

**PRISON REHABILITATIVE INDUSTRIES
AND DIVERSIFIED ENTERPRISES, INC.
(PRIDE)**

Selected Activities



Sherrill F. Norman, CPA
Auditor General

**Board of Directors and President of Prison Rehabilitative Industries
and Diversified Enterprises, Inc. (PRIDE)**

Section 946.504, Florida Statutes, authorizes a private nonprofit corporation to operate correctional work programs. That corporation, PRIDE, is governed by a Board of Directors appointed by the Governor and subject to confirmation by the Senate. The following Board members served during the period of our audit:

James J. Reeves, Chairman
Carlyle Holder, Vice Chairman
Tadar Muhammad, Secretary
Alan Garey, Treasurer
James Upchurch, Member at Large
Don Hunter
David Hauser
Shawn Bush
Gregg Nicklaus
Ricky Dixon, Secretary, Department of Corrections,
from November 2021
Mark Inch, Secretary, Department of Corrections,
through November 2021

The Board is responsible for hiring a President who, subject to the control of the Board, is responsible for supervising and controlling all business and affairs of PRIDE. Jack Edgemon served as President during the period of our audit. Effective August 4, 2023, Blake Brown was appointed President.

The team leader was Melisa Hevey, CPA, and the audit was supervised by Matthew Tracy, CPA.

Please address inquiries regarding this report to Matthew Tracy, CPA, Deputy Auditor General, by e-mail at matthewtracy@aud.state.fl.us or by telephone at (850) 412-2922.

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PRISON REHABILITATIVE INDUSTRIES AND DIVERSIFIED ENTERPRISES, INC. (PRIDE)

Selected Activities

SUMMARY

This operational audit focused on selected Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) activities. Our audit disclosed a pervasive absence of adequately designed internal controls and, where controls were established, a control environment that permitted the bypassing of controls necessary to promote and encourage compliance with applicable requirements, economic and efficient operations, reliability of records and reports, and the safeguarding of assets. Specifically, our audit disclosed the following:

Financial Activities and Controls

Finding 1: PRIDE controls did not adequately ensure the use of competitive selection procedures for certain expenses, purchase orders, and contracts, or a reasonable basis for why such requirements were not applicable, nor did PRIDE records always demonstrate the approval for or propriety of expenses, the receipt of goods and services, or the basis for significant deviations from established expense policy limits.

Finding 2: PRIDE outsourcing agreements for license plate image validation services do not appear to comport with PRIDE's statutory mission and the absence of effective controls contributed to PRIDE making payments to a vendor during the period January 2021 through August 2023 that exceeded contractual limits by \$449,884.

Finding 3: Although PRIDE's sugarcane operations conform to statutory restrictions against the use of inmate laborers in the agricultural industry, and existing lease and other contractual agreements have standing, the significant nature of PRIDE's sugarcane operations and lesser operations in Hendry County may require further clarification on whether the statutory intent of PRIDE as a correctional work program is being best satisfied.

Finding 4: PRIDE records did not adequately support the appropriateness of consulting, lobbying, and legal services expenses totaling \$854,900. Additionally, the extensive use of contracted lobbying services may not have comported with the limits on such activities specified in PRIDE's Articles of Incorporation.

Finding 5: PRIDE records did not always evidence the basis for employee market pay adjustments or the conduct of periodic performance evaluations, including of the PRIDE President.

Finding 6: PRIDE controls over contract review and approval need enhancement.

Finding 7: PRIDE controls for check authorization and the initiation and approval of wire transfers need improvement.

Finding 8: PRIDE inventory controls did not adequately ensure the accuracy of the information needed to correctly report and maintain proper accountability over inventory nor promote the timely detection of potential theft and misuse of raw and finished goods.

Other Activities and Controls

Finding 9: PRIDE's methodology for calculating former inmate worker recidivism understated recidivism in comparison to the methodology used by the Department of Corrections and did not appear consistent with State law. Also, PRIDE needs to enhance controls to better ensure that all former inmate workers who recidivate are appropriately included in PRIDE's calculated recidivism rate.

Finding 10: PRIDE annual reports on the status of correctional work programs did not provide context for the information provided, include financial and performance data necessary to effectively evaluate PRIDE and the status of correctional work programs, or effectively promote transparency in PRIDE operations.

Finding 11: PRIDE had not established a mechanism to track or monitor all customer complaints received nor performance metrics for customer complaint handling.

Finding 12: PRIDE did not consistently adhere to established policies and procedures for handling inmate worker complaints. Additionally, as PRIDE policies and procedures encouraged the resolution of inmate worker problems through discussion, PRIDE records were not sufficient to enable an effective assessment of the extent to which inmate worker complaints existed or whether such complaints were fairly, objectively, and appropriately handled.

Finding 13: While PRIDE conducted workplace environmental health and safety audits, records of the audits called into question the efficacy of the audits. Additionally, PRIDE records did not always evidence actions taken to follow up on noted deficiencies or whether corrective actions had been taken, and PRIDE was unable to locate the records for one audit.

Finding 14: PRIDE records did not always evidence that employee background checks were timely obtained in accordance with established policies and procedures, and PRIDE policies and procedures for employee background checks could be enhanced to require all corporate employees to undergo a background check as a condition of employment.

Finding 15: PRIDE did not employ an internal auditor responsible for providing independent and objective evaluations of all PRIDE financial and operational business activities, including corporate governance.

Finding 16: PRIDE last completed a strategic plan in 2018 and, due a ransomware attack, the plan was not available for audit.

Finding 17: The Legislature should consider specifying in State law staggered terms and term limits for PRIDE Board members and the Board should adopt formal guidelines explicitly identifying the decisions for which the Board is responsible.

Information Technology Controls

Finding 18: PRIDE information technology (IT) access controls for the network and Microsoft Dynamics 365 need enhancement to better prevent and detect inappropriate access.

Finding 19: PRIDE did not require employees to complete security awareness training upon hire and PRIDE processes and records neither ensured that all employees completed periodic security awareness training nor demonstrated that any employees had received such training.

Finding 20: Certain security controls related to user authentication, disaster recovery, logical access, patch management, and vulnerability management need improvement to ensure the confidentiality, integrity, and availability of PRIDE data and IT resources.

BACKGROUND

Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and authorized by State law¹ to operate work programs in State correctional facilities. PRIDE was incorporated in December 1981 to assume control over the Department of Corrections (Department) prison industry program and final transfer of the correctional work programs from the Department to PRIDE was completed by July 1984. In addition to the transfer of work programs, various lease agreements between PRIDE and the Department provide for PRIDE's use of certain Department land, buildings, and equipment in its operations.

The Legislature specified in State law² that it is essential to the State that work programs provide inmates with useful activities that can lead to meaningful employment after release to assist in reducing the return of inmates to the system. The Legislature further found that the mission of a correctional work program, in order of priority, is:

- To provide a joint effort between the Department, correctional work programs, and other vocational training programs to reinforce education, training, and post-release job placement and help reduce recommitment.
- To serve the security goals of the State through the reduction of idleness of inmates and the provision of an incentive for good behavior in prison.
- To reduce the cost of State government by operating enterprises primarily with inmate labor, which enterprises do not seek to unreasonably compete with private enterprises.
- To serve the rehabilitative goals of the State by duplicating, as nearly as possible, the operating activities of a free-enterprise type of profitmaking enterprise.

Pursuant to State law,³ PRIDE is overseen by a Board of Directors (Board) appointed by the Governor and subject to confirmation by the Senate. The Board is responsible for hiring a President who, subject to the control of the Board, is responsible for supervising and controlling all business and affairs of PRIDE.

PRIDE operates a variety of industries, including land management, service industries such as tire retread and a dental lab, sewn products, furniture manufacturing, specialty manufacturing such as paint and license plates, and graphics and digital print technologies. A listing of all PRIDE industries and departments as of September 2023 is included as **EXHIBIT A** to this report and a map of all PRIDE

¹ Section 946.504, Florida Statutes.

² Section 946.501, Florida Statutes.

³ Section 946.504(1), Florida Statutes.

industry locations is included as **EXHIBIT B**. Through its operations in these industries, PRIDE teaches inmates job skills and provides work training programs and post-release job placement.

The Department assigns inmates to PRIDE based on specified criteria and PRIDE has established general assignment guidance for most industries, with specialized criteria for certain industries such as diesel and culinary. Department records indicated that, as of August 2023, the Department prison inmate population was 84,953 inmates. According to the Department Secretary, an estimated 7,000 to 8,000 inmates at various custody levels are available to participate in PRIDE correctional work programs at any given time. Table 1 summarizes the average number of inmates employed by PRIDE during the 2019 through 2022 calendar years and January 1, through August 31, 2023, the Department inmate population for each period then ended, the total number of PRIDE work program inmates for the 2019 through 2022 calendar years and as of August 31, 2023, and the relative percentage of PRIDE work program inmates to the total Department prison population.

**Table 1
PRIDE Inmate Utilization**

Year	Average Number of Inmates Employed by PRIDE	Department Inmate Population as of Period-End	Average Number of Inmates Employed by PRIDE as a Percentage of Department Inmate Population ^b	Total Number of PRIDE Work Program Inmates	Total Number of PRIDE Work Program Inmates as a Percentage of Department Inmate Population ^b
2019	1,961	94,197	2.08%	3,291	3.49%
2020	1,375	79,526	1.73%	2,579	3.24%
2021	1,375	78,847	1.74%	2,525	3.20%
2022	1,577	83,214	1.90%	2,600	3.12%
2023	1,566 ^a	84,953 ^a	1.84%	2,162 ^a	2.54%

^a As of August 31, 2023.

^b Calculation based on the period-end inmate population.

Source: PRIDE and Department records.

State law⁴ specifies that the Department is to require of every able-bodied inmate as many hours of faithful labor in each day and every day during their term of imprisonment and have as a continuous goal the reduction of inmate idleness. Assignment to and utilization of inmates in PRIDE work programs is a critical method of ensuring compliance with these requirements and promoting the health, safety, and welfare of Department employees and inmates. The achievement of this goal requires the collaborative efforts of both PRIDE and the Department, considering factors such as security, investment in work opportunities inside and outside of correctional facilities, and abiding by statutory restrictions against unreasonable competition with the private sector. However, even accounting for the significant operational impacts of the COVID-19 pandemic on PRIDE operations, the number and percentage of inmates used in PRIDE work programs have remained statically low. Of note, the last Auditor General PRIDE audit⁵ reported that PRIDE employed an average of 2,800, 2,616, and 2,382 inmates for the 1993-94, 1994-95, and 1995-96 fiscal years, respectively.⁶ The Department inmate populations for those

⁴ Section 946.002, Florida Statutes.

⁵ Report No. 12859, issued December 12, 1996.

⁶ Data as of June 30.

same years totaled 56,052, 61,249, and 62,247, resulting in 5 percent, 4.27 percent, and 3.83 percent of Department inmates working in a PRIDE work program.

PRIDE receives no funding from the Legislature and is supported by earnings from the sales of products and services. Pursuant to State law,⁷ PRIDE has a purchasing preference that requires State agencies to buy its products and services when they are of comparable price and quality to those offered by any other source. A majority of PRIDE products are sold to State agencies and governmental entities or their contracted vendors. Table 2 shows PRIDE sales by market sector during the period January 2016 through April 2021.

Table 2
PRIDE Sales by Market Sector
January 2016 Through April 2021

Year	State Government (Florida)	Other States, Non-Profits	Private Sector	Other	Totals
2016	\$33,182,568	\$2,968,617	\$29,533,572	\$11,218,682	\$76,903,439
2017	30,036,258	2,462,162	28,213,805	11,817,579	72,529,804
2018	28,588,409	2,649,394	26,276,944	12,009,623	69,524,370
2019	26,788,543	2,725,088	26,561,586	11,854,683	67,929,900
2020	20,398,438	2,036,183	23,945,682	7,073,328	53,453,631
2021 ^a	7,194,381	664,374	10,457,205	2,533,998	20,849,958

^a Through April 2021.

Source: PRIDE records.

For the fiscal year ended December 31, 2022, PRIDE revenues from the sales of products and services totaled \$65.7 million, representing an over 10 percent increase in total revenues for the fiscal year ended December 31, 2021. PRIDE net assets also recovered from the effects of the COVID-19 pandemic, with net assets increasing nearly \$1.4 million during the 2022 calendar year after two consecutive annual decreases in net assets. Additionally, PRIDE held over \$22 million in cash, cash equivalents, and investments in the Special Purpose Investment Account (SPIA)⁸ as of December 31, 2021 and 2022. Table 3 summarizes PRIDE revenues and change in net assets for the 2016 through 2022 calendar years and cash, cash equivalents, and investments in SPIA for the fiscal years then ended.

⁷ Section 946.515(2), Florida Statutes.

⁸ Pursuant to Section 17.61(1), Florida Statutes, the Department of Financial Services, Division of Treasury, operates SPIA, a special investment program for public entities.

**Table 3
Selected PRIDE Financials**

Year	Revenues from Sales of Products and Services	Change in Net Assets	Cash and Cash Equivalents	Investments in SPIA
2016 ^a	\$76,903,439	\$ 2,829,824	\$7,478,049	\$ 5,036,486
2017 ^b	72,529,804	4,134,448	4,990,612	13,162,035
2018	69,524,370	1,235,611	7,187,282	16,443,751
2019	67,929,900	17,242	9,191,241	18,942,513
2020	53,453,631	(4,327,997)	5,362,347	19,345,294
2021	59,470,755	(1,801,591)	2,411,315	19,637,397
2022	65,748,887	1,383,337	2,918,400	19,815,056

^a As of December 31, 2016, PRIDE also held \$4,600,007 in certificates of deposit.

^b As of December 31, 2017, PRIDE also held \$3,456,367 in certificates of deposit.

Source: Audited PRIDE financial statements.

Analysis of various financial ratios may provide insight into the health of a company, including a better understanding of liquidity, profitability, efficiency, and more. Table 4 provides a summary of selected financial ratios for PRIDE for the 2016 through 2022 calendar years.

