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June 14, 2017

Honorable Scott E. Carnahan, Chairman
Citrus County Board of County Commissioners
110 N. Apopka Avenue
Inverness, Florida 34450

Dear Chairman Carnahan:

Enclosed is a list of preliminary and tentative audit findings and recommendations that may be included in a report to be prepared on our operational audit of the Citrus County Board of County Commissioners Detention Center Management Services Contract and Selected Administrative Activities.

Pursuant to Section 11.45(4)(d), Florida Statutes, you are required to submit within thirty (30) days after receipt of this list a written statement of explanation concerning all of the findings, including therein your actual or proposed corrective actions. If within the 30-day period you have questions or desire further discussion on any of the preliminary and tentative audit findings and recommendations, please contact this Office.

Your written explanation should be submitted electronically in source format (e.g., Word or WordPerfect) and include your signature. For quality reproduction purposes, if you are not submitting your response in source format, please convert your response to PDF and not scan to PDF. If technical issues make an electronic response not possible, a hard copy (paper) response will be acceptable.

Please e-mail this Office at flaudgen_audrpt_lg@aud.state.fl.us to indicate receipt of the list of preliminary and tentative audit findings and recommendations. Absent such receipt, delivery of the enclosed list is presumed, by law, to be made when it is delivered to your office.

Sincerely,

A handwritten signature in blue ink that reads "Sherrill F. Norman".

Sherrill F. Norman

MG/kdk

Enclosure

c: Citrus County Board of County Commissioners
Randy Oliver, County Administrator

<p>PRELIMINARY AND TENTATIVE AUDIT FINDINGS NOT AN AUDIT REPORT</p>

SUMMARY

This operational audit of the Citrus County Board of County Commissioners (BCC) focused on the detention center management services contract (jail contract), operations of the County Parks and Recreation Department, and selected BCC administrative activities. Our operational audit disclosed the following:

Jail Contract and Related Procurement Processes

Finding 1: BCC records did not demonstrate that jail management services were obtained at the lowest cost consistent with desirable quality.

Finding 2: BCC records did not demonstrate the reasonableness of the jail expansion purchase option contract provisions, which require the BCC to purchase the jail expansion 60 to 90 days after the jail contract is terminated or expires. In addition, the BCC did not inform the jail contractor that the BCC had refunded impact fees totaling \$173,056 to the company that constructed the jail expansion or request that the jail contractor reduce the jail expansion purchase option price as a result of the refund.

Finding 3: BCC records did not evidence that the BCC complied with State law by consulting with the Citrus County Sheriff before appointing the jail contract monitor in June 2014.

Finding 4: BCC procedures did not require BCC personnel to verify that adult inmate billings were appropriately calculated for partial inmate days considering the documented inmate admission and release times. In addition, while the jail contract provided for annual base compensation rate adjustments based on the United States Department of Labor Consumer Price Index (CPI), the contract did not specify which CPI index series to use for the adjustments. Also, BCC procedures did not require BCC personnel to independently recalculate and verify of record that the annual base compensation rate adjustments and related inmate incarceration charges appropriately reconciled to the rate change letters provided by the jail contractor or to the applicable contract amendments.

Finding 5: BCC annual billings made pursuant to a contract with the United States Virgin Islands (USVI) for the incarceration of USVI inmates exceeded the annual contract limits for 4 contract years by a total of \$1,395,421.

Other Procurement Processes

Finding 6: BCC procedures for monitoring procurement card usage and limits need enhancement.

Finding 7: The BCC had not adopted policies, procedures, or guidelines that established Health and Wellness Program allowable expenditures.

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FINDINGS AND RECOMMENDATIONS

JAIL CONTRACT AND RELATED PROCUREMENT PROCESSES

The Legislature has recognized in State law¹ that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Effective accountability of the procurement process for contractual services typically requires documented:

- Requests for proposals.
- Consideration of the qualifications of the service providers that respond to the requests.
- Consideration of the anticipated benefits and related costs of the services.
- Selection of the most qualified service provider.

Only after the details of the anticipated benefits and related costs are considered and documented, should an entity decide whether it would be more advantageous to contract with a service provider rather than employ personnel to provide the services. Such documented considerations help demonstrate the reasonableness of the costs associated with the procured services and promote government transparency.

Properly written contracts embodying all provisions and conditions protect contracting party interests, establish the responsibilities of contracting parties, define the services to be performed, and provide a basis for payment. Additionally, a records retention policy that requires the safekeeping of documents supporting the reasonableness of contract provisions throughout the contract term provides additional assurances that the services were obtained at the lowest cost consistent with the desired quality.

