted on the financial records for the Department of Criminal Justice Services for the fiscal year ending June 30, 2009.

1. Audit Finding – Agency Organization

The Department of Criminal Justice Services' (DCJS) new executive management team will have to choose between maintaining the current reorganized structure or reverting to the former organizational model.

Corrective Action

DCJS executive management has begun a comprehensive review of the structure of the organization. This review will be guided by the APA audit, interviews with agency managers and staff, and input from stakeholders and others to assist in determining the relative strengths and weaknesses of the various organizational structures. Any changes to the agency structure will be made soon with the goal being an organizational structure that will best support the agency in successfully carrying out its mission.

2. Audit Finding – Improve External Grant Communication

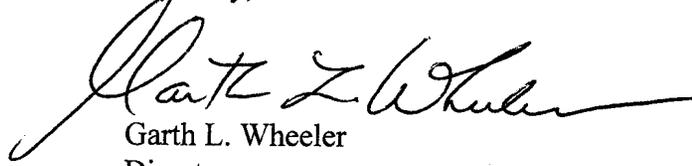
The Department of Criminal Justice Services sent an email to particular grantees in June 2009 requesting they draw-down balances in advance of budgetary controls becoming effective at fiscal year-end. The communication caused confusion among other grantees who cited this communication to justify drawing down funds from other state agencies.

Corrective Action

DCJS will develop a procedure for communicating with agency grantees to ensure that the intent of the correspondence is clearly understood and consistent with applicable state policies and procedures. This will include procedures on reviewing the purpose and content as well as management approvals of communications prior to their distribution.

We are hopeful these corrective actions will fully meet the requirements set forth by your office and the Auditor of Public Accounts. Please contact Reeva Tilley, Fiscal Officer, at 786-3746 if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth L. Wheeler". The signature is fluid and cursive, with a long horizontal stroke at the end.

Garth L. Wheeler
Director

cc: The Honorable Marla G. Decker, Secretary of Public Safety
Daniel Timberlake, Director, Department of Planning and Budget
Walter J. Kucharski, Auditor of Public Accounts

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As of June 30, 2009

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Leonard G. Cooke, Director

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