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INTERNAL AUDIT REPORT NO. 2014-8555

OFFICE OF INSPECTOR GENERAL (OIG)



Walter Sachs, Inspector General

INTERNAL AUDIT REPORT

PRIVATELY OPERATED INSTITUTIONS
INMATE WELFARE TRUST FUND

December 8, 2014

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*Audit Report of
Privately Operated Institutions Inmate Welfare Trust Fund*

EXECUTIVE SUMMARY

In 1998, the Legislature established the Privately Operated Institutions Inmate Welfare Trust Fund (POIIWTF) within the Department of Corrections (DOC). The trust fund was established for the benefit and welfare of inmates incarcerated in private correctional facilities. Effective, July 1, 2004 the Legislature transferred the duties and responsibilities for contracting, and oversight of the privately operated correctional facilities to the Department of Management Services (DMS), which created the Bureau of Private Prison Monitoring (Bureau). The Bureau is responsible for the oversight and contractual compliance for the private prison system including the contractor's operation of the POIIWTF.

The POIIWTF is funded from sales to inmates and telephone commissions. This fund is appropriated annually by the legislature for the welfare and benefit of inmates incarcerated in privately operated correctional facilities, to:

- purchase items for resale at the inmate canteens or vending machines maintained at the private correctional facilities;
- provide unique and innovative programs to aid the inmates' reintegration into society (this does not include any program contemplated in the contract); and,
- provide items or activities to benefit the inmate population.

The Bureau requested an audit of the POIIWTF during the 2013-14 Risk Assessment process. The objectives of the audit included the following.

- An assessment as to whether adequate controls exist to safeguard inmate trust funds from loss, errors, or irregularities. This assessment was limited to the DMS responsibilities.
- A conclusion whether the expenditures are being made in accordance with established policies.
- Recommendations regarding what process improvements are needed.

The scope of the audit was limited to DMS' responsibilities for oversight of the administration of the POIIWTF. This included statute, administrative code, and the specific policies and procedures in place delineating these responsibilities. The audit tests focused primarily on fiscal years 2010-11, 2011-12, and 2012-2013. Also, the audit was performed using samples of activity from four of the facilities; Moore Haven, South Bay, Gadsden and Lake City.

The audit was performed in accordance with the Institution of Internal Audit standards and in accordance with section 20.055, Florida Statutes (F.S.).

The majority of the observations summarized in this report arise from the need to establish more specific performance standards and monitoring procedures for the administration of the trust fund. In addition, the manual processes used by the Bureau to track and monitor trust fund activity increase the risk of errors and irregularities. Although the Bureau implemented some monitoring procedures to strengthen its oversight of the contractors' operation of the trust fund as a result of prior internal and external audits, the audit revealed that further procedures to strengthen oversight are needed.

The following areas highlight process improvement recommendations for enhancing the monitoring and oversight procedures for the POIITWF by the Bureau:

- Establish specific objectives and guidance regarding the program request and budget submission process to help ensure contractors are submitting program requests that align with allocation, policy and administrative code. This guidance should also include more specific information regarding eligible programs. Also, we recommend that the Bureau develop performance reports for contractors that would measure their performance as it relates to meeting objectives and adhering to guidance.
- Develop a process that would allow contractors to submit information regarding revenue receipts and reimbursement requests electronically, eliminating the need for data entry by the Bureau. This process should include specific format and templates for the contractors to use in their reporting packages. Also, criteria to evaluate the accuracy and completeness of revenue receipts. Specifically, we recommend these criteria include standard rates for telephone commissions, allowable costs to be deducted from canteen and vending revenues, and supporting documentation to be provided to facilitate Bureau review. Further, it should include specific authority for the contractors regarding allowable deductions for the determination of net proceeds.
- Update current policy and implement additional guidance and monitoring procedures for monthly and annual reporting. We recommend management consider:

- Developing monitoring procedures to document, assess, and report contractor performance regarding the monthly and annual reports
- Verify consistency between contract and policy, clarify requirements and communicate standards that specify the format and content for specific reports to be submitted monthly and annually (*see Table 7 of this report for specific examples noted during the audit*).
- Partner with DOC to establish a Memorandum of Understanding or some other type of agreement that outlines specific roles and responsibilities between the two Departments for trust fund management and oversight. We recommend that these roles and responsibilities, at a minimum, include sharing of information, reconciliation and reporting of trust fund activity, including a system of control and accountability for capital assets and tangible personal property purchased by the trust fund.