**Table 4
Selected PRIDE Financial Ratios**

Fiscal Year End December 31	Current Ratio	Quick Ratio	Gross Profit Margin	Operating Profit Margin
2016	8.0	5.4	18%	2%
2017	10.5	7.7	21%	5%
2018	10.7	7.6	16%	-1%
2019	8.0	5.9	16%	-1%
2020	11.4	8.3	11%	-10%
2021	9.4	6.6	13%	-4%
2022	10.5	6.7	16%	-1%

Source: Auditor-calculated from audited PRIDE financial statements.

Cash flow is critical to every business and two key ratios for assessing cash flow are the current ratio (current assets/current liabilities) and the quick ratio (current assets – inventory/current liabilities). The current ratio examines a company’s ability to pay off liabilities with current assets, while the quick ratio is a good indicator of short-term liquidity. In most cases, a current ratio between 1.5 and 3 is acceptable, while a significantly higher current ratio may indicate that a company is not effectively managing capital allocation, is holding too much cash, and may have opportunities for further investments or growth initiatives.

Profitability ratios are used to measure how much income a company is able to generate after accounting for factors such as operating costs, taxes, and debt payments. These ratios include gross profit margin (gross margin/net sales), which illustrates how much money a company is making compared to the cost

of sales, and operating profit margin (operating income/net sales), which accounts for expenses in assessing a company's profitability.

While State law established PRIDE as an independent nonprofit corporation, PRIDE is an instrumentality of the State that the State maintains a present ownership interest in. If PRIDE dissolves, or its lease agreements with the Department expire, all PRIDE property reverts to the State.

FINDINGS AND RECOMMENDATIONS

This operational audit focused on selected PRIDE activities and controls. As subsequently described, our audit disclosed a pervasive absence of adequately designed internal controls and, where controls were established, a control environment that permitted the bypassing of controls necessary to promote and encourage compliance with applicable requirements, economic and efficient operations, reliability of records and reports, and the safeguarding of assets. For example, we noted numerous instances where PRIDE records did not evidence the competitive procurement of goods and services, expenses that did not appear reasonable or appropriately supported, contractual services that did not appear to comport with PRIDE's statutory mission, inadequate inventory controls, deficiencies in the determination of inmate worker recidivism, absent or poorly designed oversight controls, and inadequately designed and implemented information technology controls.

FINANCIAL ACTIVITIES AND CONTROLS

Included in PRIDE's stewardship and fiduciary responsibilities associated with managing resources the State maintains an interest in is the responsibility to ensure that PRIDE controls provide for the effective and efficient use of resources in accordance with applicable guidelines. To promote responsible spending, improved accountability, and the achievement of PRIDE's statutory mission, it is important for PRIDE to establish and adhere to policies, procedures, and other controls over critical business financial activities such as the purchase of materials and supplies and other expenditures of PRIDE resources, contracting, and inventory maintenance. Established policies, procedures, and other controls are essential to ensure that PRIDE employees administer their assigned responsibilities in accordance with management's expectations. Such policies, procedures, and other controls should be designed to promote accountability over the use of PRIDE resources and the accomplishment of PRIDE's statutory mission.

Finding 1: PRIDE Expense Controls

To promote accountability over the use of PRIDE resources, PRIDE established various policies and procedures, including:

- Purchasing Policy No. 3.00, *Purchasing Objectives*, that specified that one of the goals of PRIDE's purchasing function was to purchase materials and services for PRIDE's use while obtaining maximum value per dollar. Accordingly, Purchasing Policy No. 8.00, *Competitive Quotations*, specified that:
 - Production materials purchase orders with an estimated value of \$10,000 or more were considered standard or noncomplex and only required quote verification from the preferred

vendor. If a price increase was noted or if the quote verification was not consistent with current cost, a request for quote was to be sent to multiple suppliers, if possible, and documented in PRIDE records.

- All purchase orders with an estimated value of \$10,000 or more or that were nonstandard, complex, or required more permanent documentation were to be supported by quotations from multiple vendors. For proprietary or other items where only one source of supply was available, PRIDE records were to evidence this determination.
- PRIDE Policy No. 12.08, *Purchase Orders – Blankets & Contracts*, that specified that procedures related to the competitive bid of purchase orders applied to blanket or contract purchase orders.
- Purchasing Policy No. 12.00, *Purchase Order Approval*, that outlined the approvals required by purchase order types and amounts. To ensure that PRIDE management approved expenses and verified the receipt of goods and services, PRIDE required purchase orders be signed by appropriate PRIDE personnel.
- Purchasing Policy No. 14.00, *Invoice Approval*, that required PRIDE personnel to match invoices to purchase orders and resolve any discrepancies prior to invoice payment.
- Policy No. 1209, *Service Awards*, that was established to help build morale and loyalty among employees and Policy No. 1215, *Retirement Recognition/Farewell Gifts*, that was created to reward and recognize the dedication and years of service of employees. These policies provided that, based on the length of service, PRIDE could gift employees service awards up to \$1,250, and to retirees, a retirement gift of up to \$500.
- Policy No. 402, *Travel & Business Expenses*, that provided that meal expenses incurred by PRIDE employees while entertaining an individual from outside PRIDE had to be pre-approved and meet other meal reimbursement criteria (i.e., breakfast costs of \$10 per employee, lunch costs of \$15 per employee, dinner costs of \$25 per employee, and a similar reimbursement for the client, vendor, or customer; alcoholic beverages were not a reimbursable expense) to the greatest extent possible. Other expenses, such as the purchase of event tickets, were not to be reimbursed and any exceptions or special considerations to the policy were to be considered on an individual basis and be approved by the PRIDE President.

As part of our audit, we reviewed PRIDE policies and procedures and analyzed and examined PRIDE expense records and noted that PRIDE controls did not effectively promote, and PRIDE records did not demonstrate, a commitment to competitive procurement practices or the reasonableness of certain PRIDE expenses. Specifically, we found that:

- Purchasing Policy No. 8.00, *Competitive Quotations*, included guidance that was not always clear regarding expectations for obtaining quotes. Specifically, while the policy indicated that for standard or noncomplex purchase orders with an estimated value of \$10,000 or more, quotes were only required from multiple vendors when variance in the preferred vendor quote was noted, the policy also specified that all purchase orders of \$10,000 or more or that met specified criteria required quotes from multiple vendors. Additionally, while PRIDE Policy No. 12.08, *Purchase Orders – Blankets & Contracts*, provided that procedures related to the competitive bid of purchase orders applied to blanket or contract purchase orders, it was not clear, and PRIDE management indicated, that PRIDE's Purchasing Manual did not explicitly mention contracts. The ambiguity in, or absence of, policy over the competitive procurement of goods and services, likely contributed to the subsequent issues noted on audit.
- For 23 PRIDE vendors with expenses ranging from \$12,890 to \$1,402,953 and totaling \$6,380,147 during the period January 2021 through March 2023, PRIDE records did not evidence that the vendors' goods or services were obtained through a competitive procurement process. The expenses included \$446,657 under lease and maintenance agreements for certain graphics

printing equipment at Calhoun Correctional Institution, and over \$1.4 million for license plate image validation services performed by Global Agility Solutions, LLC (Global Agility). (See Finding 2 for additional issues related to the Global Agility agreement.) In response to our audit inquiry, PRIDE management provided various explanations, including that some purchases were exempt from competitive procurement requirements, one vendor was a local supplier with quick turnaround, another vendor performed work Statewide with quick turnaround and had the best pricing, and that pricing was obtained for other vendors and the vendor selected offered the lowest price. However, PRIDE was unable to provide documentation supporting the basis for or prudence of exempting certain purchases from competitive procurement processes, any pricing information, or any evidence that the goods or services were competitively procured.

- For nine PRIDE contracts executed during the period January 2021 through March 2023 and each totaling over \$10,000, PRIDE records did not evidence that quotes were obtained from other vendors, document a determination that the contracts could only be made with one vendor, or otherwise support the basis for contracting with the selected vendor. The contracts included a tire retread supply agreement with expenses totaling \$934,155 during the period July 2022 through March 2023, the renewal of a license plate reading services agreement with Tennessee Rehabilitative Initiative in Correction (TRICOR), and contracts for consulting and lobbying services. (See Finding 2 for additional issues related to the TRICOR agreement and Finding 4 for further matters regarding PRIDE consulting, lobbying, and legal services contracts.)
- For 20 of 40 tested expense transactions totaling \$611,260, PRIDE records evidenced neither a signed purchase order nor other documentation denoting approval of the expenses and verification of the receipt of the goods or services. The transactions included expenses related to services provided by Global Agility, TRICOR, and under lease and maintenance agreements for certain graphics printing equipment at Calhoun Correctional Institution. According to PRIDE management, when a PRIDE industry received a good or service on a purchase order, this was considered receipt and approval for payment.
- In March 2018, PRIDE entered a contract with a vendor pursuant to which PRIDE was to provide inmate labor and management and administrative services to the vendor in support of the PRIDE food processing facility located at the Union Correctional Institution. The agreement between the parties specified that the vendor was to provide the equipment required to process the vendor's orders and that the vendor's equipment was to be delineated on an equipment lease agreement. PRIDE was to process all food products as specified by the vendor and receive payment pursuant to a fee schedule. The agreement provided that the vendor was, at their expense, to procure all raw materials, inventory, and other related operating supplies and provide such materials to PRIDE inmates for processing. The vendor was also responsible for all transportation costs of materials and processed product to and from the food processing facility.

Our review of expenses related to the agreement and invoiced by the vendor to PRIDE during the period January 2021 through March 2023 found expenses totaling \$39,442 that were not provided for in the agreement. For example, the expenses paid by PRIDE included a \$10,173 charge for equipment parts, which according to PRIDE management, were purchased through the vendor's account for use by PRIDE. Similarly, PRIDE management indicated that other charges, such as a \$2,855 charge for packaging materials, \$481 for food products, and various shipping charges (using the vendor's account), were purchases from the vendor for PRIDE's use. Also, the expenses paid by PRIDE included a \$2,754 loss on the sale of unneeded raw materials and a \$1,531 charge for parts on shared used equipment. Notwithstanding PRIDE management's responses, the agreement between PRIDE and the vendor did not contemplate the incurrence of equipment, food product, and shipping charges by PRIDE, nor support the basis for PRIDE incurring losses on the sale of raw materials that were to be provided by the vendor. Although PRIDE management indicated in response to our audit inquiry that, except for the loss, the charges were for PRIDE or related to shared used equipment, the apparent commingling of business and equipment inhibited the ready determination of the propriety of such expenses.

- In February 2023, the PRIDE Corporate Administrator/Chief Administrative Officer, who reported to the PRIDE President, received as a retirement gift reimbursement for the cost of airfare and a Scandinavian cruise totaling \$5,398, an amount exceeding established policy limits. According to the PRIDE President, the gift was approved by the Board at its December 2022 meeting in recognition of the employee's many years of service. However, we reviewed the meeting minutes for the December 8, 2022, Board meeting and noted no Board discussion or approval of the retirement gift. Subsequent to our audit inquiry on August 3, 2023, the Board Chair provided a signed addendum dated August 4, 2023, to the December 8, 2022, Board meeting minutes that indicated that the Board unanimously approved the awarding of a retirement gift of \$5,398 for cruise and travel expenses.
- For seven PRIDE sales meeting expenses totaling \$1,675, PRIDE records did not evidence pre-approval of the expenses or that exceptions to expense limits were granted for an event expense and five meal expenses that exceeded per person meal amount limits. The six expenses included: a dinner for 13 totaling \$696 (\$371 over the allowable limit), with alcohol purchases totaling \$84; a dinner for 4 totaling \$282 (\$182 over the allowable limit); and four tickets to the Player's Championship golf tournament totaling \$266. In response to our audit inquiry, PRIDE management indicated that road striping paint is an extremely competitive market and one customer retention tactic consists of regular customer visits and the purchase of lunches and dinners by PRIDE sales representatives. Additionally, PRIDE management indicated that they were aware of the \$696 dinner and that the dinner was for one of PRIDE's largest customers; however, management was not aware that alcohol had been purchased and it should not have been charged as a business expense.

As fair and open competition is a basic tenet of sound business procurement practices and reduces the appearance and opportunity for favoritism, policies and procedures that establish clear requirements for utilizing competitive procurement measures, and documentation evidencing that all expenses, purchase orders, and contracts are supported by competitive selection processes, or a reasonable basis for why such requirements are not applicable, would better ensure and serve to demonstrate that PRIDE maximizes value per dollar spent and inspire confidence that goods and services are procured equitably and economically. Additionally, absent documentation supporting the approval for and propriety of all PRIDE expenses and the receipt of related goods or services, as well as the basis for significant deviations from established expense policy limits, management's ability to demonstrate that all PRIDE expenses were reasonable and necessary is limited.

Recommendation: We recommend that PRIDE management enhance policies and procedures to clearly specify the requirements for the competitive procurement of goods and services, including for obtaining competitive purchase quotes, and ensure that PRIDE records evidence that all expenses, purchase orders, and contracts are supported by price quotes from multiple vendors or a reasonable basis for why such requirements were not applicable. We also recommend that PRIDE management strengthen expense payment controls to evidence the approval for and propriety of all expenses, the receipt of goods and services, and the basis for significant deviations from established expense policy limits.

Follow-Up to Management's Response

Although PRIDE management addressed in their written response the procurement deficiencies noted on audit, management did not address the deficiencies related to the approval for or propriety of PRIDE expenses, the receipt of goods and services, and the basis for significant deviations from established expense policy limits. To comprehensively address the finding, better promote responsible spending,

and improve accountability over the use of PRIDE resources, we continue to recommend that PRIDE management strengthen expense payment controls to address these deficiencies.

