



**Travis County Adult Drug Diversion Court  
Report of Findings and Recommendations  
#13-17**

**Report Date: August 8, 2013  
Issue Date: February 12, 2014**

TRAVIS COUNTY  
AUDITOR'S OFFICE

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August 8, 2013

Sharon Caldwell-Hernandez  
Social Services Program Administrator  
Adult Drug Diversion Court

**RE: Examination of the Adult Drug Diversion Court**

Scheduled as part of our statutory requirements, particularly those in Section 115 of the Local Government Code, the (REC) Risk Evaluation and Consulting Division of the Travis County Auditor's Office has completed an examination of the Travis County Adult Drug Diversion Court. We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

**BACKGROUND**

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The Travis County Adult Drug Diversion Court was established under the authority of the District Criminal Courts in August 1993. The program represents the combined efforts of the justice system, treatment professionals, and social services entities to intervene and break the cycle of substance abuse, addiction, and crime. It is a multi-disciplinary drug treatment, case management, and intervention program developed as an alternative to incarceration for adult offenders who are addicted to controlled substances and are found in possession of small quantities of these substances.

**SCOPE OF EXAMINATION**

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This examination included a limited assessment of the adequacy and effectiveness of the overall system of internal controls in place for the Adult Drug Diversion Court during the period April 1, 2013 to June 30, 2013. The scope of this examination included an examination of the controls over receipting and depositing collections, and assessing, waiving, and refunding program, treatment, and drug screening fees, as well as the adequacy of controls in place for information systems.

## **EXAMINATION METHODOLOGY**

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Our work was based on applying sampling procedures to office records and on verbal and written representations from Drug Court personnel. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in the Adult Drug Diversion Court's financial statements, financial records, and internal controls that might be material weaknesses or misstatements. In regards to the written and verbal representations made by Drug Court personnel, unless otherwise noted in this report, its management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

## **SUMMARY OF FINDINGS & RECOMMENDATIONS**

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We noted discrepancies in participant fee assessments, including calculation of fees, adjustment of fees, and posting of fees. In addition, we noted the collection of participant fees was not consistently timely. Participant files did not consistently contain complete supporting documentation and management did not routinely review these files. These findings carry the risk that:

1. Participant fees and County revenue are overcharged or undercharged.
2. Grant revenue is reported incorrectly causing compliance issues.
3. Collection is not handled timely thus making collection less likely.

We recommend that Drug Court personnel implement a more rigorous review for compliance with policies regarding timely fee posting and file maintenance. We also recommend that the Drug Court implement controls to prevent errors in postings of revenue assessments.

## **OVERVIEW OF RESPONSES BY MANAGEMENT TO NOTED FINDINGS**

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Overall, the Adult Drug Diversion Court agreed with the findings of this examination and is actively working on an action plan to alleviate them. Specifically, Drug Court has assigned staff to review cases to ensure all fees are correctly assessed and all supporting documents are included in the participants' files. Also, a Drug Court Coordinator will monitor the participants' financial status to determine their ability to make payments, and an ITS-FACTS representative is creating crystal reports to allow a daily review of all fees assessed.

## **ATTACHMENTS**

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**Attachment A:** Contains summary background information for Drug Court.

**Attachment B:** Details of our findings, our recommendations, and management's responses to these issues can be found in Attachment B.

**Attachment C:** Copies of the Drug Court Program's Special Revenue fund financial statements for June 30, 2013, are provided in Attachment C. These statements include a detailed statement of revenues, expenditures and changes in fund balance, and a balance sheet for the special revenue fund. These financial statements have not been audited by Travis County's external auditors.

## EXAMINATION TEAM

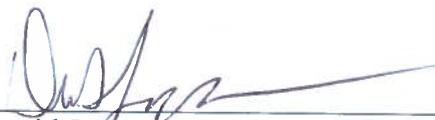
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Lisa Denton, Senior Auditor  
Vanessa Robles, Lead Auditor  
Amanda Muehlberg, Staff Auditor

## CLOSING

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This report is intended solely for the information and use of Drug Court personnel. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County Adult Drug Diversion Court during this examination. Please contact us if you have any questions or concerns regarding this report.