We appreciate the Bureau and its personnel for their cooperation during the audit. In particular, we thank the department staff for working patiently during staffing transitions. Also, we would like to thank the Bureau for quickly responding to the recommendations from this audit. Prior to the issuance of this report, management provided the Inspector General's office with draft plans to update the POIIWTF department policy (09-103), update the Rule 60AA-203.101, Florida Administrative Code, and to create a new architecture for the financial and data management within the Bureau aimed at improving its monitoring and oversight procedures. Although this architecture has a scope much larger than the POIIWTF, we noted that some of the recommendations identified in this report are a part of this project's objectives.

BACKGROUND

POIIWTF HISTORY AND OVERVIEW

Section 944.72, F.S., creates the Privately Operated Institutions Inmate Welfare Trust Fund (POIIWTF). The purpose of the trust fund is for the benefit and welfare of inmates incarcerated in private correctional facilities. Also, section 945.215, F.S. requires the Department of Management Services to annually compile a report documenting POIIWTF receipts and expenditures at each private correctional facility. This report must specifically identify receipt sources and expenditures. Further, the statute indicates that the Department of Management Services compile this report for the prior fiscal year and submit it by September 1st of each year to the chairs of the appropriate

substantive and fiscal committees of the Senate and House of Representatives and to the Executive Office of the Governor. As the trust fund was created within the Department of Corrections, it should be noted that DMS' responsibility is limited.

The seven private correctional facilities deposit funds into the POIIWTF. The net proceeds derived from inmate canteens, vending machines used primarily by inmates, and telephone commissions make up the primary sources of revenue for the trust fund. These revenues average approximately \$2.8M annually, with most revenue being generated through the canteen commissions (67%).

The facilities and contractors for the audit period are outlined in the table below.

Private Prison	Offenders	Contractor <i>(During the Audit Period)</i>
Bay Correctional Facility	Adult Male	Corrections Corporation of America
Blackwater River Correctional Facility	Adult Male	The GEO Group, Inc.
Gadsden Correctional Facility	Adult Female	Management and Training Corporation
Graceville Correctional Facility	Adult Male	Corrections Corporation of America
Lake City Youthful Offender Facility	Male Youthful	Corrections Corporation of America
Moore Haven Correctional Facility	Adult Male	Corrections Corporation of America
South Bay	Adult Male	The GEO Group, Inc.

Table 1 – List of Private Prisons and Contractors During the Audit Period

As a part of its monitoring and oversight responsibilities for the trust fund, the Bureau performs the following tasks.

- a. Approve the private prison contractor's list of expenditures to be made from the trust fund for the next fiscal year by the POIIWTF Committee
- b. Receive and review the revenue receipt and expenditure reimbursement documentation from the contractors each month.
- c. Verify that the revenue receipts have been deposited in the POIIWTF.
- d. Verify and ensure that funds are expended only pursuant to legislative appropriation.
- e. Approve expenditure reimbursement and forward to Department of Corrections for payment
- f. Track and record revenue receipts and expenditure reimbursements against program requests/budget for the fiscal year

- g. Receive and review contractor's annual financial statement (statement of revenues, expenses, and statement of budgeted and actual expenditures detailed by object code) for the POIITWF prior to the approval of the final payment for the fiscal year.
- h. Approve all operations and fixed capital outlay projects and expenditures.
- i. Approve contractor administrative procedures to ensure proper accounting and internal control of the receipts and expenditures of the funds from POIITWF.
- j. Review independent audit results from contractors for the POIITWF.
- k. Prepare the annual report documenting POIITWF receipts and expenditures at each correctional facility, specifically identify receipt sources and expenditures, and submit to chairs of the appropriate substantive and fiscal committees of the Senate and House of Representatives and to the Executive Office of the Governor.