Finding 2: License Plate Image Validation Agreements

PRIDE provides license plate image validation services through inmate work programs at several correctional institutions (Calhoun, Liberty, Polk, and Sumter). The image validation services are performed on behalf of the Florida Department of Transportation (FDOT) and the Miami-Dade Expressway Authority (MDX). According to PRIDE records, as of May 26, 2023, PRIDE had 578 inmates assigned to image validation services, representing 33 percent of all PRIDE inmates assigned to work programs.

In July 2020, PRIDE entered into an agreement with Global Agility Solutions, LLC (Global Agility) for manual license plate review and interpretation services on behalf of MDX. Global Agility is a Texas-based outsourcing company that provides image processing, contact center, data entry, and back-office support services. In December 2020, PRIDE entered into an agreement with Tennessee Rehabilitative Initiative in Correction (TRICOR) to provide license plate review and interpretation services on behalf of the FDOT. TRICOR is a Tennessee government agency providing occupational and life skills training to Tennessee’s incarcerated population.

As part of our audit, we analyzed PRIDE’s use of Global Agility and TRICOR as part of its correctional work programs, assessed whether such use and related agreements furthered the statutory mission of PRIDE, and whether PRIDE had established effective controls over invoice payment. As summarized in Tables 5 and 6, we found that, while PRIDE accounted for a significant majority of all license plate image validation services performed on behalf of the FDOT during the period January 2021 through March 2023, it accounted for less than a third of such services performed on behalf of MDX during the period January 2021 through August 2023. Also, with respect to the MDX image validation services performed by PRIDE and Global Agility during the period January 2021 through August 2023, our analysis disclosed that, while the percentage of reviews performed by PRIDE increased significantly in June, July, and August 2023, during most of the period, Global Agility performed a substantial portion of the image validation reviews, accounting for a high of 93 percent of reviews in April 2022. During the period January 2021 through August 2023, Global Agility received nearly \$1.7 million in compensation, or 67.2 percent of all compensation provided to PRIDE by MDX for image validation services.

Table 5
PRIDE/TRICOR Share of FDOT License Plate Image Validations
January 2021 Through March 2023

Period	Total Transactions Processed	PRIDE Transactions	PRIDE Share	TRICOR Transactions	TRICOR Share
01/01/2021 – 12/31/2021	226,678,590	185,554,894	82%	41,123,696	18%
01/01/2022 – 12/31/2022	315,877,062	230,832,817	73%	85,044,245	27%
01/01/2023 – 03/31/2023	94,680,906	65,395,491	69%	29,285,415	31%

Source: PRIDE records.

Table 6
PRIDE/Global Agility Share of MDX License Plate Image Validations
January 2021 Through August 2023

Month	Total Number of Transactions Completed	Total Number of Reviews Completed	Total Number of Reviews Completed by PRIDE	Total Number of Reviews Completed by Global Agility	Percentage of Reviews Completed by PRIDE	Percentage of Reviews Completed by Global Agility	PRIDE Revenue	Global Agility Revenue
January 2021	5,631,249	15,437,779	3,765,741	11,672,038	24.4%	75.6%	\$ 20,604.48	\$ 63,864.26
February 2021	4,593,314	12,686,320	5,701,468	6,984,852	44.9%	55.1%	30,964.81	37,934.90
March 2021	5,134,231	14,658,806	8,134,246	6,524,560	55.5%	44.5%	42,735.17	34,278.30
April 2021	4,788,205	13,757,133	5,976,232	7,780,901	43.4%	56.6%	31,200.93	40,622.82
May 2021	5,282,842	15,522,117	7,841,335	7,680,782	50.5%	49.5%	40,031.14	39,211.49
June 2021	5,979,085	17,190,715	7,440,967	9,749,748	43.3%	56.7%	38,820.53	50,865.75
July 2021	5,313,092	16,143,570	5,826,560	10,317,010	36.1%	63.9%	28,764.13	50,932.25
August 2021	6,395,078	19,022,903	5,014,101	14,008,802	26.4%	73.6%	25,284.44	70,641.73
September 2021	4,950,562	15,672,824	3,353,990	12,318,834	21.4%	78.6%	15,891.33	58,367.10
October 2021	6,693,287	19,025,711	5,499,889	13,525,822	28.9%	71.1%	29,023.10	71,376.21
November 2021	4,766,760	15,257,742	5,423,382	9,834,360	35.5%	64.5%	25,415.26	46,086.14
December 2021	4,309,315	13,817,321	2,589,662	11,227,659	18.7%	81.3%	12,114.87	52,524.86
January 2022	4,878,556	13,764,957	1,781,382	11,983,575	12.9%	87.1%	9,470.32	63,708.02
February 2022	5,893,008	18,771,926	6,909,828	11,862,098	36.8%	63.2%	32,537.69	55,857.43
March 2022	10,009,581	30,172,175	6,249,600	23,922,575	20.7%	79.3%	31,099.46	119,044.26
April 2022	9,127,692	31,981,633	2,267,363	29,714,270	7.1%	92.9%	9,706.72	127,208.66
May 2022	8,324,610	22,519,984	4,017,279	18,502,705	17.8%	82.2%	22,275.07	102,594.08
June 2022	6,924,538	19,423,750	3,441,770	15,981,980	17.7%	82.3%	18,404.79	85,463.28
July 2022	4,586,571	13,767,815	2,167,622	11,600,193	15.7%	84.3%	10,831.74	57,966.83
August 2022	3,904,506	12,265,346	6,364,803	5,900,543	51.9%	48.1%	30,392.23	28,175.36
September 2022	5,631,302	14,143,014	2,667,935	11,475,079	18.9%	81.1%	15,934.31	68,535.22
October 2022	4,420,744	12,359,281	3,464,530	8,894,751	28.0%	72.0%	18,588.22	47,722.94
November 2022	3,959,133	11,132,379	2,732,003	8,400,376	24.5%	75.5%	14,574.20	44,812.80
December 2022	4,528,622	13,552,640	5,629,610	7,923,030	41.5%	58.5%	28,217.06	39,712.27
January 2023	4,528,622	13,651,759	5,167,407	8,484,352	37.9%	62.1%	25,756.86	42,290.13
February 2023	4,219,294	12,726,561	4,753,025	7,973,536	37.3%	62.7%	23,636.88	39,652.53
March 2023	4,716,061	14,747,243	6,672,890	8,074,353	45.2%	54.75%	32,009.13	38,731.79
April 2023	3,568,858	10,826,152	4,218,272	6,607,880	39.0%	61.04%	20,858.40	32,674.47
May 2023	3,920,148	12,640,916	4,940,005	7,700,911	39.1%	60.92%	22,979.61	35,822.61
June 2023	3,394,381	11,015,501	5,896,684	5,118,817	53.5%	46.47%	27,255.59	23,660.13
July 2023	2,910,102	8,668,670	7,258,102	1,410,568	83.7%	16.27%	48,731.39	9,470.65
August 2023	2,462,088	7,502,111	6,061,581	1,440,530	80.8%	19.20%	39,786.52	9,455.24
Totals	<u>165,745,437</u>	<u>493,826,754</u>	<u>159,229,264</u>	<u>334,597,490</u>	<u>32.24%</u>	<u>67.76%</u>	<u>\$823,896.38</u>	<u>\$1,689,264.51</u>

Source: PRIDE records.

Our audit also found that:

- While PRIDE's agreement with TRICOR specified that TRICOR was to provide license plate image validation services for up to 3 million transactions per month, analysis of TRICOR invoices and PRIDE records for the period January 2021 through August 2023 found that, during 27 of the 32 months, TRICOR invoiced for, and PRIDE reimbursed, transactions in excess of the contracted limit. Consequently, PRIDE payments exceeding contracted maximums during these months totaled \$449,884.

- While PRIDE's agreement with Global Agility specified that Global Agility was to provide license plate image validation services for up to 3.5 million transactions per month, because completed transactions are likely reviewed by both PRIDE and Global Agility employees, it was not possible to assign completed transactions to either PRIDE or Global Agility. Consequently, Global Agility was compensated based on their share of the total number of reviews completed each month and the effect of any contractual limits on compensation were, in effect, null. As noted in Table 6, during 29 of the 32 months from January 2021 through August 2023, the total number of transactions completed for MDX by PRIDE and Global Agility exceeded 3.5 million. Although not dispositive of potential overpayments, we noted that in certain months (e.g., March and April 2022) where transactions approached or exceeded 10 million, Global Agility accounted for a significant percentage of the completed reviews.

As noted in Finding 1, neither the Global Agility nor the TRICOR agreements were procured through a competitive procurement process or supported by other documentation evidencing that the agreements maximized the value per dollar spent. While the impacts of the COVID-19 pandemic and need for staff augmentation beyond available Department resources may have necessitated such agreements, considering PRIDE's statutory mission to help reduce recommitment and idleness of Florida inmates and the Department's indication that more inmates are available to participate in correctional work programs, it is not clear that these agreements continue to comport with legislative intent.

Recommendation: We recommend that PRIDE management continue efforts to maximize the license plate image validation service work performed by State inmates and reconsider the ongoing necessity for outsourcing such work and whether such actions comport with PRIDE's mission and legislative intent.

Finding 3: Lease Agreements

State law⁹ specified that beginning July 1, 2017, the use of inmates for correctional work programs in the agricultural industry in the Everglades Agricultural Area (EAA)¹⁰ or in any area experiencing high unemployment rates in the agricultural sector was prohibited. Additionally, any lease agreement relating to land in the EAA leased to PRIDE for an agricultural work program was required to be terminated in accordance with the terms of the lease agreement.

In 1982, PRIDE contracted with a company to convert over 3,800 acres of pastureland to sugarcane suitable land. In September 2002, PRIDE entered into a 50-year lease with the Board of Trustees of the Internal Improvement Trust Fund (Board of Trustees) to manage the sugarcane land for the establishment and operation of correctional work programs at Glades Correctional Institution (GCI).¹¹ Effective January 2003, PRIDE entered into a 10-year management agreement with the company pursuant to which the company was to provide agricultural and management services to enable PRIDE to plant and grow sugarcane on the converted land¹² located at GCI and leased to PRIDE for the operation of correctional work programs. Among other things, the company was to provide planting, cultivation, harvesting, transportation, and grinding mill personnel and equipment. According to PRIDE

⁹ Section 946.511(3), Florida Statutes.

¹⁰ Section 373.4592(15), Florida Statutes, describes the EAA which consists of lands located in eastern Hendry County and Western Palm Beach County.

¹¹ GCI was closed by the Department in December 2011.

¹² Such land is in the EAA.

management, PRIDE was to provide contract and operational management and expense confirmation. In March 2011, PRIDE entered into a purchase agreement with the company that provided for PRIDE to agree to sell to the company, and for the company to purchase, all sugarcane grown on the leased land. During the period January 2021 through March 2023, PRIDE earned revenues in excess of \$13.6 million pursuant to the purchase agreement, representing approximately 9 percent of all PRIDE revenues during the period.

Pursuant to State law, PRIDE ceased using inmates as agricultural laborers in the EAA effective July 1, 2017. However, PRIDE currently operates or plans to operate the following programs in the EAA or related to the privately operated South Bay Correctional Facility:

- Sugarcane grower operation.
- Mechanical and Renovation Services (MARS) – As of September 1, 2013, 13 inmates from the South Bay Correctional Facility were assigned to the MARS program which provides welding, body repair, and like services for products such as vehicles and trailers.
- Diesel and Hydraulic Maintenance – According to PRIDE management, this program was to be launched in November 2023.

In April 2002, PRIDE executed a 50-year lease with the Board of Trustees for over 3,400 acres of land in Hendry County to establish and operate correctional work programs at Hendry Correctional Institution (HCI).¹³ Pursuant to the lease agreement, PRIDE is to manage the leased premises only for the establishment and operation of correctional work programs. According to PRIDE management, the property has been previously used for various industries, including citrus production that was ceased in 2022 due to crop failure. Additionally, PRIDE management indicated that beef and cattle operations continue on the property and that PRIDE had an agreement to obtain inmates from the privately operated Moore Haven Correctional Facility for the beef and cattle operations and new work programs, including metal fabrication. However, while two PRIDE employees were responsible for maintaining the property and operational oversight, as of November 7, 2023, such operations did not involve the use of inmate labor.

Although PRIDE's sugarcane operations conform to statutory restrictions against the use of inmate laborers in the EAA, and existing lease and other contractual agreements have standing, the significant nature of PRIDE's sugarcane operations and lesser operations in Hendry County may require further clarification on whether the statutory intent of PRIDE as a correctional work program is being best satisfied.

Recommendation: We recommend that PRIDE management work with the Department, the Board of Trustees, the Legislature, and other appropriate parties to ensure that sugarcane operations and operations in Hendry County appropriately promote the accomplishment of PRIDE's statutory mission as a correctional work program.

Finding 4: Consulting, Lobbying, and Legal Services Contracts

As previously noted, inherent in PRIDE's responsibility to prudently manage resources the State maintains an interest in is the duty to establish controls that promote responsible spending that is

¹³ HCI was closed by the Department in June 2011.

supported by appropriate records. PRIDE's Articles of Incorporation specified that the corporation "shall not, as a substantial part of its activities, carry on propaganda or otherwise attempt to influence legislation; nor shall it participate or intervene ... in any political campaign on behalf of any candidate for public office."