According to BCC records, in 1995, the Citrus County Board of County Commissioners (BCC) contracted with a corporation to operate the Citrus County detention center (jail). Our examination of BCC records and discussions with BCC personnel disclosed that, in October 2005, the BCC entered into another 10-year management services contract (jail contract) with the same corporation (jail contractor) to continue jail operations, maintenance, and management through September 2015. Subsequently, the BCC and jail contractor approved contract renewal provisions extending the jail contract from October 2015 through September 2020.

According to available BCC records, the BCC paid a total of \$129.2 million to the jail contractor for the period October 2005 through September 2016. Table 1 shows the amounts the BCC paid to the jail contractor, by fiscal year and inmate service type.

¹ Section 287.001, Florida Statutes.

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**Table 1
BCC Jail Contract Payments
By Fiscal Year and Inmate Service Type**

Fiscal Year	County Inmate Services	United States Marshals Services Inmate Services	United States Virgin Islands Inmate Services	Other Services^a	Total Payments
2005-06 ^b	\$ 1,412,511	\$ 6,765	\$ -	\$ 4,416	\$ 1,423,692
2006-07	8,411,610	2,601,218	-	494,830	11,507,658
2007-08	8,069,529	5,108,360	-	520,047	13,697,936
2008-09	7,429,294	4,548,871	-	56,253	12,034,418
2009-10	7,918,312	4,012,694	-	61,331	11,992,337
2010-11	8,462,759	4,230,171	342,698 ^c	70,988	13,106,616
2011-12	7,911,175	3,900,546	992,362	60,889	12,864,972
2012-13	8,453,747	3,661,354	881,164	84,088	13,080,353
2013-14	8,107,781	3,011,796	897,875	34,665	12,052,117
2014-15	9,649,997	2,866,219	2,274,797	47,483	14,838,496
2015-16	9,768,538	2,801,581	- ^c	64,920	12,635,039
Totals	<u>\$85,595,253</u>	<u>\$36,749,575</u>	<u>\$5,388,896</u>	<u>\$1,499,910</u>	<u>\$129,233,634</u>

^a Other services amounts include costs related to juvenile and other agency inmates and inmate hospitalization costs. The 2006-07 and 2007-08 fiscal year amounts were higher due to increased billings for other agency inmates.

^b For the period October 2005 through July 2006, BCC records to evidence jail contractor billings and the associated BCC payments were not available. According to BCC personnel, the records were destroyed in accordance with the BCC record retention policy.

^c During the 2010-11 fiscal year, the BCC entered into contract with the United States Virgin Islands (USVI) for the incarceration of certain USVI inmates. In October 2015, the jail contractor began billing USVI directly rather than billing the BCC.

Source: Available BCC records.

As shown in **EXHIBIT A** to this report, as of October 1, 2015, the 2005 jail contract had been amended six times. The jail contract and subsequent contract amendments contained various provisions related to the costs of the services provided. For example:

- For the first year of the jail contract, the BCC was required to pay the jail contractor a base compensation rate of \$54.74 per adult or juvenile inmate per day (inmate day). Partial inmate days were to be paid in 12-hour increments (i.e., \$27.37 per half-day). Afterwards, on each October 1, the rate was to be adjusted in accordance with the percentage of any increase in the United States Department of Labor Consumer Price Index, but in no event was the rate to be increased less than 2.5 percent or more than 4 percent.

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- For any non-County inmates, the jail contract terms provided that the BCC would remit to the jail contractor all moneys received by the BCC less an administrative fee of \$6 per inmate day.
- The jail contract provided that the jail contractor would pay for the construction of a 360-bed jail expansion² on County property at the current jail site, including a new medical facility and courtroom and the retrofitting of the laundry and kitchen facilities. To help fund the jail expansion:
 - The jail contract stated that, upon substantial completion of the jail expansion, the administrative fee retained by the BCC for incarcerating non-County inmates was to be reduced from \$6.00 to \$3.50 per inmate day.
 - Pursuant to an amendment to the jail contract, during the period October 2007 through September 2015, the BCC would pay the jail contractor a supplemental compensation rate of \$.60 per inmate day in addition to the base compensation rate to complete the courtroom included in the jail expansion project.
- The jail contract provided the BCC the option to purchase the jail expansion at annual intervals through the 2024-25 fiscal year, based on a 20-year amortized purchase option schedule.

For the incarceration of certain non-County inmates at the jail, the BCC entered into intergovernmental service agreements with the United States Marshals Services (USMS) and the United States Virgin Islands (USVI) in September 2000 and April 2010, respectively. According to BCC records, USMS and USVI inmates began being incarcerated at the jail in September 2006 and April 2011, respectively, and the BCC began retaining an administrative fee for a portion of the related daily inmate charges as of those dates.