Florida Statutes¹ states that funds in the POIITWF shall be expended only pursuant to legislative appropriation. The contractor of each of these facilities submits annually a list of expenditures to be made from the trust fund for the fiscal year to the Bureau. Program proposals are also submitted to the Bureau along with these budgets. These program proposal and budget requests are reviewed in detail by the POIITWF Committee. The POIITWF Committee is made up of the following individuals.

- Bureau Chief, Budget Operations – Michael Weber
- Government Operations Consultant II – Nicole Walker
- Management Review Specialist – Kim Mims
- Management Review Specialist – Neal Morris

Expenditures for these programs include operational costs and fixed capital outlay. These expenditures must meet guidelines of subsection 945.215(2), F.S., and applicable terms of the executed contracts. The contractor must develop and update, as necessary, with the approval of the Bureau, administrative procedures to ensure proper accounting and internal control of the receipts and expenditures of the funds from the POIITWF. In accordance with Rule 60AA-203.101, Florida Administrative Code, Inmate Welfare Funds will be disbursed exclusively for the following:

1. To purchase items for resale at the inmate canteens or vending machines maintained at the correctional facilities;
2. To provide unique and innovative programs to aid the inmates' reintegration into society. This does not include any program contemplated in the contract;
3. To provide items or activities to benefit the inmate population.

Annually, the contractor must compile and submit to the Bureau a report that documents the actual receipts and expenditures from the POIITWF for the previous

¹ Subsection 945.215(2)(b)2, F.S.

fiscal year. Also, the contractor must send a monthly report to the Bureau of all deposits and expenditures made to or from the POIIWTF. As a part of its oversight responsibilities, the Bureau is responsible for 1) reviewing and approving receipts for reimbursement of expenditures for approved programs, 2) tracking such expenditures against approved budgets, and 3) tracking revenue receipts and supporting documentation against deposits made to the trust fund. Monthly, the staff receives reports and copies of supporting documentation from each facility. The information on these documents is manually input into spreadsheets used to track trust fund activity.

The program activities for FY 2012-13 and as reported in the Bureau's annual report are outlined in the table below.

Facility	Total Revenues	Total Expenditures	Fund Balance
Bay	\$ 264,948.18	\$ 104,805.56	\$ 160,142.62
Blackwater	671,492.86	94,732.54	576,760.32
Gadsden	508,128.35	115,215.06	392,913.29
Graceville	514,235.80	11,835.00*	502,400.80
Lake City	164,491.39	162,586.35	1,905.04
Moore Haven	257,519.47	78,292.43	179,227.04
South Bay	458,103.58	48,526.08	409,577.50
Service Charge - DOC		202,302.98	(202,302.98)
TOTAL	\$ 2,838,919.63	\$ 818,296.00	\$ 2,020,623.63*

Table 2 – Annual Revenue, Expenditures and Remaining Funds for Fiscal Year 2012-13

*Management identified additional expenditures for Graceville that were approved after the annual report was prepared. The revised total expenditures for Graceville were \$56,889.54. This modifies the ending Fund Balance to equal \$1,975,569.09.

As highlighted in the table above, 30% of the revenues were expended in fiscal year 2012-13 for POIIWTF programs. The statute² requires that any remaining funds in the account at the end of the fiscal year shall remain in the trust fund at the end of the year and shall be available for carrying out the purposes of the trust fund. We began the audit with a recap of the activity in the trust fund for the past three fiscal years (2010-11, 2011-12 and 2012-13).

² Subsection 944.72(2), F.S.

AUDIT OBSERVATIONS

Program Requests and Budgeting:

The analysis performed during the audit noted the following regarding the activity in the trust fund during the past three years:

