

**DEPARTMENT OF CORRECTIONS**

**PRIOR AUDIT FOLLOW-UP AND  
OTHER MATTERS**

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**Operational Audit**



## SECRETARY OF THE DEPARTMENT OF CORRECTIONS

Section 20.315, Florida Statutes, created the Department of Corrections. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The following individuals served as Secretary:

Ken Tucker	From August 25, 2011
Edwin Buss	From February 14, 2011, Through October 6, 2011
Walter McNeil	From February 8, 2008, Through February 11, 2011

The audit team leaders were Sabrina Ballew, CPA, and Tammy Williams, CPA, and the audit was supervised by Stan Mitchell, CPA. Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at [christialexander@aud.state.fl.us](mailto:christialexander@aud.state.fl.us) or by telephone at (850) 487-9069.

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## DEPARTMENT OF CORRECTIONS

### Prior Audit Follow-Up and Other Matters

#### SUMMARY

This operational audit of the Department of Corrections (Department) focused on evaluating actions taken by the Department to correct deficiencies disclosed in audit report No. 2009-023 related to contract monitoring and motor vehicles. The audit also included a review of specific information technology (IT) systems related to the Department's processing of procurement and expenditure transactions.

#### PRIOR AUDIT FINDINGS

**Finding No. 1:** Department program areas did not always follow the Department's contract monitoring procedures.

**Finding No. 2:** The Department did not ensure that motor vehicle information was accurately entered into the Equipment Management Information System (EMIS) or that supporting documentation was maintained.

#### INFORMATION TECHNOLOGY

**Finding No. 3:** Department logical access controls related to critical procurement information technology systems (IT) needed enhancement.

#### OTHER MATTERS

On October 23, 2008, the Department awarded a three-year, \$160 million contract to a vendor for the delivery of food service products. As of the close of our audit field work, certain matters relating to this contract were the subject of ongoing investigations. The outcome of these investigations and their implications, if any, relative to the controls or operations of the Department were unknown as of the completion of our audit.

#### BACKGROUND

The Department operates under the provisions of Section 20.315 and Chapters 944, 945, 946, 948, and 958, Florida Statutes. The purpose of the Department is to protect the public through the incarceration and supervision of offenders and to rehabilitate offenders through the application of work, programs, and services. The Department's mission is to protect the public safety, ensure the safety of Department personnel, and provide proper care and supervision of all offenders under its jurisdiction while assisting, as appropriate, their reentry into society.

The Department reports that it operates the third largest state prison system in the country with a budget of \$2.4 billion, with just over 100,000 inmates incarcerated and another 115,000 offenders on active community supervision. The Department operated 146 facilities Statewide, including 68 prisons, 40 work/forestry camps, one treatment center, 33 work release centers, five road prisons and one boot camp.<sup>1</sup>

#### FINDINGS AND RECOMMENDATIONS

Our review of actions taken by the Department to address the findings included in audit report No. 2009-023 disclosed that the Department had generally taken appropriate corrective actions for the applicable findings, except as noted in finding Nos. 1 and 2 below.

<sup>1</sup> Department Web site (<http://www.dc.state.fl.us>)

**Contract Management**

**Finding No. 1: Program Area Contract Monitoring**

Providers have a responsibility to perform under the terms of contracts, and the Department has a responsibility to reasonably and objectively evaluate the provider’s progress and performance. Contract monitoring provides qualitative observations and quantitative data on the goods and services provided and the outcomes achieved and provides a means for identifying performance problems as early as possible so that corrective action may be taken timely.

In audit report No. 2009-023, we recommended that the Department develop and implement Departmentwide written contract monitoring policies and procedures to ensure that consistent and thorough contract monitoring was performed by all Department program areas. The Department, in response to our recommendation, established Procedure No. 205.013, *Contract Management and Monitoring*, to serve as a Departmentwide framework for all program areas, and also to provide guidance to each program area in developing its program specific procedures. Specifically, Procedure No. 205.013:

- Outlined the responsibilities of contract managers and local contract coordinators and provided guidelines for monitoring and enforcing the terms and conditions of contracts.
- Listed key standards that were to be included on a monitoring checklist. These standards included report submissions, performance measures, and other documentation specific to the contract.
- Provided timeframes for issuing monitoring reports and conducting follow-up visits to ensure deficiencies were timely corrected.

Our current audit included tests of the effectiveness of Procedure No. 205.013 and related program area policies and procedures associated with the monitoring of contracts for services. A summary of the number and amounts of contracts selected for testing and the associated program areas are shown in Table 1 below.