As part of our audit, we examined BCC records, including available jail contract and intergovernmental service agreement documents, and interviewed BCC personnel. Our audit procedures disclosed that jail contractor billings typically included charges for adult and juvenile inmates, as well as applicable inmate hospitalization costs. Monthly, the BCC received billings from the jail contractor identifying the incarcerated inmates, the dates of incarceration and applicable rates, and inmate hospitalization charges. The BCC Department of Management and Budget (DMB) was responsible for monitoring the jail contractor's compliance with the financial provisions of the jail contract and DMB personnel typically selected approximately 40 inmates from each monthly billing and verified the incarceration dates by examining inmate records retained at the jail before payments were made. We also noted the following events related to the 360-bed jail expansion and intergovernmental agreements:

- In January 2007, the initial certificate of occupancy was issued for the jail expansion.
- In March 2007, the BCC began incarcerating non-County inmates and the jail contractor reduced the administrative fee retained by the BCC from \$6.00 per inmate day to \$3.50 per inmate day as provided by the jail contract.

² The number of beds at the jail was 400 prior to the 360-bed expansion.

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- Effective June 2007, the USMS contracted inmate daily rate was increased from \$47 to \$54.35 and the administrative fee retained by the BCC increased from \$3.50 to \$4.00 per inmate day.
- Effective January 2011, the USMS contracted inmate daily rate was increased from \$54.35 to \$65.20 and the administrative fee retained by the BCC was increased from \$4.00 to \$5.95 per inmate day.

Our audit procedures related to the jail contract and related BCC procurement process also disclosed certain contracting control deficiencies and noncompliance as discussed in Findings 1 through 5.

Finding 1: Jail Contract – Procurement Process

During the period 1995 through the conclusion of our audit field work in December 2016, the BCC received services from the same jail contractor. BCC records purported that the services provided by the jail contractor were excellent and the contractor was appropriately certified to provide the services. However, although we requested, BCC records were not provided to show that a competitive procurement process was followed to obtain the contracted services at the lowest price consistent with desired quality. Also, BCC records were not available to evidence that BCC personnel performed a cost-benefit analysis to determine whether it was more cost effective for the BCC to operate the jail using the jail contractor rather than BCC employees.

Additionally, although we requested, BCC records were not provided to demonstrate the reasonableness of the financial provisions in the 2005 jail contract. For example, as shown in Table 2, the BCC contributed over \$1.5 million pursuant to certain contract provisions to help fund the jail expansion.

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Table 2
BCC Jail Contract Administrative Fees Forgone
and Supplemental Compensation Paid
Related to the Jail Expansion
by Fiscal Year

Fiscal Year	Forgone Administrative Fees	Supplemental Compensation Paid	Total
2006-07 ^a	\$128,637	\$ -	\$ 128,637
2007-08 ^b	217,722	82,009	299,731
2008-09	180,864	73,460	254,324
2009-10	159,392	76,408	235,800
2010-11 ^c	57,167	79,538	136,705
2011-12	35,368	72,559	107,927
2012-13	30,711	75,299	106,010
2013-14	29,802	70,472	100,274
2014-15 ^d	70,293	81,851	152,144
2015-16 ^e	-	-	-
Totals	<u>\$909,956</u>	<u>\$611,596</u>	<u>\$1,521,552</u>

^a The administrative fee was reduced beginning in March 2007.

^b In October 2007, the BCC began paying supplemental compensation to the jail contractor.

^c In January 2011, the BCC increased the administrative fee for the USMS inmates.

^d The reduced administrative fee and supplemental compensation ended in September 2015.

^e In October 2015, the jail contractor began billing the USVI directly rather than invoicing the BCC.

Source: BCC records, including jail contractor monthly billings.

From the inception of the 2005 jail contract through March 2016, these contributions included \$.9 million in administrative fees forgone and \$.6 million in supplemental compensation paid. However, the reductions in administrative fees retained by the BCC and the supplemental compensation paid to the jail contractor significantly increased the BCC contract costs and, although we requested, BCC records, such as documented cost-benefit analyses that disclosed how the BCC benefited from the estimated administrative fee reduction and supplemental compensation amounts, were not provided to support the reasonableness of these provisions.

In response to our inquiries, BCC personnel indicated that documentation may have existed at one time to demonstrate the reasonableness of the financial provisions in the jail contract; however, such documentation may have been destroyed in accordance with the BCC record retention policy. As a

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custodian of public records, the BCC is required by State law³ to comply with the retention schedule and disposal process established by the Department of State, Division of Library and Information Services.⁴ This schedule requires the retention of detail disbursement records for 5 fiscal years.⁵ However, the schedule also requires that records for Contracts, Leases, and Agreements related to Capital Improvement and Real Property be retained for 10 years after project completion or termination of the contract, lease, or agreement.⁶ While it may have been appropriate to destroy jail contract disbursement-related documentation after 5 years had elapsed, as the contract contained provisions related to a capital improvement project on County land, any documentation related to the jail expansion provision should have been retained for a minimum of 10 years after termination of the contract.