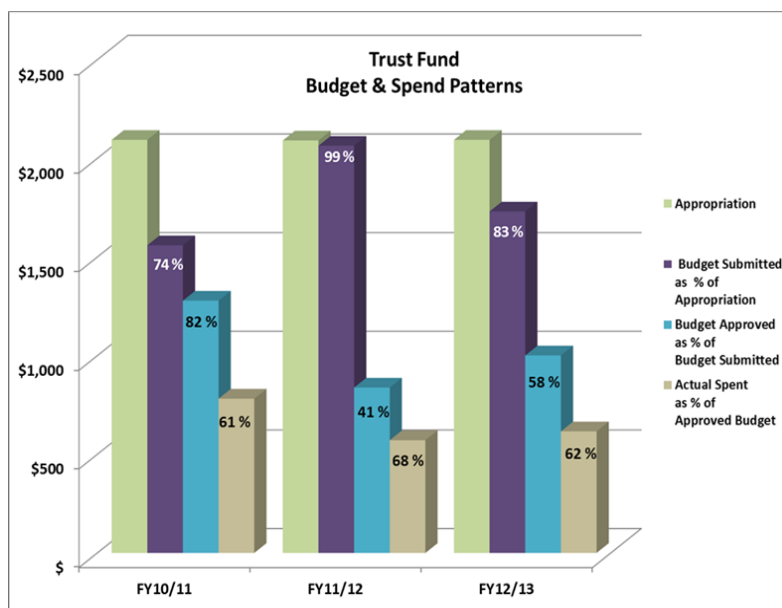


Table 3 – Trust Fund Budgeting and Expenditure Patterns

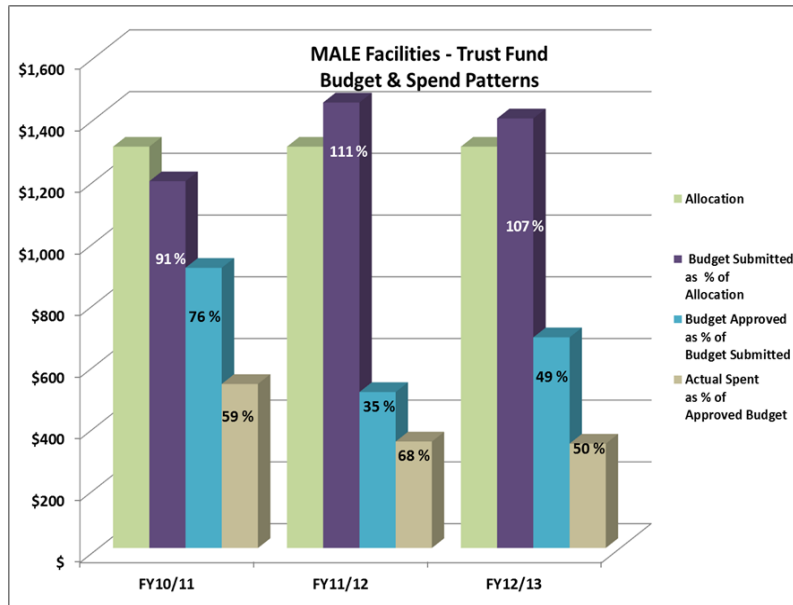


Table 4 – Trust Fund Allocation, Budgeting and Expenditure Patterns- Adult Male

OBSERVATION 1

IMPROVEMENTS ARE NEEDED IN THE PROGRAM REQUESTS AND BUDGETING PROCESS

Program requests submitted each year by the contractors vary from the amounts allocated. Also, almost half of the programs requested were denied. The primary reason these denials is that the programs requested are already a part of the contract, ITN, or ACA standards or that the program does not meet requirements for this trust fund.

Once the legislature determines the appropriation for the male, female and youth facilities, the appropriation for the adult male is allocated to the five adult male facilities. Although management noted that contractors are informed of their allocation amounts, the audit revealed that the amount of the program requests submitted consistently varied from those allocations.

Of the twelve budgets reviewed, four (33%) were approximately 100% of the allocations, while three (25%) exceeded 100%, and five (42%) were less than 100%. The budgets that were less than 100% ranged from 25% to 87% of the funds allocated. We

also analyzed the budget approval process during the audit and noted, as highlighted in the table above, an average of 40% of the budget amounts submitted were not approved. Specifically, we reviewed 79 programs requested in the annual submissions for the audit period and found that 39 (49%) were denied for the reasons listed below.

- Program included in contract, ITN or ACA standards
- Program does not meet requirements for an IWTF program
- Insufficient information provided about the program
- No denial explanation indicated in program request

DMS policy provides some guidelines for program requests. However, the results of the analysis indicate a gap in the contractors understanding of eligible programs. Also, we determined from management that these gaps had not been addressed with the contractors. In addition, the audit noted that program requests are submitted in excess of the allocation amounts. Allowing these practices increases the potential for programs to be approved in error (*ineligible programs or program requests in excess of allocation*).

