

DEPARTMENT OF CORRECTIONS

Food Products and Delivery Contract



Sherrill F. Norman, CPA
Auditor General

Secretary of the Department of Corrections

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

Julie L. Jones	From January 5, 2015
Timothy H. Cannon	Interim, November 30, 2014, through January 4, 2015
Michael D. Crews	Through November 30, 2014

The team leader was Jacqueline M. Joyner, CPA, and the audit was supervised by Allen G. Weiner, CPA.

Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at davidvick@aud.state.fl.us or by telephone at (850) 412-2817.

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DEPARTMENT OF CORRECTIONS

Food Products and Delivery Contract

SUMMARY

This operational audit of the Department of Corrections (Department) focused on the administration of the Department's food products and delivery contract with Cheney Brothers, Inc. (food products provider). Our audit disclosed that, contrary to contract terms, the Department did not always conduct or adequately document monthly audits of the food products provider's compliance with required specifications for approved food and non-food products.

BACKGROUND

State law¹ specifies that the purpose of the Department of Corrections (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. According to Department records, the Department operates the third largest state prison system in the United States. The Legislature appropriated to the Department \$2.4 billion, including funds for 24,107 positions for the 2016-17 fiscal year,² and \$2.35 billion, including funds for 23,892 positions for the 2015-16 fiscal year.³

As of June 2016, the Department housed over 99,000 inmates and, during the 2014-15 and 2015-16 fiscal years, expended approximately \$164 million for inmate food products. In May 2014, the Department contracted with Cheney Brothers, Inc. to provide food products for inmates housed in a majority of Department-operated facilities⁴ during the period October 2014 through September 2019. Pursuant to the contract, Cheney Brothers, Inc. (food products provider) was to supply and deliver to the Department the food and non-food products included on the Master Products List. Department personnel utilized the food products provider's online ordering system to order products from the Master Products List. Department payments to the food products provider totaled approximately \$99 million during the period November 2014 through June 2016.

FINDINGS AND RECOMMENDATIONS

Finding 1: Contract Monitoring

The Department's food products and delivery contract specified that, on a monthly basis, the Department was to monitor the food products provider's compliance with required specifications for the food and non-food products included on the Master Products List. The Master Product Specifications for the

¹ Section 20.315(1), Florida Statutes.

² Chapter 2016-066, Laws of Florida.

³ Chapter 2015-232, Laws of Florida.

⁴ Cheney Brothers, Inc. did not provide food and non-food products to the Gainesville Work Camp, Hardee Correctional Institution, Hardee Work Camp, Jefferson Correctional Institution, Marion Correctional Institution, Marion Work Camp, and Tallahassee Community Release Center.

approved food and non-food items included product quality standards, weights and quantities, manufacturers, brands, and prices.

To determine whether the Department timely monitored the food products provider's compliance with the Master Product Specifications, we requested Department monitoring records for the period October 2014 through February 2016. Our examination of Department monitoring records disclosed that, while the Department had completed 28 Master Product Specification compliance audits for 23 of the 109 applicable Department facilities during April, May, and November 2015, the Department had not conducted Master Product Specification compliance audits for any of the 109 applicable Department facilities during the periods October 2014 through March 2015, June 2015 through October 2015, and December 2015 through February 2016.

In response to our audit inquiry, Department management indicated and provided records demonstrating that, during the period October 2014 through February 2016, Department monitoring staff had completed 145 Food Service Monitoring Tools (Tools) as part of monthly informal audits of the 109 applicable Department facilities and that monitoring staff had also "spot-checked" products received from the food products provider against the Master Product Specifications. However, our examination disclosed that the Tool was primarily designed to evaluate compliance with Department of Health food safety rules and did not include criteria for inspecting the products received to monitor the provider's compliance with the Master Product Specifications. In addition, our examination of Department records for 15 of the 145 Tools disclosed no evidence that any products had been inspected for compliance with the Master Product Specifications. In response to our audit request, Department management provided copies of e-mail correspondence demonstrating that Department monitoring staff had, in limited instances, "spot-checked" selected products. Although the conduct of monthly informal audits of food services at Department facilities and "spot checks" of products received from the food products provider provide some assurances related to the quality and quantity of the food products provided, such actions do not substitute for the conduct of the contractually required monthly monitoring of the food products provider's compliance with the Master Product Specifications.

In response to our audit inquiry, Department management indicated that monthly Master Product Specification compliance audits had not always been conducted due to limited staff resources. Timely conducted and adequately documented monitoring of contractually required food and non-food product specifications provides Department management with greater assurance that the products provided by the food products provider consistently meet the required specifications. Such monitoring also enables the Department to identify, as early as possible, products failing to meet the required specifications so that corrective action may be timely initiated.

Recommendation: We recommend that Department management ensure that monthly audits of the food products provider's compliance with Master Product Specifications are conducted and adequately documented.

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.

