STATE OF FLORIDA AUDITOR GENERAL

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CITRUS COUNTY
BOARD OF COUNTY COMMISSIONERS

Detention Center Management Services Contract and Selected Administrative Activities



Sherrill F. Norman, CPA
Auditor General

Board of County Commissioners and County Administrator

During the period October 2014 through March 2016, Jeff Rogers served as County Administrator through January 5, 2015, Randy Oliver served as County Administrator from January 6, 2015, and the following individuals served on the Citrus Board of County Commissioners:

	District No.
Dennis Damato, 2nd Vice Chairman from 11-17-15, and 2nd Vice Chairman to 11-17-14	1
Ronald E. Kitchen, Chairman from 11-17-15, and 1st Vice Chairman 11-18-14 to 11-16-15	2
J.J. Kenney, Chairman to 11-17-14	2
Joe Meek	3
Scott E. Carnahan, 1st Vice Chairman from 11-17-15, and 2nd Vice Chairman 11-18-14 to 11-16-15	4
Rebecca Bays, 1st Vice Chairwoman to 11-17-14	4
Scott Adams, Chairman 11-18-14 to 11-16-15	5

The audit team leader was James H. Cole, CPA, and the audit was supervised by Derek H. Noonan, CPA.

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CITRUS COUNTY BOARD OF COUNTY COMMISSIONERS

Detention Center Management Services Contract and Selected Administrative Activities

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 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 3: 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 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.

BACKGROUND

Citrus County (County) was created in 1887[1] as a political subdivision of the State of Florida. The Board of County Commissioners (BCC) is the chief legislative body, and State law[2] outlines the BCC's general duties and responsibilities. The BCC is composed of five County Commissioners, each elected to a 4-year term by the voters in the geographical district in which he or she resides. The BCC approves the County budget, adopts local ordinances and resolutions, and establishes policies and procedures that govern the County and protect the health, safety, and welfare of the citizens.

This operational audit of the Citrus County Board of County Commissioners focused on the detention center management services contract, operations of the County Parks and Recreation Department, and selected BCC administrative activities.

FINDINGS AND RECOMMENDATIONS

JAIL CONTRACT AND RELATED PROCUREMENT PROCESSES

The Legislature has recognized in State law[3] 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

[1] Chapter 3772 - (No. 92), Laws of Florida.

[2] Chapter 125, Part I, Florida Statutes.

[3] Section 287.001, Florida Statutes.

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.

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	**$85,595,253**	**$36,749,575**	**$5,388,896**	**$1,499,910**	**$129,233,634**

[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.

- 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 expansion[4] 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.
- 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.

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

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.

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	**$909,956**	**$611,596**	**$1,521,552**

[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 custodian of public records, the BCC is required by State law[5] to comply with the retention schedule and disposal process established by the Department of State, Division of Library and Information Services.[6] This schedule requires the retention of detail disbursement records for 5 fiscal years.[7] 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.[8] 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,

[5] Section 119.021(2)(a) and (b), Florida Statutes.

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

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

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

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:

- **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.

Follow-Up to Management's Response

Management indicated in the written response that they disagree with the retention policy recommendation, as the BCC follows the General Records Schedule issued by the Department of State. The response also indicated that it is standard practice not to intermingle different record series (e.g., disbursement records versus project or procurement records) due to varying retention periods and the impact to the agency resources holding records longer than the minimum retention.

Notwithstanding this response, as the contract contained provisions related to a capital improvement project on County land, the BCC was required to retain any documentation related to the jail expansion provision for a minimum of 10 years after termination of the contract. Additionally, since document retention beyond minimum retention periods is not prohibited, a BCC policy that requires the retention of documents supporting active contracts would help demonstrate the reasonableness of the costs associated with the contracts and promote government transparency. Consequently, we continue to recommend that the BCC retention policy be revised to require that public documents related to capital improvement projects be retained for a minimum of 10 years after project completion or termination of the contract and that public documents supporting the basis for active contracts be retained.

Finding 2: Jail Contract Monitor

State law[9] 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 law[10] and the supervision of County prisoners. After consultation with the Sheriff, State law[11] 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.

[9] Section 951.062(1), Florida Statutes.

[10] Section 951.23(1)(a), Florida Statutes.

[11] Section 951.062(7) and (8), Florida Statutes.