As part of our audit, we evaluated the use of consultants, lobbyists, and legal services by PRIDE and found that PRIDE records did not adequately support the appropriateness of consulting, lobbying, and legal services expenses totaling \$854,900 paid to a management company and four firms during the period January 2021 through September 2023. Specifically, we found that PRIDE contracted with a:

- Management company pursuant to which the President of the company was to receive \$1,000 per month for consulting services. However, while PRIDE made payments totaling \$31,000 to the President of the management company during the period January 2021 through July 2023, our review of the management company's invoices found that the invoices did not contain sufficient detail to support the provision of consulting services. Instead, the invoices only listed the monthly \$1,000 fee with no supporting detail for the services rendered.
- Firm for consulting and legislative branch lobbying services for the period July 2023 through June 2024, with a mutual option for a second year. The terms of the agreement provided for the firm to be paid a \$40,000 retainer, payable in equal \$10,000 payments each quarter. The retainer was to be for services rendered or to be rendered in legislative activities relating to the preparation, introduction, and/or surveillance of legislation relating to corrections, and the first payment was made in July 2023. In response to our request for all invoices and other documentation demonstrating satisfactory receipt of contracted deliverables, the only documentation provided was a voucher listing for the July 2023 \$10,000 payment and a copy of the agreement.
- Firm for consulting, executive and legislative branch lobbying services, and legal services. During the period January 2021 through September 2023, the firm invoiced and PRIDE made payments for services in excess of \$573,000. In response to our request for all invoices and other documentation demonstrating satisfactory receipt of contracted deliverables, PRIDE provided recap statements of each month's charges, with no additional supporting detail or records evidencing the services rendered.
- Firm for consulting and executive and legislative branch lobbying services. While PRIDE made payments to the firm totaling \$174,900 during the period January 2021 through September 2023, our review of the firm's invoices found that the invoices did not provide sufficient detail to support the consulting and lobbying services provided. Instead, the invoices only listed the monthly \$5,300 retainer amount, with no other supporting detail for the services rendered.
- Firm for consulting and legislative branch lobbying services. While PRIDE made payments to the firm totaling \$66,000 during the period January 2021 through September 2023, our review of the firm's invoices found that the invoices did not provide sufficient detail to support the consulting and lobbying services provided. Instead, the invoices only listed the monthly \$2,000 retainer amount, with no other supporting detail for the services rendered.

Absent adequate records supporting the basis for consulting, lobbying, and legal services expenses and the receipt of related deliverables, PRIDE management cannot demonstrate that company resources are being prudently used and managed. Additionally, the extensive use of contracted lobbying services may not have comported with the limits on such activities specified in PRIDE's Articles of Incorporation.

Recommendation: We recommend that PRIDE management ensure that all consulting, lobbying, and legal services expenses are supported by adequate records evidencing the receipt of contracted deliverables. We also recommend that PRIDE management reevaluate the use of

lobbying services and whether such activities are in accordance with the limits provided for in PRIDE’s Articles of Incorporation.

Follow-Up to Management’s Response

PRIDE management indicated in their written response that PRIDE is not excluded from the use of lobbyists and agents per the PRIDE Articles of Incorporation. While we agree, the point of our finding was that the Articles of Incorporation specify that such activities are not to constitute a “substantial part” of PRIDE’s activities, and that both the number of lobbyists used and amounts expended by PRIDE in furtherance of such activities may not have comported with such limits.

Finding 5: Compensation and Employee Evaluations

PRIDE’s By-Laws authorize the Board to hire a President and specify that, subject to the control of the Board, the President is to generally supervise and control all PRIDE business and affairs. The President is also responsible for the operational management of PRIDE in accordance with established policies and serves at the pleasure of the Board. The By-Laws authorize the President to hire a Vice President and other officers as approved by the Board to assist in the discharge of the President’s duties. Table 7 presents the PRIDE Executive staff who served at some point during the period January 2021 through August 2023 and related salary information.

**Table 7
PRIDE Executive Staff and Compensation
January 2021 Through August 2023**

Employee/ PRIDE Hire Date	Employee Title	Annual Salary	Effective Date
Employee 1 10/17/1995	President ^a	\$238,546.62	07/26/2019
		252,859.36	01/21/2022
		262,973.62	01/20/2023
	Executive Advisor to the PRIDE President	\$80.00/Hour	08/18/2023
Employee 2 02/14/2022	Executive Vice President ^a	\$200,000.06	02/14/2022
		215,999.94	11/10/2022
		224,640.00	07/21/2023
	President ^a	251,420.00	08/18/2023
Employee 3 03/22/1999	Chief Financial Officer ^a	\$159,843.32	07/26/2019
		131,999.92	01/21/2022
		139,920.04	01/21/2022
		145,516.80	01/20/2023
Employee 4 11/10/2003	Chief Information Officer ^a	\$152,000.16	07/26/2019
		168,720.24	01/21/2022
		175,469.06	01/20/2023
		200,070.00	07/21/2023
	Chief Information and Services Officer ^a	200,070.00	08/18/2023
Employee 5 08/31/2015	Director of Mission Programs/PIE	\$ 95,716.92	07/26/2019
		101,459.80	01/21/2022
		105,518.40	01/20/2023
	Vice President of Inmate Programs and Training ^a	118,180.14	08/18/2023
Employee 6 06/13/2022	General Manager, General Manufacturing	\$ 99,999.90	06/24/2022
		104,000.00	01/20/2023
		130,000.00	02/17/2023
	Senior General Manager, General Manufacturing Group ^a	154,999.26	08/18/2023

^a Executive position. Although the Chief Financial Officer is an executive position in most corporate structures and historically the PRIDE CFO was an executive position, per a September 2023 organizational chart provided by PRIDE, the Chief Financial Officer was not part of PRIDE’s Executive staff and, instead, reports to the Chief Information and Services Officer.

Source: PRIDE records.

PRIDE Policy No. 601, *Salary Administration Program*, provided that it was the policy of PRIDE to maintain an effective and efficient compensation administration program and that compensation was to be based on established salary ranges, relevant competitive salary market data, and company incentive plans. PRIDE Policy No. 224, *Performance Management System*, specified that all full-time employees were to receive an annual performance evaluation. Best practices also provide that assessing the Chief Executive Officer of an entity is one of the key responsibilities of a board and that a formal evaluation process, among other things, provides an opportunity to reflect and provide important guidance to the entity head. As part of our audit, we evaluated PRIDE executive compensation and performance evaluation controls and noted that:

- Effective January 1, 2022, the Board authorized a 6 percent cost of living increase for all full-time PRIDE employees.¹⁴ In addition, the President authorized an additional 5 percent market adjustment for the CIO and an additional 3 percent market adjustment for four PRIDE information technology (IT) employees. According to PRIDE management, the CIO and four IT employees received the market adjustments after a comparison of PRIDE IT employee salaries to relevant market salaries was performed and the President determined that the adjustments were necessary to prevent the loss of staff to competitors. However, although requested, PRIDE was unable to provide documentation evidencing the salary analysis performed, including relevant competitive salary market data used.
- The President submitted a succession plan to the Board on January 4, 2021, with an October 2023 target retirement date.¹⁵ According to the President, the Board considered evaluations to be unnecessary after the succession plan was submitted. While PRIDE management indicated that the last formal evaluation of the President was conducted in 2019, records related to the evaluation were lost due a ransomware attack on PRIDE. Additionally, we noted that, during the period January 2021 through March 2023, the President did not conduct any formal, documented performance evaluations of the Executive Vice President, CFO, or CIO. Instead, the President indicated that the Executive Vice President, CFO, and CIO were monitored and evaluated during weekly and periodic meetings based on operational and financial data and feedback was continuous and interactive.

Based on the responses from PRIDE management, we requested evaluation records for the PRIDE employees within the Tire Retread and Sanitary Maintenance and Supply industries for the period January 2021 through March 2023. Our audit found that PRIDE management did not complete annual evaluations for 19 of the 24 employees and that 2 additional evaluations were not signed by the employees to evidence that the employees had received the evaluation. In response to our audit inquiry, PRIDE management indicated that the focus of PRIDE's performance evaluations is to keep employees informed of what they should start, continue, and stop doing. Although PRIDE policies and procedures provided otherwise, PRIDE management indicated that PRIDE did not require industry managers to complete evaluations for all PRIDE employees.

Maintaining documentation evidencing salary analyses performed, including competitive salary market data used, as the basis for employee pay market adjustments would better promote the administration of an efficient and effective compensation program. Periodic reviews of employee performance, including of the PRIDE President, would better enable PRIDE and the Board to demonstrate that employees and

¹⁴ Any full-time employee salary that remained below \$40,000 after the increase was granted an additional increase to raise their salary to \$40,000.

¹⁵ Effective August 5, 2023, the President stepped down to become a part-time Executive Advisor to the new PRIDE President.

the President are provided feedback on their performance and guidance on achieving the organization's goals.

Recommendation: We recommend that PRIDE management ensure that PRIDE records evidence the basis for all employee pay increases and that all PRIDE employees receive periodic performance evaluations in accordance with established policies and procedures. We also recommend that the Board consider conducting and documenting formal periodic performance evaluations of the PRIDE President.

Finding 6: Contract Review and Approval

PRIDE Policy No. 11.03, *Contractual Agreements*, required that rental agreements longer than 6 months, leases, purchase agreements, vendor contracts, and customer contracts were to be reviewed for operational and profit impact by the business unit manager and their immediate supervisor, legal matters by the Corporate Administrator/Chief Administrative Officer, and the CFO and President for review and final approval.

As part of our audit, we examined PRIDE records for 11 contracts executed during the period January 2021 through March 2023 and found that, for the 4 applicable contracts included in our testing, the PRIDE President signed off without legal review or CFO review and approval. The contracts included the license plate image validation services renewal agreement with TRICOR effective January 1, 2023, with expenditures totaling \$141,719 during the period January 2023 through March 2023, and a tire retread supply agreement with expenditures totaling \$934,155 during the period July 2022 through March 2023. Additionally, although not specifically addressed in PRIDE policies and procedures, we noted that a contingency employment candidate search agreement was signed only by the Corporate Administrator/Chief Administrative Officer.

Evidence of the review and approval of applicable contracts by designated PRIDE personnel would better ensure that such contracts are appropriately executed and include terms and requirements consistent with PRIDE's organizational goals and best interests.

Recommendation: We recommend that PRIDE management ensure that PRIDE records evidence that all applicable contracts are reviewed and approved by designated personnel in accordance with established policies and procedures.

Finding 7: Cash Management Controls

PRIDE policies and procedures specified that all checks and Automated Clearing House (ACH)¹⁶ files were to be initially reviewed and approved by the CFO for processing and then reviewed by the Accounts Payable Manager before finalization. The policies and procedures specified that the CFO was to review and sign all checks, and that checks over \$2,000 also required the President's signature. Additionally, as wire transfers¹⁷ typically involve the transfer of large sums of money, it is important that entities design and implement internal controls over wire transfers that, among other things, include a detailed procedure for initiating, approving, and executing wire transfers and for appropriately separating duties

¹⁶ ACH is a network of banks and other financial institutions used by entities for fund transfer transactions such as the direct deposit of paychecks and routine payments.

¹⁷ Wire transfers are individual requests for an electronic transfer of funds from one bank account to another.

(one employee should initiate the wire transfer and a second employee should approve the release of funds).

As part of our audit, we reviewed PRIDE policies and procedures, inquired of PRIDE management, and evaluated PRIDE cash management controls and found that:

- For checks over \$2,000, PRIDE processes provided for the CFO to obtain from PRIDE's Corporate Administrator/Chief Administrative Officer the President's signature stamp that was stored in a locked cabinet to stamp the checks. Although the CFO indicated in response to our audit inquiry that, as a compensating control, PRIDE used Positive Pay, a fraud protection control designed to prevent an unauthorized check from being presented to the bank by comparing presented checks to issued check data, this control only safeguards against the issuance of checks that do not match issued check data and does not substitute for the separation of PRIDE check authorization duties. According to PRIDE records, PRIDE posted 2,496 check transactions exceeding \$2,000 and totaling \$36,199,033 during the period January 2021 through March 2023.
- During the period January 2021 through March 2023, PRIDE executed 12 wire transfers (3 domestic and 9 international) totaling over \$2.3 million. Our audit procedures found that PRIDE policies and procedures did not establish effective controls over the initiation, approval, and execution of wire transfers and that, contrary to an appropriate separation of duties, the CFO was responsible for both initiating all wire transfers and approving the release of funds. The absence of an appropriate separation of duties increases the risk that an inappropriate wire transfer may be made.

Recommendation: We recommend that PRIDE management ensure that all checks over \$2,000 are appropriately authorized in accordance with established policies and procedures and enhance wire transfer controls to separate the responsibility for initiating wire transfers and authorizing the release of funds.

Finding 8: Inventory Controls

Effective controls for the management of inventory require that inventory be adequately controlled, safeguarded, and accounted for by PRIDE management. Accordingly, PRIDE established various policies and procedures over inventory, including a *Cycle Counting Policy and Procedure* that, in acknowledging that the assets of PRIDE were considered property of the State, established standards to maintain and safeguard all assets, provide accountability for and control over assets, and maintain the information needed to prepare the financial statements. Specifically, the *Cycle Counting Policy and Procedure* mandated that all industry managers that possessed physical inventory (raw and finished goods) perform cycle counts to maintain an accurate count of inventory. All PRIDE inventories were classified based on Pareto's ABC principle of inventory revenue classification:

- A – About 20 percent of items account for about 80 percent of revenues. Such "A" inventory items were to be counted at least 4 times a year.
- B – About 30 percent of items account for about 15 percent of revenues. Such "B" inventory items were to be counted at least twice a year.
- C – About 50 percent of items account for about 5 percent of revenues. Such "C" inventory items were to be counted at least once a year.

The *Cycle Counting Policy and Procedure* specified that the cycle count process was to be initiated by an industry manager or supervisor, conducted by industry personnel, and that the manager was to sign

the cycle counting journal indicating that it was approved to post to PRIDE records the change in physical inventory count. To maintain accountability over inventories of raw and finished goods, PRIDE utilized the inventory system within Microsoft Dynamics 365.