**Table 1  
Contractual Service Contracts Tested  
For Contract Monitoring**

Program Area	No. of Contracts	Total Contract Amount
<i>Health Services</i>		
Hospital	1	\$ 200,000,000
Mental Health Services	1	85,000,000
<i>Classification &amp; Programs</i>		
Work Release Center	1	10,142,704
<i>Re-Entry</i>		
Nonsecure Residential Drug Treatment	1	14,664,709
<i>Community Corrections</i>		
GPS Electronic Monitoring Services	1	31,850,192
<b>Total</b>	<b>5</b>	<b>\$ 341,657,605</b>

Source: Department records.

Our audit disclosed the following instances of procedural noncompliance:

- Department Procedure No. 205.013, *Contract Management and Monitoring*, states that the contract manager should monitor the contractor’s performance by “...conducting contract monitoring no less than annually for each contract or more frequently as indicated within the contract.” The work release center contract authorized the Department to perform biannual comprehensive program evaluation (CPE) monitoring and

quarterly site visits. Although, we noted that the Department had performed the CPE monitoring, none of the six quarterly site visits had been conducted during the period July 2009 through February 2011. Quarterly site visits were to include reviewing the contractor’s compliance with contract requirements relating to administration, facilities, and staffing. Absent timely contract monitoring, provider noncompliance may not be promptly detected and corrected. In response to our audit inquiry, Department management stated that quarterly site visits were not conducted due to budgetary constraints.

- For three of the five contracts reviewed, monitoring reports were not issued within the timeframes<sup>2</sup> established in the respective contracts, and for one contract, Department records did not document monitoring report dates. Specifically, we noted that:
  - For one Health Service (Hospital) contract, the Department issued a monitoring report more than six weeks after the annual monitoring visit was performed.<sup>3</sup> For another Health Service (Mental Health Services) contract, the Department issued monitoring reports more than seven weeks after the first biannual monitoring visit and more than 12 weeks after the second biannual monitoring visit.<sup>4</sup> Examples of the findings contained in these monitoring reports are described in Table 2 below.

**Table 2**  
**Monitoring Report Findings**

<i>Hospital</i>
• The contractor did not provide required patient documentation within thirty days of discharge for 18 of 25 records reviewed.
• The contractor did not include all required information in a patient’s discharge plan.
<i>Mental Health Services</i>
• Vacant positions were not filled within 30 days.
• Individualized Service Plans were not timely completed for inmates who needed ongoing treatment.
• Medical charts did not always contain documentation required for screening new inmates.
• The contract manager did not receive the contractor’s self-monitoring report.
• Offender Based Information System (OBIS) records did not always contain the required information for the screening of new inmates and the recording of encounters with inmates.
• Performance measures related to critical standards, psychiatric restraints, and mental health evaluations were not met.
• Credentialing requirements, such as employee background checks, had not been met.
• Inventory records of existing and replacement equipment were not maintained by the contractor.
• The contract manager was not notified of subcontracts with psychiatrists.

Source: Department records.

- For the Mental Health Services contract reviewed, the contract stated that the Department may conduct a follow-up review of actions taken to correct deficiencies found during a monitoring visit. The newly established Department procedure stated that the follow-up visit should occur within 30 calendar days of the original monitoring visit, if necessary, or as indicated within the contract. The Department conducted follow-up visits at four sites, but not until 157 to 176 days after the respective annual monitoring visits took place. In a subsequent monitoring report dated January 24, 2011, the Department continued to

<sup>2</sup> For purposes of our audit in evaluating the timeframes, we calculated the number of days between the date of the last on-site monitoring visit (as indicated on the monitoring tool) and the date stamped on the cover letter transmitting the related monitoring report.

<sup>3</sup> The Health Services (Hospital) contract states that the contract manager will provide a written monitoring report to the contractor within three weeks of the monitoring visit.

<sup>4</sup> The Mental Health Services contract states that the contract manager will provide a written monitoring report to the contractor within three weeks of the monitoring for annual monitoring reports and within two weeks of the monitoring for biannual monitoring reports.

note that three of eight performance measures had not been met and that all required background checks still had not been completed. Had the Department performed timelier follow-up visits, the continuing impact of these recurring findings may have been minimized.

- For the Community Programs (GPS Electronic Monitoring Services) contract, information provided by the Department did not document the date the monitoring reports were communicated to the contractor. As a result, the Department could not demonstrate that these reports were issued in a timely manner.

Absent timely and consistent contract monitoring, provider noncompliance or nonperformance cannot be timely identified and corrected.

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**Recommendation:** In order to evaluate a provider's performance, the Department should ensure that timely and consistent contract monitoring and follow-up are performed in accordance with Department procedures and contract provisions.