As shown in **EXHIBIT A** to this report, in October 2015 the BCC extended the jail contract for 5 years. In response to our request for documentation related to the jail contract extension, the County Administrator indicated that the BCC renewed the contract without a competitive procurement process or a cost-benefit analysis because contract termination would have required the BCC to purchase the jail expansion pursuant to the contract purchase option at a cost of over \$12 million. The County Administrator also indicated that transitioning to a new jail contractor would have required 12 to 18 months and, because he was hired in January 2015 and the contract renewal deadline was September 2015, there was insufficient time for him to evaluate alternatives before renewing the contract. Notwithstanding these responses, no documentation was provided to demonstrate that a previous County Administrator or another BCC employee had evaluated the alternatives.

The Department of State, Division of Library and Information Services, records retention schedule provides that the schedule contains the minimum retention periods and the BCC may retain records longer at its discretion. A policy requiring the retention of records related to the procurement of active contracts would provide additional assurance that records are maintained to support the factors considered and decisions made by the BCC. Absent documentation to support a competitive procurement process for jail services, a cost-benefit analysis demonstrating that it was more cost effective for the BCC to use the selected jail contractor than for BCC employees to provide the services, and the reasonableness of the financial provisions in the jail contract, BCC records did not demonstrate that the jail services were received at the lowest cost consistent with desired quality.

Recommendation: To demonstrate that services are received at the lowest cost consistent with desired quality for future contracts, the BCC should document:

³ Section 119.021(2)(a) and (b), Florida Statutes.

⁴ Department of State Rule 1B-24.003(1)(a), Florida Administrative Code.

⁵ State of Florida General Records Schedule GS1-SL for State and Local Government Agencies, Item # 340.

⁶ State of Florida General Records Schedule GS1-SL for State and Local Government Agencies, Item # 64.

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- **A competitive procurement process for selecting a service provider.**
- **A cost-benefit analysis to determine whether it would be more cost effective for the BCC to use the selected provider or for BCC employees to provide the services.**
- **Determination of the reasonableness of the financial provisions before a contract is executed.**

Further, the BCC record retention policy should be revised, as appropriate, to ensure that contracts related to capital improvement projects on County land are appropriately retained. We also recommend that the BCC require the retention of records associated with active contracts to support the competitive selection process and the reasonableness of financial provisions.

Finding 2: Jail Contract Monitor

State law⁷ provides that after consultation with the Sheriff and upon adoption of an ordinance, the governing body of the County may enter into a contract with a private entity for the provision of the operation and maintenance of a jail as defined in State law⁸ and the supervision of County prisoners. After consultation with the Sheriff, State law⁹ requires the County to appoint a contract monitor who will be responsible for documenting adherence to the contract and compliance with rules, policies, procedures, and performance standards established by the BCC.

As part of our audit, we reviewed a BCC-prepared list of jail contract monitors since 1998. The list included various BCC employees (e.g., the Public Safety Director, Assistant County Administrator, and Operations and Projects Officer) appointed as jail contract monitor by the BCC for various periods of time. However, BCC personnel indicated that they were unaware that the BCC was statutorily required to consult with the Citrus County Sheriff (Sheriff) before the appointment of the jail contract monitors. As such, the BCC did not follow the required statutory process or benefit from the Sheriff's consultative insights regarding the advantages or disadvantages of potential contract monitors.

Subsequent to our inquiries in July 2016, the County Administrator consulted with the Sheriff regarding the proposed appointment of the Facilities Management Director as the new jail contract monitor. According to BCC records, the Sheriff concurred with the proposed appointment and, in August 2016, the BCC appointed the Facilities Management Director as the jail contract monitor, effective October 2016.

⁷ Section 951.062(1), Florida Statutes.

⁸ Section 951.23(1)(a), Florida Statutes.

⁹ Section 951.062(7) and (8), Florida Statutes.

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Recommendation: The BCC should continue efforts to ensure compliance with State law by consulting with the Sheriff before appointing jail contract monitors and before entering into future contracts for the operation and maintenance of the jail.

Finding 3: Jail Contract – Jail Expansion Purchase Options and Related Costs

As previously discussed, the 2005 jail contract provided for a 360-bed jail expansion, including a new medical facility and courtroom and the retrofitting of the laundry and kitchen facilities. According to the jail contract's 20-year amortized purchase option schedule for the jail expansion:¹⁰

- The projected total construction price of the jail expansion was \$18,504,862 as of October 1, 2005.
- The jail expansion purchase option price was \$18,845,227 as of September 30, 2006.
- The purchase option price decreased each fiscal year after the initial contract year and the BCC could take title to the jail expansion on September 30, 2025.

The jail contract also required the BCC to purchase the jail expansion 60 to 90 days after the contract was terminated or expired.