We recommend that the Bureau establish specific objectives and guidance regarding the program request and budget submission process to help ensure contractors are submitting program requests that align with allocation and Bureau expectations. This guidance should also include more specific information regarding eligible programs. Also, we recommend that the Bureau develop performance reports for contractors that would measure their performance as it relates to meeting these objectives and adhering to this guidance.

Management Response:

- *"The Bureau establish specific objectives and guidelines regarding the program request and budget submissions."*

Concur. *The Bureau is revising Policy 09-103 to be more prescriptive, offering more clarity and guidance to contractors.*

- *"The Bureau develop performance reports for contractors that would measure their performance as it relates to meeting these objectives and adhering to this guidance."*

Concur. *The Bureau's master monitoring tool, Contract Performance Indicators, will be modified to add indicators to improve the monitoring and measurement of the approved programs.*

Monthly Review of Revenue Receipts and Expenditure Reimbursement:

Revenue receipts within the trust fund are derived from three major sources; canteen sales, vending sales and telephone commissions. As noted in the table below, canteen sales make up the majority (67%) of these receipts. The other sources of revenue receipts vending machines sales and telephone commissions represent 29% and 3% respectively. The remaining 1% comes from balances of \$1 or less in inmate bank accounts and the sale of other items like MP3 players, Securepak, photos, confiscated currency and rebates.

Per the Annual Report prepared by Bureau of Private Prison Monitoring						
Program Revenues	FY 2010-11	% of annual total	FY 2011-12	% of annual total	FY 2012-13	% of annual total
Vending Machine Commissions	\$ 75,281.60	3%	\$ 87,857.51	3%	\$ 136,767.26	5%
Telephone Commissions	675,634.26	29%	789,152.33	29%	820,525.27	29%
Private Canteen Commissions	1,519,841.83	65%	1,949,672.40	71%	1,769,234.18	62%
Interest Earnings	21.72	0%	-	0%	-	0%
Other Revenues and/or Operating Expenses	65,824.95	3%	(72,681.42)	-3%	112,392.92	4%
Total Revenues	\$ 2,336,604.36		\$ 2,754,000.82		\$ 2,838,919.63	

Table 5 – Revenue by Source 2010-2013

The analysis of the expenditures for the trust fund noted that the majority of the expenditures related to education as these are the costs for the salaries of the program instructors. The 'Religion' programs were discontinued as a result of legislation. Management noted that the expenditures classified as 'Other Inmate Activities' related to the supplies, equipment, and other expenses to operate the programs.

Per the Annual Report prepared by Bureau of Private Prison Monitoring			
Program Expenditures	FY 2010-11	FY 2011-12	FY 2012-13
Education	\$ 385,688.58	\$ 491,789.07	\$ 467,385.29
Visiting Programs		3,678.47	-
Religion	170,107.35		
Other Inmate Activities	226,018.52	75,833.05	148,607.73
Total Direct Benefit Expenditures	\$ 781,814.45	\$ 571,300.59	\$ 615,993.02
Fixed Capital Outlay	-	-	-
Other Non-operating Expenses (<i>trust fund administrative fees</i>)	50,908.61	223,954.98	202,302.98
Total Expenditures	\$ 832,723.06	\$ 795,255.57	\$ 818,296.00*

Table 6 – Annual Expenditures

*Management identified additional expenditures for Graceville in FY 2012-13 that were approved after the annual report was prepared. The revised total expenditures for Graceville were \$56,889.54. This modifies the ending Total Expenditure for FY 2012-13 to equal \$863,350.54.

OBSERVATION 2

IMPROVEMENTS ARE NEEDED IN THE MONTHLY REVIEW OF REVENUE RECEIPTS AND REIMBURSEMENT REQUESTS

The Bureau's monthly review of revenue receipts and reimbursement requests is manual and requires a significant amount of time and data entry. Also, the documentation provided by the contractors varies by facility and by month.