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### Motor Vehicles

State law<sup>5</sup> and Department of Management Services (DMS) rules<sup>6</sup> provide that State-owned motor vehicles are to be used effectively, efficiently, and for official purposes. The Equipment Management Information System (EMIS) was developed by DMS to track information to assist State agencies in the management of motor vehicles and watercraft. EMIS is designed to maintain and provide information about the condition, utilization, cost, fuel consumption, maintenance, and assignment of motor vehicles and watercraft owned, leased, or operated by State agencies.

To ensure the proper management and control of its approximately 3,000 vehicles, the Department established and adopted procedures over the procurement, assignment, use, and control of State vehicles. Department procedures<sup>7</sup> required that drivers record on form DC2-524, *Vehicle Record*, the following information: destination, beginning and ending mileage by trip, driver's name, fuel purchases, maintenance and repair expenses, oil and lubricant purchases, and preventative maintenance data. Additionally, vehicle repairs and maintenance performed by Department motor pool personnel were to be recorded on the *Vehicle Maintenance Record* (DC2-547) and summarized on the monthly *Vehicle Record*. The information recorded on the monthly *Vehicle Record* was to be entered into EMIS by the 15<sup>th</sup> of each month.

#### Finding No. 2: Motor Vehicle Record Accuracy

In Finding No. 5 of audit report No. 2009-023, we recommended the Department take the necessary actions to ensure that required information is input into EMIS in an accurate and complete manner and that all receipts and other relevant supporting documentation be maintained. The Department, in its response, concurred with our recommendation and indicated that the necessity to comply with established DMS rules in completing the *Vehicle Record* would be reinforced with all Department staff and that staff responsible for entering accurate information into EMIS would be instructed to comply with Department procedure and to retain the EMIS monthly exception report for post-audit purposes.

Our current review of the EMIS records for five vehicles disclosed deficiencies similar to those previously reported. Specifically, we noted that:

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<sup>5</sup> Section 287.16, Florida Statutes.

<sup>6</sup> DMS Rule 60B-1, Florida Administrative Code.

<sup>7</sup> Procedure 604.201, Procurement, Assignment, Use and Control of State Vehicles.

- For 1 of the 5 vehicles, the Department was unable to provide for our review 3 of 12 monthly *Vehicle Records*. As a result, the Department could not demonstrate the accuracy of EMIS data for the applicable vehicle or account for vehicle usage.
- For all 5 vehicles, purchases listed on the monthly *Vehicle Record* were not always supported by invoices or *Vehicle Maintenance Record* entries.
- For all 5 vehicles, the available monthly *Vehicle Record* did not always agree with the data recorded in EMIS. Specifically, our examination of 78 monthly *Vehicle Records* and related EMIS entries disclosed 19 mileage differences, 34 fuel purchase differences, 16 maintenance cost differences, and 15 oil purchase differences.

Absent appropriate documentation, the Department may be unable to clearly demonstrate that motor vehicles were properly used and maintained. In addition, by not recording accurate motor vehicle information into EMIS, the usefulness of EMIS reports is diminished and management’s efforts to monitor the usage and operation of the Department’s approximately 3,000 motor vehicles could be hampered.

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**Recommendation:** We recommend that Department management continue to take the necessary actions to ensure that required information is input into EMIS in an accurate and complete manner and that all receipts and other relevant supporting documentation are maintained.

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**INFORMATION TECHNOLOGY**

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**Finding No. 3: Purchase Request System (PRS) Controls**

The Department utilizes the PRS to process requisitions of supplies and equipment. Our audit procedures disclosed that certain PRS logical access controls needed improvement. Specific details of these control issues are not disclosed in this report to avoid the possibility of compromising Department data and IT resources. However, appropriate Department personnel have been notified so that corrective actions can be taken.

**Recommendation:** We recommend that the Department strengthen PRS logical access controls to reduce the risk of data and IT resource compromise.

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**OTHER MATTERS**

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On October 23, 2008, the Department awarded a three-year, \$160 million contract to a vendor for the delivery of food service products. As of the close of our audit field work, certain matters relating to this contract were the subject of ongoing investigations. The outcome of these investigations and their implications, if any, relative to the controls or operations of the Department were unknown as of the completion of our audit.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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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.