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David Jungerman  
Manager – Risk Evaluation and Consulting  
Division

Position Vacant  

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First Assistant County Auditor



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Nicki Riley  
Travis County Auditor

## REPORT DISTRIBUTION

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Sharon Caldwell-Hernandez, Social Services Program Administrator, Adult Drug Diversion Court

Corinne Hernandez, Social Services Program Coordinator, Adult Drug Diversion Court

Liz Cazares, Social Services Program Coordinator, Adult Drug Diversion Court

Tanya Acevedo, Travis County Information Technology Services CIO

Managers, Travis County Auditor's Office

Examination File

## ATTACHMENT A – PROGRAM BACKGROUND

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The Travis County Adult Drug Diversion Court was established under authority of the District Criminal Courts in August 1993.<sup>1</sup> The focus of the program is to break the cycle of addictive and criminal behavior by substituting an alternative to traditional approaches such as incarceration. The program is voluntary and is designed to last a minimum of one year at a cost of \$1,000. Individuals admitted to the program are non-violent felony offenders who have been arrested for possession of a small amount of controlled substance.

The Travis County District Attorney's Office refers participants who have been charged with a felony drug related offense. Staff members determine eligibility (legal and clinical) and level of dependency (high risk, medium risk, and low risk). Participants meeting the criteria of the program go to court for a judge's approval. Upon approval, the participant immediately signs a participation contract.

At orientation, the case manager conducts a preliminary financial study to determine the hourly rate for treatment classes (\$1 to \$3 per hour). The case manager also discusses the following:

- \$1,000 program fee
- \$3 fee for each urinalysis and breathalyzer test
- \$75 down payment (due at first appointment)
- \$84 minimum monthly payment

At the participant's first appointment, the case manager performs a preliminary financial study to assess the participant's financial obligations and ability to pay fees. The case manager requires the participant to bring documentation to support his or her monthly income and expenses (paycheck stubs, utility bills, etc.). Drug Court's policy requires the case manager to prepare the financial study within 14 days of the participant's acceptance to the program.

The case manager also prepares a RANT (Risk and Needs Triage) Report, which assesses the treatment needs of the participant. Using the RANT Report and the financial study, the case manager completes an "In-house Treatment Fee Allocation" stating the calculated hourly rate for treatment fees and the total treatment amount for the participant. This total typically ranges from \$36 to \$504. These fees are in addition to the program fee and test fees listed above.

The Court may waive fees for participants who are unable to pay. A case manager makes the initial determination and discusses the participant's situation with the judge. Participants are required to support their inability to pay by providing additional documentation and/or speaking to the judge.

The judge may decide to waive some or all of the fees or substitute community service. If so, the judge signs a fee waiver form. One copy of this form is placed in the participant's file, while a second copy is given to a court clerk. The clerk uses the form as support for waiving or reducing the fees in the FACTS System. All fee waivers and reductions posted to FACTS are to be reviewed by the Program Administrator or their designee.

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<sup>1</sup> Texas Government Code 54.971 and 54.976

## ATTACHMENT B – DETAILED FINDINGS

### **Finding #1: Participant Fee Assessments**

We reviewed the program fees, treatment co-payment fees, and drug screening fees assessed by the Adult Drug Diversion Court during the examination period. A breakdown of the participant fee population and our samples for each fee type is provided below:

Fee Type	Population Totals		Sample Totals		
	Number of Items	Total Assessment	Number of Items	% of Population	Sampled Assessment
Program Admission Fees	21	\$21,000	10	48%	\$10,000
Treatment Fees	12	1,931	6	50%	983
Drug Screening Fees	1,417	4,249	30	2%	90
Totals	1,450	\$27,180	46	3%	\$11,073