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.

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:[12]

- 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.

[12] Jail contract Schedule A, Section 6.5.

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 schedule[13] 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 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.

Follow-Up to Management's Response

Management indicated in the written response that the County does not agree with the finding and recommendation, and that the County was not a party to the agreement between the jail contractor and its contractor. Management further indicated that the jail contractor may agree to review the jail contract, but if the contractor does not wish to negotiate, the County has no legal means to compel such negotiations.

Notwithstanding this response, without efforts to amend the jail contract to provide for a purchase option price based on actual jail expansion construction costs, or to inform the jail contractor about the refunded impact fees and request the purchase option price be reduced by the refunded amount, the BCC has not sought to remedy the identified deficiencies in the contract's jail expansion provisions. As such, we continue to 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.

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:

[13] Jail contract, Supplemental Agreement No. 2, Section 6.5.

- 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 series[14] 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 increase adjustments did not always correspond with the change in the CPI using the broadest and most comprehensive CPI index series.[15]

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

[14] 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.

[15] 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.

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 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.[16] 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

[16] 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.

disclosed that the contract with the USVI was effective for the period April 15, 2010, through 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.[17]

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	**$4,595,421**	**$1,395,421**

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 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.

[17] 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.

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 Program[18] (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.
- 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.

[18] BCC Administrative Regulation 9.17-2, Purchase Card Program.

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.

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.

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	**$4,601**	**$7,352**

[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 regulation[19] 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.

[19] BCC Administrative Regulation 7.24, Wellness Fund Expenditures.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(3)(a), Florida Statutes, the Legislative Auditing Committee, at its October 5, 2015, meeting, directed us to conduct this operational audit of the Citrus County Board of County Commissioners (BCC).

We conducted this operational audit from April 2016 through December 2016, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Citrus County BCC focused on the detention center management services contract (jail contract), operations of the County Parks and Recreation Department, and selected BCC administrative activities. The overall objectives the audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, ordinances, bond covenants, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls; instances of noncompliance with applicable laws, ordinances, bond covenants, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and

conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records during the audit period October 2014 through March 2016, and selected transactions made prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws, rules, regulations; BCC ordinances, policies, and procedures; and interviewed BCC personnel to gain an understanding of the BCC's processes. For example, we reviewed applicable requirements related to the BCC solid waste operations, collections, and recycling operations. We also evaluated whether the BCC had established reasonable written policies and procedures for major functions, such as procurement, finance, and human resource management. Additionally, we evaluated the Parks and Recreation Department procedures relating to areas such as fee collections and expenditure processing.
- Reviewed reports issued by the Citrus County Clerk of the Circuit Court's Internal Audit Division from September 2010 through April 2016. We also evaluated BCC's progress in resolving findings from internal audit reports of the Parks and Recreation Department, County purchasing card (P-card) program, and County landfill operations.
- Examined the minutes of BCC meetings for the audit period to determine the propriety and sufficiency of actions taken related to the scope of this audit.
- Performed analytical procedures on Citrus County detention facility (jail) and BCC inmate and billing records to identity any unexpected variances in trends regarding the number of inmates and amounts of gross billings, administrative fees, supplemental rates, and other miscellaneous jail expenditures.
- Scanned all BCC contracts and amendments governing jail operations for reasonableness and to identify provisions applicable to the audit.
- Examined all 18 jail contractor invoices totaling $21.4 million for the audit period to determine whether the jail contractor billed the BCC at the correct contracted rates and whether the invoices were supported by detailed records by inmate day and were mathematically accurate. Additionally, we reviewed invoices to determine whether there were any double-billings and related double-payments.
- Examined the jail contractor's annual rate increases from October 2005 through October 2015 to determine whether the rate increases complied with the contract provisions.
- Reviewed investigation reports issued by the United States Department of Justice and Florida Department of Law Enforcement to determine whether any matters reported would be relevant to the scope of this audit.
- Reviewed each of the Florida Model Jail Standards peer review operational and medical inspection reports regarding the jail issued in October 2013, October 2014, and October 2015, to determine whether the jail met or exceeded all applicable standards.