We conducted this operational audit from February 2011 to August 2011 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 focused on Department procurement and expenditure processes and a follow-up on prior audit findings. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To determine whether the management has corrected, or is in the process of correcting, all deficiencies disclosed in prior audit report No. 2009-023.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In conducting our audit we:

- Obtained an understanding of internal controls and observed, documented, and evaluated the effectiveness of key processes and procedures related to Department procurement and expenditures transactions, including those controls related to information technology resources utilized in procurement (e.g., MyFloridaMarketPlace [MFMP] and the Purchase Request System [PRS]) and transaction processing (e.g., Florida Accounting Information Resource Subsystem [FLAIR]).
- Reviewed the Department's chart of accounts to gain an understanding of the Department's classification of expenditure transactions.
- Evaluated actions taken by the Department to correct the deficiencies disclosed in audit report No. 2009-023. Specifically:
  - Reviewed the Department's six-month responses regarding the status of corrective actions for each finding in audit report No. 2009-023.
  - Reviewed documentation for ten contract renewals/amendments (totaling \$402,925,976) to determine whether the Department corrected, or was in the process of correcting, specific deficiencies disclosed in prior audit report No. 2009-023 related to contract renewals/amendments.
  - Reviewed documentation for five contracts (totaling \$341,657,605) to determine whether the Department corrected, or is in the process of correcting, specific deficiencies disclosed in prior audit report No. 2009-023 related to contract monitoring. The contracts selected were those that we determined should have been monitored during the audit period.
  - Reviewed documentation for five vehicles owned by the Department. Compared applicable EMIS data to available supporting vehicle records to determine the extent to which the EMIS database was complete and accurate and to determine if appropriate documentation was maintained
- Communicated on an interim basis with applicable Department management 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 those matters requiring corrective actions.

**AUTHORITY**

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. 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.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

In a response letter dated June 19, 2012, the Secretary of the Department concurred with our audit findings and recommendations. The Secretary's response is included as **EXHIBIT A**.

EXHIBIT A  
MANAGEMENT'S RESPONSE



FLORIDA  
DEPARTMENT of  
CORRECTIONS

Governor  
**Rick Scott**

Secretary  
**Kenneth S. Tucker**

*An Equal Opportunity Employer*

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June 19, 2012

David W. Martin, CPA  
Auditor General  
Office of the Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

In accordance with section 11.45(4)(d), Florida Statutes, I am enclosing the Department's response to the preliminary and tentative findings and recommendations contained in the Operational Audit of the Department of Corrections - Prior Audit Follow-Up and Other Matters.

This response reflects the specific action taken or contemplated to address the findings cited in your report.

Thank you for the opportunity to review and provide comments. If you have any questions or need additional information, please contact Paul Strickland, our Chief Internal Auditor, at (850) 717-3408.

Sincerely,

Kenneth S. Tucker  
Secretary

Enclosure

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

**RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**AUDIT OF THE DEPARTMENT OF CORRECTIONS – PRIOR AUDIT**  
**FOLLOW-UP AND OTHER MATTERS**

**Contract Management**

**Finding No. 1: Program Area Contract Monitoring**

**Recommendation:** In order to evaluate a provider's performance, the Department should ensure that timely and consistent contract monitoring and follow-up are performed in accordance with Department procedures and contract provisions.

*Agency Response:* The Department concurs with the recommendation that program areas should follow the procedures established by the Department in Procedure No. 205.013, Contract Management and Monitoring, to ensure that contract monitoring and follow-up is performed timely and consistently to identify and correct potential provider noncompliance or nonperformance. Executive leadership will reiterate these requirements to program areas under their supervision.

**Motor Vehicles**

**Finding No. 2: Motor Vehicle Record Accuracy**

**Recommendation:** We recommend that Department management continue to take the necessary actions to ensure that required information is input into EMIS in an accurate and complete manner and that all receipts and other relevant supporting documentation are maintained.

*Agency Response:* The Department will take actions to ensure the information required to be inputted at each institution/facility will be accurate and complete, and we will reinforce the established DMS rules in completing the Vehicle Record for accuracy and relevant supporting documentation.

**INFORMATION TECHNOLOGY**

**Finding No. 3: Purchase Request System (PRS) Controls**

**Recommendation:** We recommend that the Department strengthen PRS logical access controls to reduce the risk of data and IT resource compromise.

*Agency Response:* Since the time of this audit, the Bureau of Procurement and Supply has worked with our internal personnel office to receive the separation report that is distributed every 3 – 5 days. This enables our PRS Administrators to remove separated employees from the system. Additionally, PRS is an intranet system (internal network only) and access to the PRS system requires that an employee be able to log-on to the Department servers using their network ID and password. When IT disables an employee's network UserID, that employee is no longer able to access PRS. Therefore, even if employees have not been removed from PRS, they cannot access it from the time that IT disabled their network ID.