As of December 31, 2022, PRIDE maintained net inventories totaling over \$17.4 million, which represented approximately 29 percent of total PRIDE assets. As part of our audit, we reviewed PRIDE inventory policies and procedures and evaluated the adequacy of PRIDE inventory controls and found systemically inadequate inventory controls. Specifically:

- We selected 42 products inventoried at some point during the period January 2021 through March 2023 and requested documentation evidencing the PRIDE personnel responsible for conducting and reviewing the product inventories and the follow up actions taken by PRIDE to investigate any differences noted. Our audit procedures found that PRIDE records did not evidence who completed or who reviewed each inventory. Consequently, we were unable to determine whether PRIDE had appropriately separated these responsibilities. Additionally, while our review of PRIDE inventory records for the 42 products found that PRIDE had noted differences between the on-hand count and the inventory quantities in Microsoft Dynamics 365 for each of the 42 products, including significant differences such as extruder rope cushion gum being understated by 2,399 pounds and hook loop Velcro being overstated by 1,575 yards, PRIDE records did not demonstrate whether PRIDE personnel followed up on the differences to determine the nature and cause of the differences.
- Contrary to an appropriate separation of duties, the *Cycle Counting Policy and Procedure* did not prohibit individuals performing physical inventories from updating the on-hand quantities in Microsoft Dynamics 365. Our interviews of PRIDE management and review of inventory user permissions for Microsoft Dynamics 365 found that, because PRIDE did not track who conducted and who reviewed periodic inventories, PRIDE was unable to demonstrate that posted changes to on-hand quantities had not been made by the individual who conducted the inventory. According to PRIDE records, as of August 16, 2023, 93 PRIDE employees had the ability to post changes to the inventory records and 49 inmate workers had the ability to create inventory adjustments that required approval and posting of the changes by one of the 93 PRIDE employees.
- On June 7, 2023, we performed a walkthrough of two PRIDE departments at a State correctional facility and compared for 20 selected products the on-hand inventory quantities to the inventory quantities recorded in Microsoft Dynamics 365 as of June 6, 2023. Our comparison found that, for 9 of the 20 products, the on-hand inventory quantity did not materially agree with the quantity recorded in Microsoft Dynamics 365. For example, we noted that for the retread tires selected for audit, Microsoft Dynamics 365 indicated that PRIDE had 33 retread tires; however, our physical observation noted 42 tires on-hand.

According to PRIDE management, PRIDE did not utilize functionality within the Microsoft Dynamics 365 inventory system to capture who conducted and who reviewed PRIDE inventories and that, while PRIDE required follow up investigatory activities be performed for any material differences noted, PRIDE did not require and, consequently, PRIDE employees did not document, such activities and the conclusions reached. Further, PRIDE management indicated that certain tires are kept on-hand based on PRIDE's knowledge of customer needs and that these tires may not be recorded in the inventory system.

During our audit and review of Board meeting minutes, we also noted discussion during the December 2022 Board meeting of PRIDE incurring a significant paint inventory adjustment that would have a substantial effect on PRIDE's bottom line. In response to our request for all records, including investigatory records, related to the paint inventory adjustment and any corrective actions taken, PRIDE

management provided documentation of an inventory adjustment made to PRIDE records totaling \$623,911 and a supporting narrative that indicated that:

- During the week of October 9, 2022, PRIDE personnel became aware of significant inventory discrepancies at PRIDE's Paint industry at Baker Correctional Institution.
- A physical inventory was conducted and, subsequently, production was halted on October 13, 2022, to investigate the variances.
- The physical count revealed significant discrepancies in both raw materials (\$203,943) and subassemblies (\$419,968).
- After extensive research by PRIDE into the cause of the variances, PRIDE was unable to determine the reason for the discrepancies. However, PRIDE management indicated that staff turnover contributed to the absence of consistent inventory reviews and that the last full physical inventory performed at Baker Correctional Institution was conducted in September 2021. Our analysis of PRIDE inventory records found that paint products were included in all three inventory categories, which would have required certain products to be inventoried at least four times a year, other products at least twice a year, and for some products, at least annually.

Absent effective inventory controls, including controls for: timely and periodically conducting physical inventories; documenting the personnel who conduct and review physical inventories; an appropriate separation of duties and follow up on material differences noted; and prohibiting the posting of changes to inventory system quantities by the personnel responsible for conducting the inventory, PRIDE management does not have adequate assurance regarding the accuracy of the information needed to correctly report and maintain proper accountability over PRIDE inventory and promote the timely detection of potential theft and misuse of raw and finished goods. The establishment of such controls is critical given the significance of inventory to PRIDE operations and the prevalence of inventory discrepancies and losses noted on audit.

Recommendation: We recommend that PRIDE management enhance inventory controls to ensure that PRIDE records evidence the conduct of timely and periodic physical inventories, the personnel responsible for conducting and reviewing physical inventories, an appropriate separation of duties, and follow up on all material differences. Additionally, we recommend that PRIDE management prohibit the posting of inventory quantity changes by the personnel responsible for conducting inventories.

OTHER ACTIVITIES AND CONTROLS

As part of our audit, we also evaluated other selected PRIDE activities and controls, including those related to the calculation of inmate recidivism, reports on the status of correctional work programs, customer and inmate worker complaint handling, environmental health and safety audits, employee background checks, utilization of an internal audit function, strategic planning, and Board terms and oversight guidelines.

Finding 9: Inmate Recidivism

As previously noted, State law¹⁸ specifies that the first priority of the State's correctional work program is to reinforce relevant education, training, and post-release job placement and help reduce inmate

¹⁸ Section 946.501(2)(a), Florida Statutes.

recommitment. Accordingly, State law¹⁹ requires the Department to publish an annual report that includes the rate of subsequent contact with the correctional system for inmates who have participated in the correctional work program operated by PRIDE. In the Department's annual report for the 2021-22 fiscal year,²⁰ the Department defined recidivism as a return to prison as the result of either a new conviction or a violation of post-prison supervision within 3 years of an inmate's prison release date.²¹ For that annual report, PRIDE reported to the Department that 4.2 percent of former PRIDE workers released in 2019 recidivated, while the Department reported an overall 21.2 percent recidivism rate for 2018 releasees. For the Department's annual report for the 2020-21 fiscal year, PRIDE reported that 8.6 percent of former workers released in 2018 recidivated.

As part of our audit, we inquired of PRIDE and Department management and examined records related to PRIDE's calculation of the recidivism rate for PRIDE workers who were released during the 2019 calendar year. Our audit procedures found that PRIDE's methodology for calculating recidivism was not consistent with the Department's methodology or State law, and that PRIDE did not include all inmates who had recidivated, resulting in an understatement of PRIDE's reported recidivism rate. Specifically:

- PRIDE did not count an inmate as recidivated if the inmate returned to prison because of a violation of post-release conditions. This exclusion was inconsistent with the Department's methodology and State law requiring the reporting of the rate of subsequent contact with the correctional system for PRIDE workers, and understated PRIDE's recidivism rate in comparison to the overall Department recidivism rate.
- PRIDE's consideration of return to prison data to the end of the second calendar year from an inmate's release date understated PRIDE's recidivism rate in comparison to the Department's overall recidivism rate, as the Department considered return to prison data 3 years beyond an inmate's release date.
- PRIDE's recidivism calculation for 2019 releasees indicated that 1,101 former workers were released and that 47 had recidivated. We compared the listing of 1,101 former PRIDE workers to Department records of released and currently incarcerated inmates and found that 160 of the former workers had release dates according to Department records that were after the dates indicated in PRIDE recidivism calculation records.²² The date differences ranged from 75 days to over 4 years and averaged over 2 years. Additionally, 133 former workers included in PRIDE's calculation were not listed as released according to Department records.²³ Our further analysis of Department and PRIDE records for 91 of the 293 former PRIDE workers found that 53 of the workers had returned to prison by December 31, 2021, but were not counted by PRIDE as recidivated. Specifically:
 - 32 of the inmates had returned to prison as a result of new charges, including 4 who were reemployed by PRIDE.
 - 21 of the inmates had returned to prison as a result of violations of post-release conditions, including 2 who were reemployed by PRIDE.

¹⁹ Section 946.516(2), Florida Statutes.

²⁰ The most-recent report available from the Department as of October 3, 2023.

²¹ To calculate recidivism for a reporting period, the Department considers return to prison data 3 years beyond an inmate's release date, while PRIDE considers return to prison data to the end of the second calendar year from an inmate's release date. In its calculation, PRIDE only includes inmates who cumulatively worked at least 6 months for PRIDE.

²² This may indicate either that the inmate was not released in 2019 or that the inmate had recidivated and had been re-released.

²³ This means that the individual was likely incarcerated.

In response to our audit inquiry, PRIDE management indicated that PRIDE had not requested guidance from the Department for the parameters used to calculate recidivism in a number of years and that PRIDE did not include post-release condition violations in its calculation because recidivism was considered to be a return to prison on new charges.

As the principal statutory priority of the PRIDE work programs includes the reduction of inmate recommitment, it is critical to demonstrating the accomplishment of this priority that PRIDE's methodology for calculating recidivism appropriately and accurately considers all return to prison data.

Recommendation: We recommend that PRIDE management revise its methodology for calculating former inmate worker recidivism to align to the Department's methodology and the intent of State law and enhance procedures to ensure that all former inmate workers who recidivate are appropriately included in PRIDE's calculated recidivism rate.

Follow-Up to Management's Response

Although PRIDE management indicated in their written response that PRIDE would incorporate the Department's methodology for recidivism calculations, management did not address the need to enhance procedures to ensure that all former inmate workers who recidivate are appropriately included in such calculations. Such control enhancements are critical to ensuring that PRIDE's methodology for calculating recidivism appropriately and accurately considers all return to prison data.

Finding 10: Annual Report

State law²⁴ requires PRIDE to submit to the Governor and the Legislature, on or before July 1 of each year, a report on the status of the correctional work programs, including, but not limited to:

- The proposed use of the profits from such programs.
- A breakdown of the amount of noninmate labor used.
- Work subcontracted to other vendors.
- Use of consultants.
- Finished goods purchased for resale.
- The number of inmates working in the correctional work programs at the time of the report.

As part of our audit, we evaluated PRIDE processes for producing the statutorily required annual report on the status of PRIDE correctional work programs and found that, after 2017, PRIDE discontinued producing a full, stand-alone annual report that included the statutorily required information. Instead, while PRIDE produced an abbreviated report in 2018, according to PRIDE management, PRIDE began including the statutorily required correctional work program information in cover letters to PRIDE's annual financial statements. However, our review of the cover letters found that the letters provided limited information, for example, about the proposed use of PRIDE profits, indicating only that profits were to be reinvested according to the Board-approved operating and capital budgets to further the PRIDE mission. Additionally, while the cover letters included the minimum statutorily required information, the letters did not provide context for the information supplied or include other financial and performance data

²⁴ Section 946.516(1), Florida Statutes.

necessary to effectively evaluate PRIDE and the status of correctional work programs. Finally, although PRIDE reported the dollar amount of work subcontracted to vendors, in light of PRIDE's use of Global Agility as discussed in Finding 2, it was not clear that reporting that no noninmate labor was used in either 2021 or 2022 promoted transparency in PRIDE operations. In response to our audit inquiry, PRIDE management indicated that PRIDE discontinued the production of stand-alone annual reports due in part to the December 2019 ransomware attack on PRIDE.

Reporting sufficient financial and performance information regarding the status of PRIDE correctional work programs to the Governor and Legislature would promote better oversight over and accountability for such work programs and adhere to the spirit of State law.

Recommendation: We recommend that PRIDE management compile and submit annual reports to the Governor and Legislature on the status of PRIDE correctional work programs that provide sufficient financial and performance data to effectively evaluate PRIDE and the status of the correctional work programs.

Finding 11: Customer Complaint Handling

PRIDE operates as a not-for-profit corporation that receives a significant portion of its net proceeds from the sales of products and services manufactured and provided by PRIDE inmate training programs. As such, it is important that PRIDE plan, design, develop, operate, and maintain an effective and efficient complaint handling process for all commercial activities. Information obtained through the complaints handling process can lead to improvements in products, services, and processes, and where complaints are properly handled, can improve the reputation of the organization. An effective and efficient complaints handling process should reflect the needs and expectations of both PRIDE and its customers and enhance the ability for PRIDE to resolve complaints in a consistent, systematic, and responsive manner while identifying trends and eliminating causes of complaints.

As part of our audit, we interviewed PRIDE management, examined PRIDE records, and evaluated PRIDE controls over the handling of customer complaints and found that:

- While PRIDE receives complaints through a variety of means, such as telephone calls or e-mails to the Customer Service and Purchasing Department or a specific industry, PRIDE had not established a mechanism to track or monitor all customer complaints received. Although PRIDE management indicated that all customer complaints were to be tracked in Microsoft Dynamics 365 as a sales order notifying the industry that a repair or replacement was required, PRIDE did not track or monitor the resolution of complaints that did not require an item to be repaired or replaced. In response to our request for a listing of all customer complaints received during the period January 2021 through March 2023, PRIDE provided a manually compiled list from Microsoft Dynamics 365, filtered for sales orders that were considered complaints. However, PRIDE did not maintain or utilize a unique identifier to accurately identify the complete population of customer complaints.
- PRIDE had not established formal performance metrics, such as complaint response times or customer satisfaction levels, monitored responses to customer complaints, or analyzed PRIDE data to identify trends and systemic complaint causes.

Establishing an adequate mechanism to track and monitor all customer service complaints received and to assess complaint handling performance would allow PRIDE to resolve customer complaints in a

consistent, systematic, and responsive manner while identifying and eliminating frequent complaint drivers.

Recommendation: We recommend that PRIDE management establish a process to track and monitor all customer service complaints received, including the development of related performance measures.

Finding 12: Inmate Complaint Handling

PRIDE established Policy No. 1002, *Inmate Worker Complaint Procedures* (Policy), to provide a fair and objective review of an inmate's question or complaint²⁵ concerning any management action or decision involving fair employment principles. Pursuant to the Policy, PRIDE encouraged having a full and frank discussion between the inmate worker and supervisor to resolve the problem. For instances that were not resolved through this discussion, the Policy provided that:

- The inmate worker could ask the supervisor to arrange a meeting with the Industry Manager to settle the issue. The inmate worker was to initiate a formal complaint by completing the applicable portion of the Inmate Worker Complaint Report (Complaint Report) stating the nature of the complaint and the resolution requested. The Industry Manager was to arrange a meeting with the inmate within 10 working days of the receipt the Complaint Report. The Industry Manager was to take whatever action was considered advisable and respond to the inmate worker within 10 working days of the meeting.
- If the action taken by the Industry Manager did not satisfactorily resolve the complaint, the inmate worker could request that the next level of management review the complaint. The next level of management was to take whatever action was deemed advisable and respond to the inmate within 30 working days.
- If action taken by the General or Operations Manager was deemed unsatisfactory, the inmate worker could request that the complaint be submitted through the Director of Mission Programs to PRIDE Executive staff for final disposition. PRIDE Executive staff were to review the facts presented in the case and give final disposition within 20 working days of receipt of the Complaint Report.