As part of our audit, we requested for examination BCC records to support the reasonableness of the jail expansion purchase price options, including the contract termination and expiration provision; however, as similarly noted in Finding 1, the BCC records were not provided. Without such records, the basis for the jail contract expansion provisions, including the BCC's obligation to purchase the jail expansion, is not readily apparent.

We also requested for examination BCC Building Department records and copies of the jail contractor records related to the jail expansion construction. Our examination of those records disclosed that, in July 2006, the BCC refunded impact fees totaling \$173,056 to the company that constructed the jail expansion. However, the BCC did not inform the jail contractor about the refunded impact fees or request that the jail contractor reduce the jail expansion purchase option price by the refunded amount.

Our further examination of the jail contractor records disclosed that the jail contractor paid \$18,535,156 for the construction of the jail expansion. However, in May 2007, the purchase option schedule¹¹ was revised to show increased total construction costs of \$19,544,791, or \$1,009,635 more than the \$18,535,156 construction costs paid by the jail contractor. The revised schedule also showed increased purchase option prices for each contract year. For example, the revised schedule required the BCC to pay \$10,136,416 to exit the contract at September 30, 2017, and exercise the jail expansion purchase option. This amount is \$539,333 more than the purchase option price at September 30, 2017, shown on

¹⁰ Jail contract Schedule A, Section 6.5.

¹¹ Jail contract, Supplemental Agreement No. 2, Section 6.5.

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the schedule in the 2005 jail contract and does not consider the impact fees refunded by the BCC to the company that constructed the jail expansion.

In response to our inquiries, BCC personnel indicated that records may have been available to demonstrate the reasonableness of the jail expansion contract provisions and related contract amendments; however, such records were probably destroyed in accordance with the BCC records retention policy. Absent such documentation, BCC records did not evidence that the jail expansion purchase options contained in the jail contract were in the BCC's best interest.

Recommendation: We recommend that the BCC seek to amend the jail contract to provide for a purchase option price based on actual jail expansion construction costs adjusted for other relevant considerations. Such other relevant considerations should include the reduced administrative fees retained by the BCC and the supplemental compensation paid by BCC to the jail contractor (as discussed in Finding 1) and the impact fees totaling \$173,056 refunded to the construction company by the BCC.

Finding 4: Jail Contract – County Inmate Incarceration Charges

To evaluate the propriety of County inmate incarceration charges, we examined BCC records, such as the 2005 jail contract and contract amendments, jail contractor billings and related BCC payments, and other documentation for the period October 2005 through March 2016. We found that BCC records did not always evidence that the County inmate incarceration charges on the jail contractor billings and the amounts paid by the BCC were consistent with the jail contract provisions. Specifically:

- According to the jail contract, the jail contractor was to adjust the inmate daily rate each October 1 based on nationwide United States Department of Labor (USDL) Consumer Price Index (CPI) figures issued in January for the previous year; however, in no event was the rate to be increased less than 2.5 percent or more than 4 percent. Around October 1 of each contract year, the jail contractor mailed the BCC a certified letter containing the contract year's rate adjustment to be effective October 1. While the June 2015 contract amendment required that the jail contractor not adjust the base compensation rates for the 2015-16 and 2016-17 contract years, neither the 2005 jail contract nor the amendments thereto identified the specific CPI index series¹² to be used to calculate the 2005-06 through 2014-15 contract years' annual rate adjustments. Also, although we requested, we were not provided documentation evidencing which specific CPI index series the BCC intended to use for purposes of the jail contract. Further, our examination of the jail contractor's annual rate change letters disclosed that the jail contractor did not always identify the basis for the stated rate increase adjustments and, as shown in Table 3, the calculated rate

¹² The USDL publishes the CPI monthly and presents various CPI index series. For example, the CPI is presented as unadjusted or seasonally adjusted; for all urban consumers or for urban wage earners and clerical workers; and by size of city or regional location within the country. Further, a CPI index series could include all items or only specified expenditure groups, such as food or energy.

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increase adjustments did not always correspond with the change in the CPI using the broadest and most comprehensive CPI index series.¹³

**Table 3
BCC Base Compensation Rates,
CPI, and Related Percentage Changes
2005-06 Through 2014-15 Contract Years**

Contract Year	Base Compensation Rate Per Inmate Day	Percentage Increase from Prior Year (A)	CPI Annual Percentage Change	Rate Increase Allowed by Jail Contract (B)	Percentage Difference (B) – (A)
2005-06	\$54.74	-	-	-	-
2006-07	56.59	3.38%	3.42%	3.42%	.04%
2007-08	58.43	3.25%	2.54%	2.54%	-.71%
2008-09	60.07	2.80%	4.08%	4.00%	1.20%
2009-10	61.58	2.50%	0.09%	2.50%	-
2010-11	63.24	2.70%	2.72%	2.72%	.02%
2011-12	64.82	2.50%	1.50%	2.50%	-
2012-13	66.76	3.00%	2.96%	2.96%	-.04%
2013-14	68.43	2.50%	1.74%	2.50%	-
2014-15	70.14	2.50%	1.50%	2.50%	-

Source: BCC records and USDL Bureau of Labor Statistics, *USDL All Items CPI for All Urban Consumers*, issued in January for the previous year.