- From the population of 1,452 inmates released during the months of February, June, and September 2015, and January 2016, examined release records for 18 inmates to determine whether inmate releases were timely.
- For the jail expansion, examined building permits, inspections, certificates of occupancy, and construction cost documentation, including collection and partial refunding of impact fees, to assess BCC's responsibility associated with these costs.
- Examined the jail contractor's records, including the construction contractor's jail expansion invoices and other documents, and compared actual construction costs to the contractually stipulated amount to be repaid by the BCC in the event of contract termination or expiration to assess the reasonableness of those contract provisions.
- Examined jail contractor's general liability, workers compensation, unemployment, automobile, and performance bond insurance coverages to determine compliance with contractual insurance requirements.
- Evaluated the BCC jail contract monitor appointment process for compliance with contract provisions and Section 951.062(7), Florida Statutes.
- Examined the jail contract monitor's records to evaluate the documented work performed.
- Through examination of BCC records and discussions with BCC personnel, evaluated the Parks and Recreation Department's operations relating to areas such as fee collection and expenditure processing to identify areas with increased risk of control deficiencies or noncompliance with applicable laws, rules, regulations, and ordinances. As a result of our evaluation, we:
    - Examined 2,242 of the 3,133 receipts issued by the Parks and Recreation Department during the audit period to determine whether the receipts were prenumbered and properly accounted for.
    - From the population of 563 Parks and Recreation Department cash, checks, and credit card deposits totaling $331,213 made during the audit period, examined BCC records supporting 30 selected deposits totaling $103,594 to assess the effectiveness of the BCC collection procedures.
    - Examined 15 Parks and Recreation Department voided receipts totaling $2,913 from the population of 24 receipts voided from March 2015 through March 2016, to determine whether the receipts were properly voided in accordance with BCC policies and procedures.
    - From the population of 90 Parks and Recreation Department recreation fee refunds, adjustments, and reclassifications totaling $9,791 during the audit period, examined BCC records supporting 5 selected items totaling $3,373 to determine the items' reasonableness and compliance with BCC policies and procedures.
    - Observed cash collections at three Parks and Recreation Department cash collection locations to evaluate the adequacy of physical security over collections.
- From the population of 96 P-cards in effect as of March 2016, examined documentation for 30 selected P-cards to determine whether the cards were issued in accordance with BCC policies and procedures.
- For the 96 P-cards that were active during the audit period, evaluated the reasonableness of the monthly total dollar purchasing limits. Additionally, we examined P-card records to identify BCC officers or other personnel with single transaction purchasing limits greater than $20,000 to ascertain whether the individuals had filed financial disclosure forms in accordance with Section 112.3145(2)(b), Florida Statutes.

- From the population of P-card purchases totaling $2,111,872 during the audit period, examined BCC records supporting 30 selected P-card purchases totaling $28,163 to determine whether the purchases complied with BCC policies and procedures and served a documented public purpose.
- For all 12 P-cardholders who separated from BCC employment during the audit period, examined BCC records to determine whether the P-cards were timely canceled.
- Obtained and reviewed documentation for the 6 lost or compromised P-cards during the audit period to determine whether BCC personnel timely notified the issuing financial institution to cancel the cards.
- From the population of $14,223 total Health and Wellness Program expenditures, examined BCC records supporting selected expenditures totaling $7,716 and determined compliance with BCC policies and procedures.
- From the population of 1,408 commercial solid waste accounts billed a total of $102,472 for the billing period April through June 2016, examined BCC records supporting 30 selected accounts totaling $4,225 to determine whether those accounts were billed in accordance with BCC-approved rates and to evaluate whether the basis for the billings was in agreement with information reported by the appropriate certified commercial haulers in their most recent quarterly commercial customer listings.
- Analyzed the amount of solid waste placed in the County landfill between April 2014 and March 2016 and compared that amount to the amounts charged to the certified haulers for reasonableness.
- Observed waste haulers being weighed upon check-in and check-out at the landfill facility to determine whether the scales at the County landfill facility are used to weigh waste disposals. We also examined BCC records verifying that weights and amounts charged for waste disposal were accurate and properly recorded.
- Determined whether the BCC appropriately received $170,682 in cash and $57,168 in billing credits from the County's recycling contractor for billing discrepancies identified for the period March 2009 through March 2011.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