As part of our audit, we interviewed PRIDE management, examined PRIDE records, and evaluated PRIDE controls over the handling of inmate worker complaints. Our audit found that, although PRIDE management had established policies and procedures to provide fair and objective reviews of inmate complaints, such policies and procedures were not being consistently followed and did not require all inmate complaints be documented. Specifically:

- Because the Policy encouraged the resolution of inmate worker problems through discussion, PRIDE records were not sufficient to enable us to effectively assess the extent to which inmate worker complaints existed or whether such complaints were fairly, objectively, and appropriately handled.
- Only one of the five inmate worker complaints received by PRIDE during the period January 2021 through March 2023 and involving PRIDE was documented on a Complaint Report, while the other four complaints were made by inmates through handwritten letters to PRIDE. Our audit found that, although a Complaint Report regarding work hours and unprofessional conduct was completed by the inmate for one of the five complaints, PRIDE management did not complete the

²⁵ The Policy defined a complaint as a dissatisfaction by an inmate worker concerning an incident, policy, or condition within an industry that affected the inmate.

Complaint Report documenting the steps taken to reach the final resolution. While PRIDE records included communication between the Director of Mission Programs and the applicable industry manager regarding the complaint, the records did not evidence whether the complaint was handled in accordance with the Policy. Additionally, the Director of Mission Programs indicated that only the one complaint submitted via the Complaint Report was considered an official complaint and that the four handwritten complaints were not considered official. Although the Director of Mission Programs indicated that final disposition letters were to be provided in response to all inmate complaints, official and unofficial, we noted that such letters were only provided to the inmates for two of the four unofficial complaints.

Absent policies that promote documentation of all inmate complaints, including the resolution of the complaints, and consistent handling of inmate complaints in accordance with established policies and procedures, PRIDE's ability to demonstrate that all inmate complaints are addressed in a fair and objective manner is significantly impaired.

Recommendation: We recommend that PRIDE management revise policies and procedures to provide for the documentation of all inmate worker complaints and manage and document all inmate complaints in accordance with the revised policies and procedures.

Finding 13: Environmental Health and Safety Audits

To promote workplace environmental health and safety, PRIDE's Manager for Safety and Environment was responsible for conducting annual audits of each facility and industry. The audits were to cover workplace environmental health and safety topics such as fire inspection reports, accident reporting, and inmate safety training. At the conclusion of each audit, the results were to be provided in writing to the facility and industry.

As part of our audit, we evaluated PRIDE controls established over environmental health and safety audits and found that:

- PRIDE had not established policies and procedures for the conduct of environmental health and safety audits nor a standard process for such audits. According to the PRIDE Manager for Safety and Environment, a standard process had not been established to conduct the audits because each facility and industry was unique. Notwithstanding, the absence of such policies, procedures, and processes may have contributed to the subsequently described issues noted on audit.
- While facility and industry environmental health and safety audits were being conducted annually and the results documented, our review of the completed safety audits reports for the 2021 and 2022 calendar years found that the description of some deficiencies was identical between the 2021 and 2022 reports, calling into question the efficacy of the audits. For example, in both the 2021 and 2022 reports for one facility audit, the PRIDE Manager for Safety and Environment noted speaking to the same new Department employee and providing them their business card for contact information. In another instance, the 2021 and 2022 audit reports for one facility industry included four deficiencies that were identically worded, including a deficiency that read, "Ms. Blair is providing this training but they aren't documenting anything. I need to get her an official doc for this issue." We also noted that some deficiencies noted during the 2021 audits were noted again in the 2022 audits. While the PRIDE Manager for Safety and Environment indicated that announced and unannounced site visits were performed in between the annual audits to follow up on deficiencies and assess whether corrective actions had been timely taken, records of such efforts were not always maintained.

In response to our audit inquiry, the PRIDE Manager for Safety and Environment indicated that PRIDE had not established a formal policy requiring a corrective action plan from the facility and

industry subject to audit, nor a deadline for correcting noted environmental health and safety deficiencies. Further, the deficiencies on the 2021 and 2022 audits were the same because some issues did not change much from year to year and it was likely that when the 2023 audit was performed, the deficiencies would be the same.

- Although requested, PRIDE was unable to locate the records for the 2021 audit of the food and cold storage industry.

Without standard policies, procedures, and processes for, and documentation demonstrating the proper conduct of, environmental health and safety audits, and follow up to ensure that timely corrective actions are taken to address identified deficiencies, the risk to the health and welfare of PRIDE employees and inmate workers is increased.

Recommendation: We recommend that PRIDE management establish standard policies, procedures, and processes for conducting environmental health and safety audits and ensure that PRIDE records evidence the proper conduct of audits, including follow-up site visits and other actions taken to determine whether noted deficiencies were timely corrected.

Finding 14: Background Checks

During the period January 2021 through December 2022, PRIDE Policy No. 208, *Employment – Background Checks*, required all employees to receive Level II background check²⁶ clearance from the Department prior to beginning PRIDE employment. Beginning January 1, 2023, PRIDE background check policies were revised to exempt employees who do not interact with inmates from the Level II background check clearance requirement. PRIDE policies specified that the Human Resources and Training Department (HRT) was to manage the background check process for PRIDE and that any exceptions or special considerations to the policies were to be considered on an individual basis and approved by the PRIDE President.

Periodically, PRIDE receives a Department listing of PRIDE employees who have received Level II clearance. Additionally, the Department uses a notification system, Falcon, which checks databases for arrests of employees, including PRIDE employees. If the Department receives a Falcon report on a PRIDE employee, the Department notifies PRIDE of the suspension of Level II clearance pending the outcome of the incident. With the implementation of Falcon, Level II clearances do not expire, but rather are only active or inactive (e.g., in the case of suspension).

According to PRIDE management, 49 employees who began employment during the period January 2021 through March 2023 were required to receive Level II background check clearance before beginning employment. As part of our audit, we inquired of PRIDE management, evaluated PRIDE background check policies and procedures, and examined PRIDE records for 10 of the 49 employees to determine whether the employees received Level II clearance prior to beginning employment. Our audit procedures disclosed that PRIDE background check policies and procedures could be enhanced and that, for 1 employee, PRIDE records did not evidence whether a Level II clearance had been timely

²⁶ A Level II background check includes a Federal Bureau of Investigation records check using an individual's fingerprints and is in addition to the National Crime Information Center/Florida Crime Information Center (NCIC/FCIC) check that is conducted for PRIDE visitors, vendors, suppliers, and new employees to enter a Department facility if the individual does not have a Department identification card.

obtained and, for 3 other employees, Level II clearance was obtained 5 to 39 days (an average of 24 days) after employment began. Specifically:

- While PRIDE policies and procedures provided for all employees who interact with inmates be subject to a Level II background check and, in practice, most exempt corporate PRIDE employees received a background check, the policies and procedures could be strengthened to require all PRIDE corporate employees, especially those in positions of special trust (e.g., in finance or information technology services), to undergo a Level II background check as a condition of employment.
- For a shipping and delivery supervisor hired by PRIDE on August 9, 2022, PRIDE management accepted Level II clearance associated with prior Department employment as a substitute for the required clearance for PRIDE employment. In response to our audit inquiry, PRIDE management provided e-mails dated August 8, 2022, indicating that the employee had received Level II clearance in connection with their Department employment, and that if the applicable Department facility accepted the prior Level II clearance, a new background check could be avoided. Additionally, PRIDE management indicated that a new Level II background check was not required because the employee was a retired correctional officer with prior Level II clearance from the Department and that Level II clearance does not expire.

However, PRIDE records evidenced neither acceptance of the prior Level II clearance by the applicable Department facility or that the exception to PRIDE policies had been approved by the President. While we noted that the employee's name appeared on the March 2023 Department listing of PRIDE employees with Level II clearance, the listing did not include the date clearance was obtained for the employee. Upon further inquiry, PRIDE management indicated that decisions regarding exceptions such as this were made between PRIDE industry managers and Department facility staff and did not involve the President or PRIDE corporate, and that the decision to allow the employee to work while their Level II clearance was pending was a Department decision. Notwithstanding, PRIDE policies did not allow for prior Level II clearance to substitute for the required clearance for PRIDE employment and specifically indicated that any exceptions to the policy requirements were to be approved by the PRIDE President.

- Two employees, a part-time administrative supervisor in sewn products and a contact center supervisor, received Level II clearance 29 and 5 days, respectively, after beginning PRIDE employment. According to PRIDE corporate management, PRIDE industry management requested that the 2 employees be allowed to work on a visitor's pass until their Level II clearance was received and that neither employee would have been allowed to enter their assigned Department facility if the Department had not granted an exception. PRIDE corporate management also indicated that the decision to allow the employees to work on a visitor's pass was made at the Department facility level and did not involve PRIDE corporate. PRIDE corporate management reiterated that these type of exceptions to policy were not required to be approved by the PRIDE President. Notwithstanding, PRIDE records did not evidence PRIDE industry management's request for, and the Department's approval of, the employees to work on a visitor's pass while awaiting Level II clearance nor the basis for the delegation of the President's authority to grant background check policy exceptions.
- A uniforms supervisor received Level II background clearance 39 days after beginning PRIDE employment due to oversight.

Adequate documentation evidencing the basis for and approval of exceptions to PRIDE employment background check requirements and obtaining Level II clearance for all applicable PRIDE employees prior to beginning PRIDE employment would better demonstrate that background checks are conducted in accordance with PRIDE policies and management's expectations and that only individuals with suitable backgrounds are employed by PRIDE. In addition, revising PRIDE policies and procedures to require all

corporate employees, and in particular all employees in a position of special trust, to undergo a Level II background check as a condition of employment, would further strengthen PRIDE employment controls.

Recommendation: We recommend that PRIDE management enhance procedures to ensure that the basis for and approval of exceptions to PRIDE background check policies are documented in PRIDE records and that Level II clearance is obtained for all applicable individuals prior to beginning PRIDE employment. We also recommend that PRIDE management revise policies and procedures to require all corporate employees to undergo a Level II background check as a condition of employment.

Finding 15: Internal Audit

The Institute of Internal Auditors (IIA) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Employment of an internal auditor allows a corporate board to receive independent and objective evaluations of financial and operational business activities, including corporate governance. Internal auditors help ensure that organizations comply with laws and regulations, follow proper procedures, and function as efficiently as possible.

The *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* provide that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities and that organizational independence is effectively achieved when the chief audit executive reports functionally to the board. The *IIA Standards* further specify that the chief audit executive must communicate and interact directly with the board. Final reports of internal auditors are typically provided to senior management and the board and include findings and recommendations for improvement.

As part of our audit, we reviewed PRIDE's organizational structure and evaluated whether the structure promoted a robust system of internal control. Our audit procedures found that PRIDE did not employ an internal auditor responsible for independently and objectively evaluating all PRIDE financial and operational business activities, including corporate governance. While PRIDE had established an Internal Auditing Department that included one internal auditor, the auditor's duties were focused on the conduct of periodic physical inventories and the only audit conducted was an annual communication security audit.

As noted in prior findings, PRIDE had not always established, or at times bypassed, effective internal controls designed to promote effective and efficient operations and limit the potential for fraud, waste, and abuse. An internal audit activity that provides independent and objective evaluations of financial and operational business activities, including corporate governance, would better further PRIDE and Board efforts to build a sustainable and functional internal control environment.

Recommendation: We recommend that PRIDE establish an independent and objective internal audit activity that functionally reports to the Board and is responsible for evaluating all PRIDE financial and operational business activities, including corporate governance.

Finding 16: Strategic Plan

Strategic planning for a nonprofit corporation such as PRIDE involves the identification of strategies to enable the entity to advance its mission. As an entity engages in the development of a written strategic plan, it should commit to measurable goals, approve priorities for implementation, and revisit the strategy on a periodic basis to address internal and external changes. Among other things, a strategic plan should:

- Provide a 3-5 year vision for the entity, including goals, objectives, and benchmarks for evaluating success.
- Articulate an overarching strategy for the entity.
- Align stakeholders, including the board of directors and management, on a common vision for success.
- Guide decision making at all levels of the entity.

As part of our audit, we requested from PRIDE a copy of the most-recently completed strategic plan. In response to our inquiry, PRIDE management indicated that the last strategic plan was completed in 2018; however, due to the December 2019 ransomware attack, the plan was unavailable for audit. According to PRIDE management, a draft strategic plan was in development.

Maintaining a written, up-to-date strategic plan would better ensure the alignment of PRIDE's priorities and vision to its statutory mission and would provide a roadmap against which success in accomplishing PRIDE's goals, objectives, and benchmarks could be assessed by the Board and management.

Recommendation: We recommend that PRIDE management maintain a written, up-to-date strategic plan that appropriately identifies PRIDE's strategies for advancing the mission of a correctional work program in accordance with State law.

Finding 17: Board Terms and Oversight Guidelines

As noted in the **BACKGROUND**, PRIDE is overseen by a Board appointed by the Governor and subject to confirmation by the Senate.²⁷ PRIDE By-Laws specify that the Board is to be composed of 11 members, including the Department Secretary, although the actual number of members may be set from time to time by the Board. Pursuant to the By-Laws, each member is to serve a term of not more than 4 years and may be reappointed for successive 4-year terms. A Board member whose term has expired continues to serve on the Board until re-appointment, resignation, death, or the Governor appoints a replacement.