As also shown in Table 3, if it was the BCC’s intent to use the *USDL All Items CPI for All Urban Consumers*, the jail contractor’s base compensation rate, as adjusted, would have been correct for 4 contract years (2009-10, 2011-12, 2013-14, and 2014-15), more than allowed by the contract for 2 contract years (2007-08 and 2012-13), and less than allowed by the contract for 3 contract years (2006-07, 2008-09, and 2010-11). However, BCC records did not demonstrate whether the contractor’s adjusted base compensation rates were consistent with BCC intent and the jail contract provisions for any of the contract years. Considering that the jail contractor inmate billings included approximately 1.3 million County inmate days for the period August 2006 (the earliest invoice available for audit) through September 2016, incorrect rate increases would have had a significant impact on the amounts paid by the BCC.

While the DMB is responsible for ensuring compliance with the financial aspects of the jail contract, DMB personnel did not, of record, question the jail contractor regarding the insufficiently detailed annual rate change letters or inconsistencies in the bases used for the rate increases, and we noted that BCC policies and procedures did not require DMB personnel to independently

¹³ The USDL Bureau of Labor Statistics indicates that the *USDL All Items CPI for All Urban Consumers* (i.e., Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, United States City average, All Items) is the broadest and most comprehensive CPI index series, and is the CPI generally reported in the media.

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recalculate and verify the rate increases. Absent definitive contract language indicating the specific CPI index series to be used, and without independent recalculation and verification of rate adjustments and the related inmate incarceration charges, the BCC has limited assurance that the rates charged by the jail contractor and paid by the BCC were accurately adjusted in accordance with the contract.

- The jail contract required County inmate incarceration charges to be based on an amount per inmate day (i.e., 24 hours) and provided that, when an inmate was not assigned to the jail for the full 24 hours, partial inmate days be calculated in 12-hour increments.¹⁴ Our examination of BCC records disclosed that the charges for juvenile inmates were based on 12-hour increments; however, contrary to the contract, the charges for adult inmates were all based on 24-hour inmate days without consideration of inmate admission and release times. According to BCC personnel, the jail contractor charged the BCC a full inmate day for the day that adult inmates were admitted but did not charge the BCC for adult inmate release days. While DMB personnel reviewed monthly contractor billings containing adult inmate admission and release dates, the review evaluated the propriety of inmate incarceration charges based on full- inmate days and did not consider any partial inmate days as required by the contract.

In response to our inquiry, the DMB Director indicated that the adult inmate billing process was in place when she was hired in August 2014, and she could not explain why the process did not comport to the contract provisions. Absent effective procedures to verify that incarceration charges are based on documented inmate admission and release times and dates before the related payments are made, the BCC cannot be assured that inmate incarceration charges and related payments are appropriate and made in accordance with jail contract provisions.

Recommendation: The BCC should seek to amend the jail contract to specify the appropriate CPI index series to use to annually adjust the base compensation rates. In addition, BCC procedures should be established to require DMB personnel to independently recalculate and verify of record that annual base compensation rate adjustments and related inmate incarceration charges appropriately reconcile to the contract and contract amendments and the jail contractor's rate change letters. Additionally, the BCC should enhance procedures to require, prior to payment, that BCC personnel verify that jail contractor billings are in accordance with the jail contract provisions. Such procedures should include verification that adult inmate billings consider partial inmate days and appropriately correspond to documented inmate admission and release times and dates.

Finding 5: Jail Contract - United States Virgin Islands Inmate Incarceration Charges

In an effort to minimize the jail operating costs for the Citrus County taxpayers and fully utilize available jail space, the BCC contracted with the United States Virgin Islands (USVI) Bureau of Corrections to incarcerate certain USVI inmates. Our discussions with BCC personnel and examination of BCC records disclosed that the contract with the USVI was effective for the period April 15, 2010, through

¹⁴ The jail contract provided that, for partial inmate days, the jail contractor be paid for a half day for up to 12 hours and for a full inmate day for 12 to 24 hours.