Once the facilities program requests have been approved, outlining the programs that will be implemented in the fiscal year for the inmates, the contractors begin implementing programs requested. Contractors subsequently submit reporting packages monthly of the revenue receipts and reimbursement requests for allowable expenditures based on approved programs. The Bureau reviews these packages to ensure the items on the reimbursement requests qualify for reimbursement and that they are directly beneficial to the objectives of the program activities. Also, the Bureau reviews the revenue receipts as they are reported each month. When the Bureau approves the reimbursement request, DOC processes the payment for the contractor.

During the audit, we examined the procedures in place to review revenue receipts and reimbursement requests. Our audit also included re-performing the procedures outlined by the Bureau for three months at each of the four facilities in our sample. From this review, we noted the following:

- The Bureau's review is manual and management noted that it requires a lot of time. The Bureau receives reports from the contractors each month that are then scanned and maintained in Bureau electronic file system. Follow up is required with contractor for any documents that are not legible, do not scan in a legible manner or missing information for the items on the monthly activity summary letter.
- Bureau staff is required to reenter data from the monthly package into a spreadsheet that they use to maintain a record of revenue receipts and expenditures reimbursed throughout the fiscal year. This requires them to reconcile the information in the spreadsheet with the reporting package and to research any discrepancies.
- Information in the reporting packages to support the revenue receipts and reimbursement requests ranged from 18 to 155 pages for each. There appeared to be no consistency in the number of documents submitted to support the revenue receipts and reimbursement requests.
 - In the 12 revenue receipts packages we reviewed, we noted 7 instances of no supporting documentation received for the revenue deposit other than a copy of the check while other packages noted detail reports to support the revenue receipts.
 - We noted that the calculation of net proceeds included deductions for items such as the cost of check printing, bank fees and annual audit fees.
 - Specific to telephone commission revenue receipts, we noted that the commission rate paid by subcontractors varied from 17.5% to 35%, with one of the lower rates paid at the facility with the highest volume of calls. Also, we noted that 35% was the commission rate paid by the majority of the subcontractors (5 out of 7). We also noted that management's procedures did not include a review of the amount of the commission paid as compared to the commission rates noted in the contracts of these subcontractors. Further, we were unable to determine that criteria had been established for the telephone commission rates. Management noted that no standards had been established for these rates. We did note that DOC had established telephone commissions as a part of the ITN at 35%. Our analysis of telephone commissions noted that potential revenue of

\$102,753.02 annually could be realized if all of the telephone subcontractors of the private prisons paid a telephone commission rates paid by subcontractors was a consistent 35%.

- In the review of the reimbursement request packages, we noted no exceptions in the amount approved and the amount of the program request approved by the Committee.
- After the fieldwork was completed, management notified us of expenditures that were paid for the Graceville facility in August, 2013 after the annual report had been submitted. No update to the annual report occurred.
- Once Bureau staff has completed the review of the supporting documentation, they prepare a letter indicating the approval of the reimbursement requests for each facility and this letter is submitted to DOC, who issues payment to the contractor based on the Bureau's approval.

Overall, our audit acknowledged that the review process takes a significant amount of time to complete. Further, we noted that staff could spend more time analyzing the information for contractor performance as it relates to maintenance and operation of the trust fund, if more automated processes were in place to capture the data from the facilities.

The Bureau noted that a design for the architecture of financial and data management for the POIIWTF was in process. We recommend that this design include the following:

- *A method that would allow the contractors to submit information regarding revenue receipts and reimbursement requests electronically, eliminating the need for data entry by the Bureau.*
- *Format and templates for the contractors to use in the revenue receipt and reimbursement request packages. This should also include exactly what constitutes appropriate supporting documentation for each revenue source.*
- *Specific authority for the contractors regarding allowable deductions for the determination of net proceeds.*
- *We also recommend that the Bureau implement additional criteria for the telephone commission rates for private prisons to ensure consistency in telephone commissions.*

Finally, we recommend that the Bureau update its review procedures to include procedures for verifying the accuracy and completeness of revenue receipts.