Board members are entitled to an honorarium in the amounts depicted in Table 8 for their attendance at Board meetings or when they appear on behalf of PRIDE at an event that requires advance preparation (e.g., deposition). Any meetings called by the Board, its committee, or subcommittees constitute a Board function for purposes of determining entitlement to the honorarium. Board members can receive the honorarium for each meeting they attend even if there are multiple meetings in the same day, but no Board member may receive more than \$15,000 annually in honorarium payments, unless the Board

²⁷ Section 946.504(1), Florida Statutes.

member is granted an exception by the Board Chair. During the period January 2021 through March 2023, honorarium payments to Board members totaled \$142,000.²⁸

Table 8
Board Member Honorarium Entitlements

Meeting Type	Amount
Board Meeting Attended in Person	\$2,000
Committee Meeting Attended in Person or Appearing on Behalf of PRIDE at an Event	750
Scheduled Telephonic Meeting	500
Board or Committee Meeting Attended via Teleconference	350

Source: PRIDE By-Laws.

As part of our audit, we evaluated Board governance controls, including Board member terms, term limits, PRIDE By-laws, and Board oversight guidelines, and found that improvements could be made. Specifically:

Board Member Term Limits

Best practices indicate that staggered board member terms and term limits are beneficial to nonprofits, providing a mechanism for bringing fresh perspective to a board, including on matters such as evolving technological and business operational challenges, corporate direction, and accomplishment of critical mission objectives. Staggered term limits also limit the number of terms expiring at one time and provide a semblance of continuity while providing new members mentors with Board experience.

While we recognize that PRIDE has established parameters for Board member terms in PRIDE's By-Laws, no such requirements have been established in State law. Board term limits established in State law, such as for Triumph Gulf Coast, Inc.²⁹ and the Florida Prepaid College Board,³⁰ may bring greater visibility for ensuring a more effective PRIDE Board. Although our review of Board meeting minutes found that the Board annually elected new, or approved the continuation of, Board Officers, such processes were limited in their ability to address Board member terms and term limits. Table 9 summarizes the last action taken (appointment or reappointment) and terms for the Board members active during the period January 2021 through March 2023.

²⁸ No Department Secretary accepted any honorarium payments during the period.

²⁹ Section 288.8014(3), Florida Statutes.

³⁰ Section 1009.971(2), Florida Statutes.

**Table 9
Board Member Terms**

Board Member	Title	Term Type	Term Begin	Term End	Time Elapsed Since Term End and 09/30/2023
James J. Reeves	Chairman	Reappointment	03/28/2014	09/30/2015	8 years
Carlyle Holder	Vice Chairman	Appointment	02/06/2014	09/30/2017	6 years
Tadar Muhammad	Secretary	Appointment	02/06/2014	09/30/2016	7 years
Alan Garey	Treasurer	Reappointment	10/30/2015	09/30/2019	4 years
James Upchurch	Member at Large	Appointment	10/30/2015	09/30/2017	6 years
Don Hunter	Member	Reappointment	06/12/2015	09/30/2017	6 years
David Hauser	Member	Appointment	03/19/2015	09/30/2018	5 years
Shawn Bush	Member	Appointment	02/16/2014	09/30/2016	7 years
Gregg Nicklaus	Member	Reappointment	03/19/2015	09/30/2018	5 years
Ricky Dixon	Department Secretary	Appointment ^a	11/2021	-	-

^a Prior to Ricky Dixon, former Department Secretary Mark Inch served as a Board member during the period of our audit.

Source: Florida Senate records.

Board Oversight Guidelines

Formal guidelines that explicitly identify the decisions for which a board is responsible and the decisions that should be made by corporate executives may promote more effective board decision making and oversight. As part of our audit, including interviews of Board members and review of Board meeting minutes for the period January 2021 through March 2023, we noted a practice of items (e.g., companywide pay increases, financial statements, operating and capital budgets) being brought before the Board for review and approval. However, our audit found that no formal guidelines had been established delineating the matters for which the Board was responsible and were to be presented for Board review and action. For example, such guidelines could specify capital and non-capital expenditure, contracting, and leasing thresholds for Board approval and personnel actions requiring Board action. The establishment of formal guidelines specifying the decisions for which the Board is responsible may promote more robust oversight of PRIDE activities, provide greater accountability for the prudent use of PRIDE funds, and contribute to a more effective corporate control environment.

Recommendation: We recommend that the Legislature consider amending State law to specify staggered terms and term limits for PRIDE Board members. We also recommend that PRIDE adopt formal guidelines explicitly identifying the decisions for which the Board is responsible.

Follow-Up to Management's Response

PRIDE management indicated in their written response that the Board is “currently staggered by appointment of two-year, three-year, and four-year terms” and, “therefore, no legislation is required to create staggered terms.” However, the point of our finding was that, while in practice the last Board member terms were staggered, no requirements regarding either staggered terms or term limits were established in State law or otherwise. Consequently, the finding and related recommendation stand as presented.

In December 2019, PRIDE was hit by a ransomware attack on PRIDE computing systems, including PRIDE's Web site, payroll records, e-mail, customer, and vendor lists, and other operations. As PRIDE records include various sensitive and proprietary confidential information, it is critical that PRIDE establish effective information security controls to secure PRIDE data, information, and information technology (IT) resources. Such controls should include controls over user access, security awareness, user authentication, disaster recovery, logical access, patch management, and vulnerability management. To conduct business and execute PRIDE's mission, PRIDE utilizes several critical systems, including Microsoft Dynamics 365 (to record purchases and account for inventory), Paylocity (for human resources and payroll processing), and the Inmate System (to track inmate certifications, pay rates, and schedules).

Finding 18: IT User Access Controls

Effective management of IT access privileges includes the timely disablement of IT access privileges when an employee separates from employment or when the use of an account is no longer necessary. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources. Effective IT controls also include periodic reviews of access privileges to help ensure that only authorized users have access and that the access privileges provided to each account remain appropriate. An effective periodic review consists of identifying the current access privileges of system users and evaluating the assigned access privileges to ensure that the privileges align with user job responsibilities.

PRIDE utilizes Active Directory³¹ to control access to certain PRIDE IT resources, such as Microsoft Dynamics 365. As part of our audit, we inquired of PRIDE management, examined PRIDE records, and evaluated IT user access controls and found that:

- PRIDE did not retain the date that Active Directory (network) accounts were disabled and was only able to provide the last date an account was modified. The modification date indicates the last date action was taken on an account, such as account disablement, password change, or account permission changes; however, Active Directory records do not include the specific action taken.
- The network accounts for 32 of 67 employees who separated from PRIDE employment during the period July 2021 through March 2023 were modified 8 to 453 days (an average of 150 days) after the employees' separation date. Additionally, our examination of PRIDE records for 93 inmate employees with access to PRIDE's network and who separated from PRIDE employment during the period January 2021 through March 2023 found that the network accounts of 43 inmate employees were modified 8 to 544 days (an average of 244 days) after the inmate employees' separation date. While the network accounts for the 32 PRIDE employees and 43 PRIDE inmate employees were modified after their employment separation, we could not determine whether the modification dates were the dates that the accounts were disabled or whether another action had been taken. According to PRIDE management, the PRIDE and inmate employees' network access passwords were reset after the employees' separation because PRIDE management needed to retrieve settings for custom Microsoft Dynamics 365 queries and reports used by the employees. However, records evidencing the authorization for and purpose of using an employee's account after employment separation were not maintained.

³¹ Active Directory is a single sign-on system used to control access to an entity's network and systems.

- One former employee (the PRIDE Corporate Administrator/Chief Administrative Officer) who separated from PRIDE employment in February 2023 had an active network user account as of June 2023, providing them access to PRIDE records and resources. According to the PRIDE President, the former employee was permitted to retain access privileges to train her replacement and, at times, assist the PRIDE President by searching for information in PRIDE files and e-mails. Subsequent to our audit inquiry, the former employee's access privileges were removed on July 31, 2023.
- While PRIDE management indicated that PRIDE employee access privileges to Microsoft Dynamics 365 were reviewed at least annually, because the file used to maintain access was a living file, documentation of such reviews was not maintained.

Given PRIDE's practice of accessing a significant number of employee network accounts after employment separation, the length of time some modifications were made to accounts after employment separation, the allowance for a former employee to retain access privileges subsequent to employment, and the risk that network access privileges may be misused by a former employee or others, it is critical that PRIDE document that network user accounts are promptly disabled upon an employee's separation from PRIDE employment or the authorization for and purpose of enabling former employee network accounts and the PRIDE employees authorized to access such accounts. Absent such controls, the risk of inappropriate access is increased and PRIDE cannot establish accountability over the use of accounts subsequent to employment separation. Documented periodic reviews of the appropriateness of PRIDE employee Microsoft Dynamics 365 user access privileges would provide PRIDE management greater assurance that access privileges are authorized and remain appropriate.

Recommendation: We recommend that PRIDE management enhance controls to ensure that network user access privileges are promptly disabled upon an employee's separation from PRIDE employment and that evidence of prompt disablement is retained in PRIDE records. We also recommend that PRIDE management ensure that PRIDE records include the authorization for and purpose of enabling former employee network accounts, the PRIDE employees authorized to access such accounts, and documented periodic reviews of the appropriateness of PRIDE employee access privileges to Microsoft Dynamics 365.

Finding 19: IT Security Awareness Training Program

Effective security controls include establishing and maintaining a security awareness program to influence behavior among the workforce to be security conscious and properly skilled to reduce cybersecurity risk to the enterprise. Training should be conducted at hire and, at a minimum, annually thereafter. Training topics should include recognizing social engineering attacks, authentication best practices, data loss protection, including identifying and protecting confidential and sensitive data, and incident response processes.

As part of our audit, we evaluated PRIDE's security awareness program and found that:

- Although PRIDE employees were periodically scheduled to complete security awareness training, due to management oversight, PRIDE had not established a process to ensure that all employees were scheduled for and completed training at least annually. Further, due to changes in PRIDE's security awareness training vendor, records evidencing the employees who had completed training during the period January 2021 through March 2023 were not available.

- New employees were not required to complete security awareness training upon hire. In response to our audit inquiry, PRIDE management indicated that policies and procedures had not been updated to require new employees to complete security awareness training upon hire.

Ensuring that employees receive security awareness training upon hire and annually thereafter promotes the protection of PRIDE IT systems, data, and IT resources and reduces the risk of a cybersecurity incident such as a ransomware attack.

Recommendation: We recommend that PRIDE management ensure that security awareness training is completed for all employees at least annually and for new employees within 30 days of hire and records of security awareness training are maintained.

Finding 20: IT Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed that certain PRIDE security controls related to user authentication, disaster recovery, logical access, patch management, and vulnerability management need improvement. We are not disclosing the specific details in this report to avoid the possibility of compromising PRIDE data and related IT resources. However, we have notified appropriate PRIDE management of the five findings in the areas needing improvement.

Without appropriate security controls related to user authentication, disaster recovery, logical access, patch management, and vulnerability management, the risk is increased that the confidentiality, integrity, and availability of PRIDE data and related IT resources may be compromised.

Recommendation: We recommend that PRIDE management improve certain security controls related to user authentication, disaster recovery, logical access, patch management, and vulnerability management to ensure the confidentiality, integrity, and availability of PRIDE data and related IT resources.

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)(s), Florida Statutes, the Joint Legislative Auditing Committee, at its March 13, 2023, meeting, directed us to conduct this operational audit of Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE).

We conducted this operational audit from May 2023 through October 2023 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 selected PRIDE activities. For those areas, the 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 responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed into 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.
- 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 internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; 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, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, PRIDE policies and procedures, and other guidelines, and interviewed PRIDE personnel to obtain an understanding of selected PRIDE activities, processes, and responsibilities.
- Inquired of PRIDE management and examined PRIDE compensation records, including for the PRIDE President, Executive Vice President, Chief Financial Officer, Chief Information Officer, and other selected employees to determine whether, as applicable, salaries, bonuses, car allowances, and other allowances were reasonable and appropriately approved.

- From the population of 107,377 revenue transactions, totaling \$147,661,899, recorded during the period January 2021 through March 2023, examined PRIDE records for 20 selected revenue transactions, totaling \$1,256,435, to determine whether recorded revenue was properly collected and deposited in PRIDE's bank account.
- From the population of 2,496 check transactions exceeding \$2,000 and totaling \$36,199,033, posted during the period January 2021 through March 2023, inquired of PRIDE management to determine whether PRIDE controls ensured that checks were appropriately reviewed and signed by at least two designated persons in accordance with PRIDE processes.
- From the population of 12 wire transfers (3 domestic and 9 international), totaling \$2,305,871, executed during the period January 2021 through March 2023, examined PRIDE records for 4 selected wire transfers (2 domestic and 2 international), totaling \$1,077,177, to determine whether PRIDE controls ensured that there was an appropriate separation of duties for the initiation, approval, and execution of the wire transfers.
- From the population of 16 revenue contracts, 1 zero-dollar memorandum of understanding, and 42 expenditure contracts executed by PRIDE during the period January 2021 through March 2023, examined PRIDE records for the 16 revenue contracts and 11 selected expenditure contracts to determine whether the contracts appeared reasonable, aligned to PRIDE's mission, were appropriately procured, reviewed and approved, and monitored in accordance with PRIDE policies and procedures.
- Examined PRIDE records for 40 expense transactions, totaling \$1,022,223, selected from the population of 116,945 expense transactions, totaling \$74,702,294, incurred by PRIDE during the period January 2021 through March 2023, to determine whether PRIDE records evidenced that expenses were properly supported, approved, competitively procured, as necessary, and reasonable and necessary to carry out PRIDE's mission.
- Inquired of PRIDE management, inspected PRIDE sales commission records, and evaluated PRIDE sales commission controls for three selected industries (lumber, paint, and tire retread) and the sales representative and accounts manager group with sales commissions, totaling \$154,601, paid by PRIDE during the period January 2021 through March 2023, to determine whether PRIDE had established reasonable commission rates, a mechanism for tracking sales and returns by employee and vendor, ensured that commissions were net of returns, and that inmate workers were not permitted to earn commissions.
- Evaluated the adequacy of PRIDE inventory controls by:
 - Inquiring of PRIDE personnel, reviewing PRIDE's inventory cycle count policies, and examining PRIDE inventory records for the period January 2021 through March 2023 to determine whether PRIDE had established effective controls to ensure that raw materials and supplies were adequately and periodically inventoried (announced and unannounced), amounts on hand were timely updated in PRIDE records, and PRIDE's tolerable error rate for inventory differences appeared reasonable.
 - Examining PRIDE records for 42 inventories of 42 different products, selected from the population of 59,286 inventories of 25,594 products that were completed during the period January 2021 through March 2023, to determine whether the inventories were adequate, completed within established time frames, and whether discrepancies were timely and appropriately investigated and resolved.
 - Conducting a walkthrough on June 7, 2023, of two PRIDE departments at a State correctional facility and comparing for 20 selected products the physical inventory quantities to the inventory quantities recorded in Microsoft Dynamics 365 as of June 6, 2023. Summarized and analyzed the results of the comparison by product.