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April 14, 2012; could be renewed for three 1-year terms, established a rate of \$65 per USVI inmate day for the first contract year and provided for a 3 percent increase each year thereafter; and, unless modified by written amendment, limited the USVI financial obligations to \$800,000 during any contract year. In April 2011, the BCC began incarcerating USVI inmates and billing the USVI. The contract was subsequently renewed through April 14, 2015.¹⁵

Our examination of BCC records and discussions with BCC personnel disclosed that, for the 2011-12 through 2014-15 contract years, the BCC submitted billings to the USVI and the USVI made payments based on the contractually agreed upon rate per USVI inmate day without consideration of the \$800,000 annual contract limit. Consequently, for those contract years, billings and payments exceeded the annual contract limit without a written contract modification authorizing the total amounts paid. Table 4 shows the BCC billings and USVI payments by contract year, and that payments totaling \$1,395,421 exceeded the annual contract limit.

**Table 4
BCC Billings and USVI Payments
2011-12 Through 2014-15 Contract Years**

Contract Year	BCC Billings and USVI Payments	Payments that Exceeded Contract Limit
2011-12	\$ 899,470	\$ 99,470
2012-13	1,017,376	217,376
2013-14	931,273	131,273
2014-15	1,747,302	947,302
Totals	<u>\$4,595,421</u>	<u>\$1,395,421</u>

Source: BCC records.

In response to our inquiries, the DMB Director, who began employment in August 2014, indicated that BCC personnel were unaware of the \$800,000 annual contract limit and that both the BCC and USVI had functioned as if the limit was not in place. In December 2015 and with the consent of the BCC, the jail contractor entered in to a contract the USVI that contained an annual financial obligation limit of \$2,463,750.

While the USVI paid all the billed amounts and were no disputes between the BCC, the jail contractor, or the USVI regarding the billings, pursuant to the contract, a written amendment related to the financial obligation amount and each party's responsibilities was necessary when the amount of the billings

¹⁵ The jail contractor entered into a contract with the USVI for the incarceration of certain USVI inmates effective December 16, 2015. From April 2015, until October 2015, the BCC continued to bill the USVI for jail services.

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exceeded \$800,000 in the first contract year. Absent such an amendment, there was an increased risk of nonpayment by the USVI once the annual contract limit was reached.

Recommendation: The BCC should enhance procedures to ensure that BCC billing amounts are limited to contractually agreed-upon amounts.

OTHER PROCUREMENT PROCESSES

Included in the BCC's stewardship and fiduciary responsibilities associated with managing public resources is the responsibility to ensure that controls provide for the effective and efficient use of resources in accordance with applicable laws, rules, and other guidelines. To promote responsible spending and improved accountability, it is important for BCC records to demonstrate that public funds are properly utilized in fulfilling the BCC's legally established responsibilities.

Finding 6: Purchasing Cards

The BCC administers a purchasing card (P-card) program, which gives employees the convenience of purchasing items from selected merchants without using the standard purchase order process and expedites low dollar purchases of goods and services at a lower cost to the BCC. Purchases made with P-cards are subject to the same rules and regulations that apply to other BCC purchases and are also subject to P-card requirements established in BCC Administrative Regulations - Purchase Card Program¹⁶ (P-card Policies) and the *Purchasing Card Policies and Procedures Manual (P-card Manual)*. The P-card Policies provide that the BCC DMB and the Clerk's Financial Services Division are to monitor and maintain the P-card program and that purchasing limits be established for each P-card; however, the P-card Policies did not require documented periodic evaluations of P-card assignments and monthly total dollar and single transaction purchasing limits based on each P-card's activity.

We requested and BCC personnel provided a P-card status report as of March 2016 that identified for each P-card the monthly total dollar and single transaction purchasing limits, last date the card was used, and account balance. Using the status report and BCC records of P-card charges, we analyzed the P-card purchasing limits and usage for the 96 cards active during the period October 2014 through March 2016 and noted monthly total purchasing limits that appeared excessive and, based on limited usage, P-cards that appeared to be unnecessary. For example, the greatest amount of total charges in any 1 month for 55 of the 96 cards was less than 25 percent of the respective P-card's monthly total dollar purchasing limit. Of these 55 P-cards:

- Thirteen had a \$25,000 monthly total dollar purchasing limit but the average monthly P-card charges totaled \$1,000 or less.

¹⁶ BCC Administrative Regulation 9.17-2, Purchase Card Program.

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- Eight had monthly total dollar purchasing limits ranging from \$2,500 to \$50,000 but the P-card charges totaled less than \$500 during the period October 2014 through March 2016.
- One P-card had a \$50,000 monthly total dollar purchasing limit but, as of March 2016, had not been used since December 2014 when charges totaling \$300 were made.

A BCC *Internal Auditing Services for the Purchasing Card Program* report dated January 2015 recommended that the BCC review P-cards with low usage and determine whether the P-card assignments were justified. In response to the report recommendation, the department directors indicated that no review was necessary as time and costs were saved through P-card use by reducing the number of small dollar purchase orders and expediting the payment of travel expenses.