#### *Program Fees:*

For the ten program fees reviewed, we noted the following:

- One participant (cause #D-2-SH-13-201486) was discharged early from the program on April 29, 2013; however, their balance due of \$1,000 (program fee) was not closed until July 30, 2013, when we inquired about the applicable receivable.
- As stated in Attachment A, participants are required to pay a \$75 down payment on their program fees at their first appointment. For five (50%) of the ten program fee assessments reviewed, this down payment was not collected at the first appointment with the case manager.
- There is no process in place through which Drug Court management reviews, at least on a periodic basis, participant contracts to verify that participant information and program fees are properly recorded in the FACTS System.

#### *Treatment Fees:*

For the six treatment fees reviewed, we noted the following:

- In three instances (cause #'s D-2-SH-13-200908, D-2-SH-13-200938, and D-2-SH-11-204700), the RANT Report assessing the participant's treatment needs was not included in the case file.
- For one participant (cause #D-2-SH-11-204700), neither the In-house Treatment Fee Allocation form nor the RANT Report was included in the participant's file.
- Based on the financial study and fee allocation forms in the participant files, it appears that treatment co-payment fees were incorrectly calculated for three participants (cause #'s D-2-SH-13-200912, D-2-SH-13-200938, and D-2-SH-13-201333).

- Treatment fee assessments for two participants were not timely entered into the FACTS System. Cause #D-2-SH-13-200912 had an assessment date of March 15, 2013 and a FACTS posting date of June 24, 2013, and cause #D-2-SH-13-200938 had an assessment date of April 12, 2013 and a FACTS posting date of April 26, 2013.
- Three participant contracts did not list the program admission date (cause #D-2-SH-13-200908, #D-2-SH-13-200912, and #D-2-SH-13-201185).
- For four participants that attended treatment (cause #'s D-2-SH-13-201493, D-2-SH-13-201510, D-2-SH-13-201913, and D-2-SH-13-202357), no fee assessments were entered into the FACTS System under their cause numbers, nor was a financial study found in their file.
- There is no process in place through which Drug Court management reviews, at least on a periodic basis, In-house Treatment Fee Allocation forms to verify that treatment fees are properly calculated, nor are treatment fee assessments reviewed in FACTS System.

*Drug Screening Fees:*

For the 30 drug screening fees reviewed, we noted the following:

- Seventeen duplicate drug screening fee assessments (four of which were grant-funded) for various participants were posted on April 12, 2013. Per the department, this was an oversight and these items were corrected.
- In five separate instances, the incorrect FACTS event code was used to assess drug screening fees for three participants. Event code 3321 should be used for participants funded with the grant, while 3319 should be used for participants not funded by the grant. These assessments are as follows:

Cause #	Caseload Type	Event Code Used	Correct Event Code	Assessment Date	Assessment Amount
1) D-2-SH-13-201913	Grant-MHMR	3319	3321	07-08-13	\$3
		3319	3321	07-15-13	\$3
2) D-2-SH-13-202357	Grant-MHMR	3319	3321	07-08-13	\$3
		3319	3321	07-15-13	\$3
3) D-2-SH-12-203254	Non-Grant	3321	3319	07-05-13	\$3

Significance/Recommendations:

One significant risk associated with revenue assessment is that fees can be over or under-assessed, resulting in incorrect amounts being collected from participants and remitted to the Treasurer as revenue. These assessments and their subsequent collections might not meet the requirements of the applicable statutes and/or participant agreements.

This risk can be mitigated in a number of ways. First is compliance with office policies and procedures. This includes the timely posting of all fee assessments and adjustments, properly maintaining all supporting documentation in participant files, and the timely collection of down payments. Second is management's implementation of review processes, including at least periodic review by management or their designees of fee assessments (including calculations) and client files to ensure that all relevant documents are collected. Third is implementation of controls to prevent duplicate postings of revenue assessments.