We conducted this operational audit from February 2016 through August 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 Department of Corrections (Department) focused on the administration of the food products and delivery contract with Cheney Brothers, Inc. (food products provider). The overall objectives of 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, administrative rules, contracts, and guidelines.
- To 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, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal 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 governing laws, rules, or contracts, 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's 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. 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, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws, rules, Department policies and procedures, other guidelines, and contract documents, and interviewed Department personnel to gain an understanding of inmate food services.
- Examined Department records for the contract executed, for the period October 2014 through September 2019, with the food products provider to determine whether the contract was awarded in accordance with applicable laws and Department policies and procedures, and whether the contract terms were made in accordance with the requirements of State law.
- From the population of 38 expenditure vouchers, totaling \$79,661,448, related to payments made to the food products provider during the period November 2014 through March 2016, examined Department records for 25 food and non-food product expenditures, totaling \$10,717,141, included on 13 expenditure vouchers, to determine whether the expenditures were authorized; the related invoices were timely reviewed; and the expenditures were timely recorded, correctly coded, appropriate in amount, supported by adequate documentation, and made in accordance with applicable laws, rules, contract terms, and other guidelines.
- Examined Department records for the two performance monitoring audits of the food products provider, completed during the period July 2014 through February 2016, to determine whether the Department properly monitored the provider and timely followed up on deficiencies identified during the performance monitoring audits.
- From the population of the 145 Food Service Monitoring Tools completed and 28 Master Product Specification audits conducted during the period July 2014 through February 2016, examined Department records for 15 Food Service Monitoring Tools and 3 Master Product Specification audits to determine whether the Department monitored the specifications for food and non-food products in accordance with contract requirements and timely followed up on deficiencies identified during the monitoring activities.
- Examined the two third-party monitoring reports related to the food products provider, completed during the period July 2014 through February 2016, to determine whether the Department adequately reviewed the results of the monitoring reports and timely followed up on any noted deficiencies.
- Analyzed Department records for the food products provider's weekly food and non-food price lists for the months of October 2014, February 2015, July 2015, October 2015, and February 2016 to determine whether the listed prices appeared reasonable and variances of 5 percent or more between weeks, or 10 percent during the month of October 2014, were appropriately investigated by the Department.
- Analyzed Department records for the periods January 2014 through June 2014 and October 2014 through February 2016 to assess the reasonableness of food products costs between institutions and food products costs between the food products provider (Cheney Brothers, Inc.) and the previous food products provider (US Foods, Inc.).
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Department operations.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
 - Budgetary activities, settlement agreements, and financial reconciliations.

- The administration of purchasing cards in accordance with applicable guidelines. As of January 16, 2016, the Department had 765 active purchasing cards.
- The administration of Department travel in accordance with State law and other applicable guidelines. During the period June 2012 through December 2015, Department travel expenditures totaled \$9,792,073.
- The assignment and use of wireless telephones and other devices with related costs totaling \$1,933,421 during the period June 2012 through December 2015.
- Examined Florida Accounting Information Resource Subsystem (FLAIR) access control records for Department user accounts with FLAIR update privileges as of February 2016 to determine whether the access privileges established an appropriate separation of duties. From this analysis and the population of 100 Department FLAIR user accounts identified as having potential incompatible update access privileges, we examined Department records and evaluated the appropriateness of FLAIR access privileges for 10 employee user accounts.
- 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

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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



FLORIDA
DEPARTMENT of
CORRECTIONS

Governor
RICK SCOTT
Secretary
JULIE L. JONES

501 South Calhoun Street, Tallahassee, FL 32399-2500

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October 28, 2016

Ms. Sherrill F. Norman
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

In accordance with Section 11.45(4)(d), Florida Statutes, I am enclosing the Department's response to the preliminary and tentative finding and recommendation contained in the audit of the Department of Corrections, Food Products and Delivery Contract. This response reflects the specific action taken or contemplated to address the finding 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, Chief Internal Auditor, at (850) 717-3408.

Sincerely,

A handwritten signature in black ink, appearing to read 'Julie L. Jones', is written over a light blue horizontal line.

Julie L. Jones
Secretary

Enclosure

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**RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS
AUDIT OF THE DEPARTMENT OF CORRECTIONS,
FOOD PRODUCTS AND DELIVERY CONTRACT.**

Finding 1: The Department did not always conduct or adequately document monthly audits of the food products provider's compliance with required specifications for approved food and non-food products.

Recommendation: We recommend that Department management ensure that monthly audits of the food products provider's compliance with Master Product Specifications are conducted and adequately documented.

Agency Response: The Florida Department of Corrections (FDC) concurs with the recommendation and as a result, Department staff has already begun conducting monthly food product specification audits utilizing a monitoring tool specifically designated for this purpose. These audits will be conducted in coordination with the Department's monthly food service operational audits performed by staff dedicated to the monitoring of this contract and the FDC's food service operations. Utilization of a formal monitoring tool, specifically designed to review food and non-food items to ensure quality standards, weights, quantities, manufacturers and brands, will provide adequate documentation to ensure contractor compliance with the FDC's Master Product Specifications. Additionally, conducting these audits in conjunction with the monthly food service operational audits will ensure consistent monitoring on a monthly basis to ensure the FDC staff is meeting the monitoring methodology of the contract.