Subsequent to our inquiry regarding the performance of P-card assignment reviews, BCC personnel indicated that a review of P-card limits and related activity for the previous 12 months was performed in November 2016 to evaluate the reasonableness of P-card assignments and limits. As a result of this review, recommended actions, including the cancellation of P-cards or the reduction of purchasing limits, were made to department directors for 22 P-cards. In response, the applicable department directors:

- Canceled 5 P-cards, including 1 assigned to a cardholder who had separated from BCC employment.
- Reduced the purchasing limits of 3 P-cards.
- Agreed to cancel one P-card and reduce the limit of another; however, the actions were not implemented and no actions were taken to follow up with the directors.
- Did not change the purchasing limits of 5 P-cards because the cards were new.
- Did not change the purchasing limits of 4 P-cards because the card limits were already set at the lowest limit.
- Did not implement the recommended actions for 3 P-cards and did not provide a documented explanation; however, no actions were taken to follow up with the directors.

While the conduct of documented reviews evaluating the reasonableness of P-card assignments and purchasing limits provides some assurance related to the appropriateness of the P-card purchasing limits and related activities, BCC records were not available to demonstrate that the November 2016 review considered all the P-card purchasing limits or total purchase amounts for the period examined.

Although P-cards expedite certain purchases, assigning monthly total dollar or single transaction purchasing limits substantially higher than necessary increases the risk of unauthorized purchases.

Recommendation: The BCC should revise the *P-card Manual* to require the conduct of documented reviews evaluating the reasonableness of P-card assignments and monthly total dollar and single transaction purchasing limits based on the activity of each P-card. In addition, the BCC should ensure that appropriate actions, including the cancellation of underutilized P-cards or the reduction of purchasing limits, are timely taken as a result of such reviews.

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Finding 7: Health and Wellness Program Expenditures

According to BCC records, the BCC established the Health and Wellness Program (Program) to prevent illness and injury, promote health and productivity, and lower the total cost of healthcare for BCC employees. In September 2014, the BCC extended an agreement with the BCC's health insurance program third-party administrator (TPA) for administration of the Program through September 2017. The TPA agreement required the TPA to pay the BCC a \$25,000 Program contribution in October 2014 and another \$25,000 upon renewal in October 2015. The TPA made these contributions to the BCC for the Program and, according to the TPA agreement, the contributions were to be used for "any wellness related initiatives or activities."

As part of our audit, we examined BCC records supporting 30 selected P-card purchases totaling \$28,163, from the population of BCC P-card purchases totaling \$2.1 million during the period October 2014 through March 2016, to determine whether the purchases complied with BCC policies and procedures and served a documented public purpose. One of the 30 P-card purchases was a \$932 Program-related expenditure for exercise equipment. To determine the propriety of this purchase and other Program-related expenditures during the period, we requested and were provided Program records that identified Program expenditures totaling \$14,223 that were either direct payments to vendors or reimbursements to employees. Table 5 provides descriptions of Program expenditures, excluding several small dollar expenditures that collectively totaled \$2,270.

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Table 5
Health and Wellness Program Expenditures
October 2014 through March 2016

Description	Amount	
	Vendor Payment	Employee Reimbursement
Entry fees for participation in golf tournaments ^a		\$6,460
Exercise equipment for office use	\$1,944	
Food for Health and Wellness Program events	\$1,378	
71 cell phone holder armbands for BCC employees walking event	\$488	
Entry fees for participation in foot races		\$452
Food and decorations for Employee Wellness Center open house	\$442	
Fitness wristbands and store gift cards given as door prizes for Employee Wellness Center open house	\$349	
Cooking class fees		\$249
Weight management program fees		\$191
Totals	<u>\$4,601</u>	<u>\$7,352</u>

^a BCC records indicated that a total of 43 employees were reimbursed for golf tournament entry fees and that all 43 employees participated in at least one golf tournament. Some of the employees participated in up to 12 tournaments. The total reimbursements to each of the 43 employees ranged from \$54 to \$848.

Source: BCC records.

While the TPA agreement provided for administration of the Program, the agreement did not specify the allowable Program expenditures and, as of October 2016, the BCC had not developed written policies, procedures, or guidelines establishing the appropriate uses of Program moneys. Absent comprehensive Program policies, procedures, and guidelines, there is an increased risk that Program expenditures may not be consistent with BCC intent and may not be reasonable or necessary to serve a public purpose. Subsequent to our inquiries, the BCC approved an administrative regulation¹⁷ in December 2016 that specified allowable types of Program expenditures and generally includes the types of expenditure listed in Table 5.

Recommendation: The BCC should continue efforts to establish and implement Program controls, including controls to ensure Program expenditures are limited to those allowed by the administrative regulation.

¹⁷ BCC Administrative Regulation 7.24, Wellness Fund Expenditures.

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End of Preliminary and Tentative Audit Findings.