Management Response:

- *A method that would allow the contractors to submit information regarding revenue receipts and reimbursement requests electronically, eliminating the need for data entry by the Bureau.*
- *Format and templates for the contractors to use in the revenue receipt and reimbursement request packages. This should also include exactly what constitutes appropriate supporting documentation for each revenue source.*
- *Specific authority for the contractors regarding allowable deductions for the determination of net proceeds.*

Concur. *The Bureau is revising Policy 09-103 to be more prescriptive, offering more clarity and guidance to contractors.*

- *We also recommend that the Bureau implement additional criteria for the telephone commission rates for private prisons to ensure consistency in telephone commissions.*

The Bureau partially concurs. *We are updating Policy 09-103 to provide the necessary guidance and methodology to verify the telephone commission rate identified in contractors' subcontracts are reflected in the deposits to the POIITWF, however the Bureau will not be looking to be more prescriptive to contractor's subcontractors on commission rates.*

- *Finally, we recommend that the Bureau update its review procedures to include procedures for verifying the accuracy and completeness of revenue receipts.*

Concur. *The Bureau is revising Policy 09-103 to be more prescriptive, offering more clarity and guidance to contractors.*

OBSERVATION 3**IMPROVEMENTS ARE NEEDED TO ENSURE ACCOUNTABILITY AND CONTROL OF STATE-OWNED PROPERTY AT PRIVATELY OPERATED PRISONS PURCHASED THROUGH THE TRUST FUND.**

Although DMS has implemented property inventory tracking; however, roles and responsibilities between DMS and DOC for the accountability and control of capital assets purchased through the trust fund is not clear.

Section 273.02, F.S., and Chapter 691-71, Florida Administrative Code (FAC) establishes the requirements for the recording of property in the state's financial systems and for the periodic review of property for inventory purposes. During the audit, we followed up with management regarding prior Internal Audit observations³. From these discussions we determined that roles and responsibilities regarding how to account for and report capital assets and tangible personal property purchased through the trust fund were unclear. We also noted during the audit, expenditures of capital assets and tangible personal property purchased from the trust fund.

We recommend that the Bureau coordinate with the DOC to establish a Memorandum of Understanding (MOU) regarding a system of ensuring accountability and control of State-owned property at privately operated prisons.

Management Response:

Concur. *The Bureau is revising Policy 09-103 to be more prescriptive, offering more clarity and guidance to contractors and will seek assistance from the Office of General Counsel and work in partnership with DOC in developing and implementing a Memorandum of Understanding that will define each agency's responsibilities.*

³ DMS Internal Audit 2006-28

Reporting:**OBSERVATION 4****IMPROVEMENTS ARE NEEDED IN THE MONITORING OF CONTRACTOR'S MONTHLY AND ANNUAL REPORTING**

The audit revealed inconsistencies in contract and DMS policy regarding monthly and annual reporting requirements. Also, we noted that the contractors were not preparing the annual report of trust fund activity required by policy before the final reimbursement for expenditures is made. Further, we noted that audited financial statements provided by the contractors' independent auditors did not comply with reporting requirements. We were unable to obtain any evidence of monitoring of contractor performance for these requirements.

DMS policy 09-103, documents the monthly and annual reporting requirements for the contractors of the private prisons the Bureau manages. The contracts outline reporting requirements as a part of contractor's maintenance and operation of the trust fund. Each month, the Bureau staff logs and tracks expenditure activity against approved budget by manually recording the information provided in the contractor's monthly report. However, we were unable to verify how the contractors had performed relative to these reporting requirements since the Bureau does not keep a record of when these reports are received and any review of these reports they perform to verify compliance with requirements. Also, we noted that some of the timelines outlined in the policy could create challenges for the contractors to meet. For example it would be difficult for the contractor to have annual reports completed by July 1st when the fiscal year ends June 30th. Further, our review of the audited financial statements noted that the statements did not comply with reporting requirements. The specific items noted during this review are documented in the table below. Additionally, we noted inconsistencies in reporting timelines between contract and DMS policy as well as what type of reports are provided.

The table below outlines the reporting requirements documented in DMS policy and the vendor contract along with observations noted during the audit.

Documenting and maintaining a record of this activity provides evidence of contractor’s performance relative to the reporting requirements for trust fund activity. Also, timely and consistent reporting of trust fund activity aids the Bureau in completing its annual reporting responsibilities. Lastly, without the contractor’s submission of the required annual report identified in DMS policy, the Bureau could risk making final payment for reimbursement of expenditures in error.