2005 JAIL CONTRACT AND SUBSEQUENT AMENDMENTS

Contract Document	Effective Date	Purpose
Management Services Contract	October 1, 2005	Operation, maintenance, and management of the Citrus County multi-custody local detention center (jail). 360-bed expansion of the jail to include a new medical facility, a new courtroom, and retrofitting of the laundry and kitchen facilities (jail expansion).
Supplemental Agreement No. 1	November 22, 2006	Incorporation of the County's November 22, 2006, memorandum of agreement with the Florida Department of Corrections for emergency services into the contract and the jail contractor's emergency management plan.
Supplemental Agreement No. 2	May 8, 2007	Supplemental compensation rate added to address costs over and above those budgeted for the courtroom construction during the jail expansion.
Supplemental Agreement No. 3	December 21, 2010	Correction of the jail contractor's identity and jail contractor contact information update.
Supplemental Agreement No. 4	August 28, 2012	Revision of payment procedures for United States Virgin Islands (USVI) inmates requiring the jail contractor to bill the USVI directly and remit to the County an administrative fee of $4.00 per day per inmate.
Amendment No. 5	October 1, 2015	5-year contract extension and adjustment to the County's administration fee (increase to $6.00) for non-County prisoners.
Amendment No. 6	October 1, 2015	Provision related to payment procedures for the housing of non-County inmates, including those housed under a County agreement with the United States Marshals Service.

Source: BCC records.

MANAGEMENT'S RESPONSE[20]

Board of County Commissioners
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"We are a user-friendly and common sense organization dedicated to responsive citizen services."

July 11, 2017

Auditor General Sherrill F. Norman, CPA
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Unit Name: Citrus County, Florida (Citrus County Board of County Commissioners)
Report Title: Preliminary and Tentative Audit Findings

Auditor General Sherrill F. Norman, CPA:

We are in receipt of your Preliminary and Tentative Audit Findings Report (not an audit) on the operational audit of the Citrus County Board of County Commissioners (BOCC) Detention Center Management Services Contract and Selected Administrative Activities performed by your office. We'd like to note that this operational audit of the BOCC focused on the detention center management services contract (jail contract), operations of the County Parks and Recreation Department, and selected BOCC administrative activities, including the landfill. The seven findings were related to the jail contract and related procurement processes and other procurement processes. Administration and staff have reviewed and prepared a management response to the findings that has been presented to the current Board of County Commissioners and our intended correction action plan, if necessary for the finding and recommendation. We would note that none of the current Board of County Commissioners or Administrative staff were involved in the negotiation, analysis, preparation, or execution of the jail contract involving the decision to privatize, build or expand the jail.

Please contact me if I can provide additional information regarding this submission.

Sincerely,

Scott Carnahan
Chairman, Citrus County Board of County Commissioners

cc: Board of County Commissioners
Randy Oliver, Citrus County Administrator
Kristin Demers, Management and Budget Director

Scott Carnahan Chairman, Commissioner, District 4 - Ronald Kitchen Jr., 1st Vice Chairman, Commissioner, District 2 – Jeff Kinnard, 2nd Vice Chairman, Commissioner, District 1 – Brian Coleman Commissioner, District 5 Jimmie T. Smith, Commissioner, District 3

[20] Management's response refers to preliminary and tentative audit findings page numbers and paragraph references that do not correspond with the page numbers and paragraph locations in this report; however, the finding numbers referenced in the response correlate to those in both the ***SUMMARY*** and ***FINDINGS AND RECOMMENDATIONS*** sections of this report.

Please note that this response follows the numbering of the Findings and Recommendations portion of the report and not the Summary, as they differ.

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

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

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

Further, the BOCC 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 BOCC require the retention of records associated with active contracts to support the competitive selection process and the reasonableness of financial provisions.

Management Response: We would note that none of the current Board of County Commissioners or Administrative staff were involved in the negotiation, analysis, preparation, or execution of the jail contract involving the decision to privatize, build or expand the jail. We concur with the finding regarding procedures and maintaining documents that demonstrate that services are received at the lowest cost consistent with desired quality for future contracts, however we disagree with the retention policy recommendation.

The Citrus County BOCC Records & Information Management program follows the General Record Schedules issued by the Department of State, Division of Library and Information Services. The County utilizes the definitions reflected within applicable Florida Statutes, Florida Administrative Code and applicable state and federal laws for the retention of public documents.