Incorrectly allocating grant revenue assessments can result in non-compliance with grant requirements. This can lead to grant audit findings or even loss of grant funding. This risk can be mitigated with management review of assessments and reinforcement of policies and procedures via employee training.

We encourage Drug Court management to implement new or improve current mitigating controls in order to reduce the findings noted above and their associated risks.

Management Response:

Travis County Drug Diversion Court has implemented a new fee collection process during the period in which this audit was conducted. The program was in the midst of developing and learning a new process and would request it to be taken into account.

Travis County Drug Diversion Court has reviewed the report and is actively making the necessary adjustments to rectify the deficits regarding assessing, allocating, and adjusting fees.

*Action Plan:*

- What actions or changes will occur
  - Drug Court will correct errors within the audit report for active cases
  - Drug Court will create a policy that outlines assessing, adjusting, and monitoring of fees
  - Drug Court will request the creation of crystal reports from ITS regarding assessment and adjustments of fees.
  
- Who will carry out these changes
  - Program Administrator will create policy outlining assessment, adjustment, and monitoring of fees
  - Court Clerk II and Office Specialist Sr. will review all cases cited within the report as well as all active cases to ensure fees have been assessed and if adjustments are required based upon case status
  - ITS will create in FACTS District crystal reports with the ability to run reports at any given interval (i.e. daily, weekly, monthly, quarterly, yearly)
  
- By when will they take place, and for how long
  - Program Administrator will create and submit the proposed policy to the Directors for approval
    - Directors will review policy and approve by end November, 2013
    - Program Administrator will train staff and implement approved policy by December 13, 2013
  - Court Clerk II and Office Specialist Sr. have completed the task of rectifying active cases that were identified during the audit. By November 15, 2013, Court Clerk II and Office Specialist Sr. will review each active case to ensure fees are assessed to the correct event code and make necessary adjustments. The task will be completed for all active cases by end of November, 2013
  - October 23, 2013, ITS was informed of the need for the three reports in order to meet the requirements of the audit. Two reports are in the creation stage as of October 29, 2013 (adjustments and overpayments); while the assessment report has been created

and is in the testing process. All three reports should be created, fully tested, and ready for use by December 13, 2013.

*Implementation:*

Travis County Drug Diversion Court will be ready to fully implement the necessary action steps and will be made effective December 13, 2013. Implementation date is contingent upon development and availability of reports created by Travis County ITS Representative.

**ATTACHMENT C – FINANCIAL STATEMENTS**

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**Travis County Drug Court Program  
Special Revenue Fund  
Balance Sheet  
June 30, 2013**

**Assets**

Cash	\$	198,305
Accounts receivable		<u>321</u>
Total assets	\$	<u><u>198,626</u></u>

**Liabilities and Fund Balance**

**Liabilities:**

Accounts payable	\$	5,422
Deferred revenue		<u>424</u>
Total liabilities		<u>5,846</u>

**Fund balance:**

Restricted		
Special Revenue Funds		<u>192,780</u>
Total fund balance		<u>192,780</u>
Total liabilities and fund balance	\$	<u><u>198,626</u></u>

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. This financial statement has not been audited by Travis County's external auditors.

**Drug Court Program  
Special Revenue Fund  
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Nine Months Ended June 30, 2013**

**Revenues:**

Charges for services	\$	118,348
Investment Income		(884)
Total revenues		117,464

**Expenditures:**

Current:		
Corrections and Rehabilitation:		
Personnel Costs		29,713
Supplies		34,488
Other Charges		36,284
Capital outlay		-
Debt service		-
Total expenditures		100,485

Excess (deficiency) of revenues over expenditures		16,979
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**Other financing sources (uses):**

Transfers in		-
Transfers out		-
Total other financing sources (uses)		-

Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		16,979
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Fund balance - beginning of year		175,801
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Fund balance - end of year	\$	192,780
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NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. This financial statement has not currently been audited by Travis County's external auditors.