Reporting Requirement	Timeline	Observation Noted
<ul style="list-style-type: none"> Submission of Program Requests for the next fiscal year 	<ul style="list-style-type: none"> Program Requests are due by May 1st. 	<ul style="list-style-type: none"> Report receipt not documented
<ul style="list-style-type: none"> Monthly Reports of trust fund activity 	<ul style="list-style-type: none"> DMS policy indicates the Monthly Reports are due on the 15th while contract indicates the 20th 	<ul style="list-style-type: none"> Report receipt not documented and inconsistency in policy and contract
<ul style="list-style-type: none"> Annual Report of actual receipts and expenditures for the previous fiscal year 	<ul style="list-style-type: none"> DMS policy indicates the Annual report is due by July 1st while contract indicates July 30th. 	<ul style="list-style-type: none"> No such report received and inconsistency in policy and contract
<ul style="list-style-type: none"> Independent Audit of the Trust Fund 	<ul style="list-style-type: none"> DMS policy indicates the independent audit is due on February 1st while the contract indicates July 31st. 	<ul style="list-style-type: none"> Report receipt not documented and there is inconsistency in policy and contract Reports prepared on different accounting periods (<i>some on fiscal year and others calendar</i>) Report scope varied (<i>some reports were of the commissary only and some were of welfare and inmate trust account</i>) Not all of the reports comply with Generally Accepted Accounting Principles (<i>GAAP</i>) Unable to reconcile information in audited financial statements to the annual reports prepared by the Bureau The specific reports required have not been defined

Table 7 – Summary of Reporting Requirements and Observations Noted in Audit

We recommend that the Bureau update their policies and procedures for trust fund activity reporting to address the observations noted in the table above and to ensure the contractors are resolving noncompliance issues. The Bureau had begun working on these updates to the policy and additional guidance for contractors before the completion of this audit report.

Management Response:

Concur. The Bureau is revising Policy 09-103 to be more prescriptive, offering more clarity and guidance to contractors.

Roles and Responsibilities:

OBSERVATION 5

IMPROVEMENTS ARE NEEDED IN THE DELINEATION OF ROLES AND RESPONSIBILITIES BETWEEN THE BUREAU AND DEPARTMENT OF CORRECTIONS

The Bureau shares monitoring and oversight responsibilities for trust fund activity as it relates to the maintenance and operation of the fund by the contractor with DOC. Management noted challenges preparing reports of trust fund activity as a result of difficulty obtaining information regarding fund activity from DOC. Also, we noted very little documentation describing the specific responsibilities of DOC related to the trust fund.

Florida law broadly outlines the responsibilities for the oversight and management of the trust fund between DMS and DOC. DOC has custody of the POIIWTF while DMS has responsibility for contractor oversight. As such, DOC is responsible for the maintenance of the actual trust fund account ledger. The contractors submit a record of deposit information to DOC and DOC makes payments to contractors, as authorized by the Bureau, for reimbursement of allowable expenditures incurred for the trust fund.

In its contractor oversight role, the Bureau documents and records activity in the account for each year; however, they noted that they do not maintain cumulative account information for the trust fund. Also, they noted that DOC does not always provide information on trust fund activity.

During the audit, we requested information from DOC regarding trust fund activity in an effort to validate the records and reports prepared by the Bureau. The information received from DOC did not outline trust fund activity by facility and we were unable to reconcile the information from DOC with the Bureau's reports. Further, this account information would be beneficial in the Bureaus' review of the contractors audited

financial statements related to the trust fund. Currently, there are no procedures or requirements to share information on trust fund activity between the two departments.

We recommend that the Bureau partner with DOC to establish a MOU or some other type of agreement that defines the Bureau's responsibilities and authority relative to DOC's, as it relates to the POIIWTF. At a minimum, we recommend this MOU include specific responsibilities for reconciling and reporting trust fund activity, sharing of information related to the trust fund account and as outlined in observation #3, the accounting and reporting of capital assets and tangible personal property.

Management Response:

Concur. *The Bureau will seek assistance from the Office of General Counsel and work in partnership with DOC in developing and implementing a Memorandum of Understanding that will define each agency's responsibilities.*