1. In regard to page(s) 6 & 7 of the "*preliminary and tentative audit findings,*"

- In reference to the comment on page 7, first paragraph, "*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, <u>any documentation related to the jail expansion provision should have been retained for a minimum of 10 years after termination of the contract</u>*"
- <u>Answer: It is standard practice not to intermingle different record series, (e.g. disbursement records vs. project or procurement records) due to varying retention periods and the impact to the agency resources holding records longer than the minimum retention, and thus purged when the legal retention is met, after the annual audit and absent litigation.</u>

- In reference to the comment on page 7, third paragraph, *"...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."*
- Answer:
    - The benefits of an effective records and information management program are many. Compliance with legal retention requirements, faster retrieval of information, space savings, fewer lost or misfiled records, and reduction of expenditures for records filing equipment are just a few of the benefits that good records management can help achieve.
    - Agencies have the discretion to retain records beyond the minimum retention requirements if needed for administrative, legal, or other purposes. ***The State highly recommends that agencies dispose of records that have met their retention requirements and are no longer needed..," Adhering to formalized, consistent records management practices will benefit your agency in the event of litigation.***

Answer: All CIP project files are held in accordance with GS1-SL #136.
Answer: All CIP Contract/Leases/Agreements are held in accordance with GS1-SL-#64
Answer: All routine disbursement records are held in accordance with GS1-SL-#340

PROJECT FILES: CAPITAL IMPROVEMENT: Project files in accordance with GS1-SL Item #136 states:

"This record series documents capital improvement projects in progress and/or project proposals sent out for bid. This may include, but is not limited to, correspondence, memoranda, drawings, construction and contract specifications, resolutions, narratives, budget revisions, survey information, change orders, and reports. "Capital Improvements" shall mean improvements to real property (land, buildings, including appurtenances, fixtures and fixed equipment, structures, etc.), that add to the value and extend the useful life of the property, including construction of new structures, replacement or rehabilitation of existing structures (e.g., major repairs such as roof replacement), or removal of closed structures. See also "PROJECT FILES: FEDERAL," "PROJECT FILES: NON-CAPITAL IMPROVEMENT," and "VOUCHERS: FEDERAL PROJECTS PAID."
RETENTION: 10 fiscal years after completion of project.

CONTRACTS/LEASES/AGREEMENTS: CAPITAL IMPROVEMENT/REAL PROPERTY: CIP Contract/Leases/Agreements are held in accordance with GS1-SL-#64 states:

"This record series consists of legal documents, correspondence, reports, etc., relating to the negotiation, fulfillment, and termination of capital improvement or real property contracts, leases, or agreements to which the agency is a party, including contracts, leases, or agreements with architects, engineers, builders, and construction companies. "Capital Improvements" shall mean improvements to real property (land, buildings, including appurtenances, fixtures and fixed equipment, structures, etc.), that add to the value and extend the useful life of the property, including construction of new structures, replacement or rehabilitation of existing structures (e.g., major repairs such as roof replacement), or removal of closed structures. "Real Property" means land, buildings, and fixtures. The terms "land," "real estate," "realty," and "real property" may be used interchangeably. See also "CONTRACTS/LEASES/AGREEMENTS: NON-CAPITAL IMPROVEMENT."
RETENTION: 10 fiscal years after completion or termination of contract/lease/agreement.

DISBURSEMENT RECORDS: Disbursement records are held in accordance with GS1-SL-#340 states:

"This series consists of records documenting specific expenditures or transfers of agency moneys for the procurement of commodities and services and other purposes. The series may include, but is not limited to, procurement records such as requisitions, requisition logs, purchase orders, contracts, purchasing card (p-card) receipts, vendor invoices, receiving reports, acceptances of contract deliverables, approvals, and related documentation; and expenditure records for disbursements made through checks, warrants, electronic fund transfers (EFT), purchasing cards, or other methods, such as payment vouchers, approvals, check registers, cancelled checks, check stubs, cancelled warrants, disbursement ledgers, journal transactions, expenditure detail reports, refund records, and other accounts payable and related documentation. Retention is based on Section 95.11(2), Florida Statutes, Statute of Limitations on contracts, obligations, or liabilities. See also "DISBURSEMENT RECORDS: SUMMARY," "PURCHASING RECORDS," and "TRAVEL RECORDS."
RETENTION: 5 fiscal years.

Position Responsible for Implementation/ Monitoring: County Administrator, Detention Center Contract Monitor, Management and Budget Director, and Records Manager

Finding 2: BOCC 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.

Audit Recommendation: The BOCC 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.

Management Response: The County concurs with the finding and recommendation of the auditor. Once it was brought to our attention, we ratified the appointment of the Detention Center Contract Monitor with the BOCC and will continue to do so for any future appointments.

Position Responsible for Implementation/ Monitoring: County Administrator/ designee

Finding 3: BOCC 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.

Audit Recommendation: We recommend that the BOCC 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 BOCC and the supplemental compensation paid by BOCC to the jail contractor (as discussed in Finding 1) and the impact fees totaling $173,056 refunded to the construction company by the BOCC.

Management Response: We would note that none of the current Board of County Commissioners or Administrative staff were involved in the negotiation, analysis, preparation, or execution of the jail contract involving the decision to privatize, build or expand the jail. The County does not agree with the finding and recommendation of the auditor. The County entered into a fixed price contract with Corrections Corporation of America for the construction of the jail addition. There were no provisions within that contract for price adjustments based upon the agreement Corrections Corporation of America was able to negotiate with its contractor. The County was not a party to the agreement between Corrections Corporation of America and its contractor. The County has no legal standing to attempt to seek adjustments of that agreement. Additionally, with that agreement being more than five years old, the statute of limitations would foreclose any opportunity to sue under that agreement. Corrections Corporation of America may agree to review the jail contract, but if it does not wish to negotiate, the County has no legal means to compel such negotiations.

Position Responsible for Implementation/ Monitoring: N/A

Finding 4: BOCC procedures did not require BOCC 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, BOCC procedures did not require BOCC 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.

Audit Recommendation: The BOCC 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, BOCC 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 BOCC should enhance procedures to require, prior to payment, that BOCC 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.

Management Response: The County concurs with the finding and recommendation of the auditor. The BOCC will be amending the contract shortly for other reasons and will seek to amend the jail contract to specify the appropriate CPI index series to use to annually adjust the base compensation rates. Our recommendation and recent request after a 2 year freeze in rates is to use the US Department of Labor, Bureau of Labor Statistics for our reference point for future adjustments. DMB personnel already 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. DMB personnel already, prior to payment, verify that jail contractor billings are in accordance with the jail contract provisions. Such procedures include verification that adult inmate billings consider partial inmate days and appropriately correspond to documented

inmate admission and release times and dates. After the initial meeting with the Office of the Auditor General and it was brought to our attention, half-day billings were performed by CCA. The initial projections estimate an increased cost of $100,000 per year approximately for the implementation of half day billings, per the contract.

Position Responsible for Implementation/ Monitoring: County Administrator, Detention Center Contract Monitor, and Management and Budget Director

Finding 5: BOCC 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.

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

Management Response: The County concurs with the finding and recommendation of the auditor. The County is no longer involved with USVI inmate billing, other than collection of the administrative fee for housing USVI inmates paid by CCA to the County.

Position Responsible for Implementation/ Monitoring: Fiscal and operational Detention Center Contract Monitor(s)

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

Audit Recommendation: The BOCC 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 BOCC 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.

Management Response: The County concurs with the finding that we 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. This procedure of evaluating the reasonableness of P-card assignments and monthly total dollar and single transaction purchasing limits and taking appropriate actions, including the cancellation of underutilized P-cards or the reduction of purchasing limits has been implemented by the Management and Budget Director, but needs to documented in the policy by outlining documentation to review and maintain.

We believe that result of such reviews, which are currently being done, should be conducted by a P-Card administrator in the Department of Management and Budget and Reviewed by the Management and Budget Director, as P-card Program Director.

Position Responsible for Implementation/ Monitoring: Management and Budget Director

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

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

Management Response: On December 6, 2016, the Board of County Commissioners approved Administrative Regulation (AR) 7.24 Wellness Fund Expenditures. This AR outlines the appropriate expenditures for the wellness funds.

As will all purchases, whether via purchasing card, purchase order, check request, or other method, there are multiple approvals that we must go through to ensure the applicable AR's are being followed.

We will continue to review updated or new Administrative Regulations as they relate to purchases to ensure the appropriateness of the expenditure.

Position Responsible for Implementation/ Monitoring: Human Resources Director