- Analyzed PRIDE expense data for the period January 2021 through March 2023 to determine whether PRIDE expenses appeared reasonable in relation to PRIDE’s mission, PRIDE vendors appeared appropriate, and whether PRIDE did not appear to circumvent competitive procurement requirements.
- Reviewed selected purchasing card holder monthly charges and related records, as necessary, to determine whether PRIDE purchasing card expenses during the period January 2021 through March 2023 appeared reasonable and not for personal use.
- From the population of 49 PRIDE employees who began PRIDE employment during the period January 2021 through March 2023, and who were required by policy to undergo a level II background check prior to employment, examined PRIDE records for 10 selected employees to determine whether PRIDE controls ensure that, prior to employment, searches of applicable law enforcement records did not disclose disqualifying offenses for the employees. Additionally, reviewed PRIDE background check policies and procedures to determine whether PRIDE employees were subject to Level II background checks as a condition of continued employment.
- Evaluated PRIDE inmate worker complaint controls and examined PRIDE records for the five written inmate worker complaints made regarding PRIDE during the period January 2021 through March 2023 to determine whether PRIDE adequately tracked complaints from initiation through completion, complaints were handled and documented in accordance with established policies and procedures, and whether complaints were handled in a fair and objective manner.
- Evaluated the adequacy of PRIDE inmate worker payroll controls and whether inmate worker pay amounts were appropriately calculated and supported by work records by:
 - From the population of 88,358 payments, totaling \$2,117,645, made to 3,700 inmate workers assigned to non-Prison Industry Enhancement (PIE) programs during the period January 2021 through March 2023, examining PRIDE records for 39 selected payments, totaling \$2,233, made to 39 inmate workers assigned to non-PIE programs.
 - From the population of 11,259 payments, totaling \$759,597, made to 744 inmate workers assigned to PIE programs during the period January 2021 through March 2023, examining PRIDE records for 20 selected payments, totaling \$2,249, made to 20 inmate workers assigned to PIE-programs.
- Obtained an understanding of selected PRIDE information technology (IT) controls for the network, Microsoft Dynamics 365, Paylocity, and the Inmate System, assessed the risks related to those controls, evaluated whether selected general and application IT controls for these environments were in place, and tested the effectiveness of the selected controls. The controls tested included those related to security awareness training, user authentication, disaster recovery, logical access, patch management, and vulnerability management.
- Evaluated the adequacy of PRIDE controls over the network, Microsoft Dynamics 365, and Paylocity for assigning appropriate user access privileges, reviewing the appropriateness of user access privileges, and timely removing user access privileges by:
 - Examining PRIDE records for the 160 Microsoft Dynamics 365 users active as of June 19, 2023, and the 39 Paylocity users active as of March 31, 2023.
 - Inquiring of PRIDE management regarding whether PRIDE conducted and documented periodic reviews of the appropriateness of Microsoft Dynamics 365 user access privileges.
 - Examining PRIDE user access records for the 67 employees who separated from PRIDE employment during the period July 2021 through March 2023, the 357 PIE inmate workers, and the 2,648 non-PIE inmate workers who separated from PRIDE employment during the period January 2021 through March 2023.

- Examined the annual environmental, health, and safety audit reports prepared by PRIDE for the 2021 calendar year (20 audit reports of 20 facilities) and for the 2022 calendar year (21 audit reports of 21 facilities) to determine whether PRIDE ensured that facilities were appropriately audited for environmental, health, and safety issues, the results of such audits were adequately documented, and whether PRIDE took timely corrective action to address issues noted on audit.
- From the population of 4,336 certifications obtained by 1,606 inmate workers during the period July 2021 through March 2023, examined PRIDE records for 40 selected inmate worker certifications to determine whether PRIDE records supported the earning of the certificate and the accuracy and completeness of information reported in the PRIDE industry goals report.
- Analyzed PRIDE fixed asset reconciliation records for the period January 2021 through March 2023 to determine whether PRIDE appropriately reconciled the general ledger to fixed asset records. Additionally, analyzed PRIDE records related to fixed assets, totaling \$1,282,282, purchased during the period May 2021 through March 2023 to assess whether the purchases appeared reasonable and related to PRIDE's mission.
- Performed inquiries of PRIDE personnel, evaluated PRIDE customer complaint tracking and monitoring processes, and examined Microsoft Dynamics 365 records to determine whether PRIDE had established an effective mechanism to track all customer complaints from initiation to resolution, appropriately handled customer complaints, established performance metrics to evaluate the adequacy of PRIDE customer service, and periodically monitored customer complaint responses.
- Performed inquiries of PRIDE Board members and reviewed Board meeting minutes and other Board and PRIDE documents, policies, and procedures to determine whether the Board provided adequate oversight of PRIDE activities, the Board was properly constituted, and Board meetings were held in accordance with Section 286.011, Florida Statutes.
- Inquired of PRIDE and Department of Corrections (Department) management, examined PRIDE records, and evaluated PRIDE processes and controls for calculating the recidivism rate for workers released during the 2019 calendar year to determine whether PRIDE's methodology for calculating recidivism was consistent with the Department's methodology and Section 946.516(2), Florida Statutes, and whether PRIDE's methodology appropriate included all inmates who had recidivated.
- Inquired of PRIDE management, examined PRIDE records, and evaluated the adequacy of PRIDE controls over selected reporting, budgeting, expense, contracting, correctional work program lease agreement, payroll, and other PRIDE activities.
- 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

PRIDE INDUSTRIES AND DEPARTMENTS

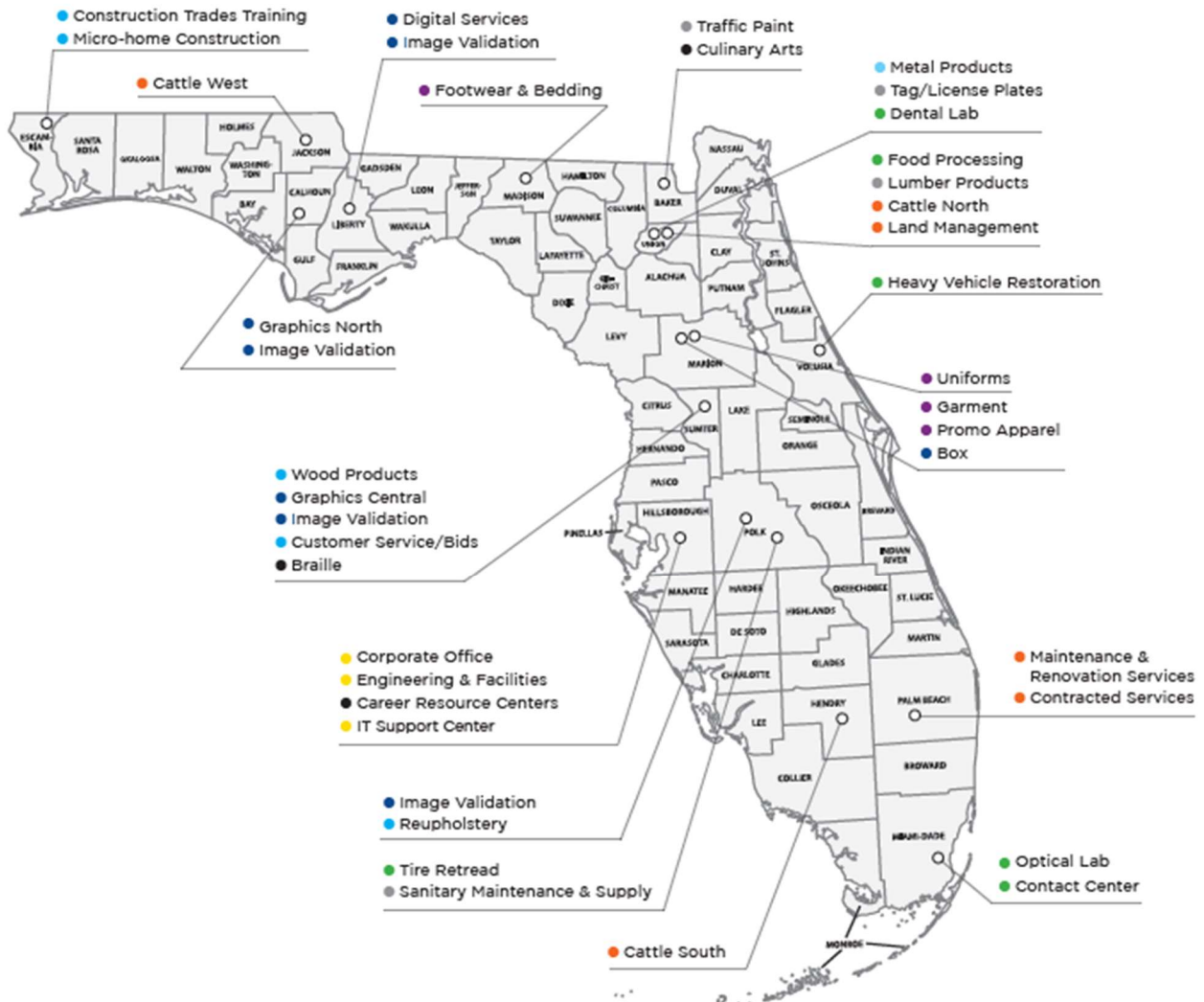
AS OF SEPTEMBER 2023

Land Management <ul style="list-style-type: none">•Contracted Services•Maintenance and Renovation Services (South Bay)•Land Management - South•Cattle North (Union)•Land Management – North (Union)
Services <ul style="list-style-type: none">•Tire Retread (Avon Park)•Optical Lab (Homestead)•Heavy Vehicle (Tomoka)•Dental Lab (Union)•Food Processing (Union)•Call Center (Homestead)
Sewn Projects <ul style="list-style-type: none">•Uniforms (Lowell)•Footwear and Bedding (Madison)•Garment (Marion)•Promotional Apparel (Marion)•Sewn Products Administration (Marion)
General Manufacturing (Furniture) <ul style="list-style-type: none">•Reupholstery (Polk)•Wood Products (Sumter)•Metal Products (Union)•Construction Trades Training (Century)•Micro-home Construction Program (Century)•General Manufacturing Engineering (Polk)
Speciality Manufacturing <ul style="list-style-type: none">•Paint (Baker)•Tags and License Plates (Union)•Sanitary Maintenance and Supply (Avon Park)•Lumber Projects (Union)
Graphics and Digital <ul style="list-style-type: none">•Box (Marion)•North Florida Graphics (Calhoun)•Central Florida Graphics (Sumter)•Digital Services (Liberty)•Graphics Administration (Sumter)
Corporate and Mission Programs <ul style="list-style-type: none">•Executive•Customer Service and Purchasing•Information Technology•Mission Programs•Facilities and Engineering•Finance•Corporate•Human Resource and Training•Marketing

Source: PRIDE records.

EXHIBIT B

PRIDE INDUSTRIES BY LOCATION AS OF SEPTEMBER 2023



• LAND MANAGEMENT

- Cattle North
- Cattle South
- Cattle West
- Land Management
- Maintenance & Renovation Services
- Contracted Services

• CORPORATE

- Corporate Office
- Facilities
- IT Support Center

• GENERAL MANUFACTURING

- Metal Products
- Wood Products
- Reupholstery
- Construction Trades Training
- Micro-home Construction

• GRAPHICS

- Box
- Digital Services
- Graphics Central
- Graphics North
- Image Validation

• SERVICES

- Dental Lab
- Food Processing
- Heavy Vehicle Restoration
- Optical Lab
- Tire Retread
- Contact Center

• SPECIALTY MANUFACTURING

- Lumber Products
- Sanitary Maintenance & Supply
- Tag/License Plates
- Traffic Paint

• SEWN PRODUCTS

- Footwear & Bedding
- Garment
- Uniforms
- Promo Apparel

• MISSION PROGRAMS

- Career Resource Centers
- Braille

Source: PRIDE personnel.

MANAGEMENT'S RESPONSE



Corporate Office
P.O. Box 4480
Brandon, FL 33509
813.324.8700

December 8, 2023

Sherrill F. Norman
Auditor General
State of Florida
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399

Re: Response to Preliminary and Tentative Audit Findings

Dear Ms. Norman,

Prison Rehabilitative Industries and Diversified Enterprises, Inc., (PRIDE Enterprises), is pleased to respond to the audit findings, which you forwarded to us, on November 14, 2023. The Audit report listed findings related to areas of process improvement in the PRIDE Enterprises operations.

We are pleased to note that there were no findings or indications of misfeasance or malfeasance in any of its departments or industries. Although PRIDE has opportunities for improvement, it has successfully achieved its statutory Mission of working and training inmates, placing them in jobs upon release, reducing idleness, and self-funding all their programs without tax appropriated funds. Thus, the cost of state government is reduced via this successful public-private free enterprise entity.

Our newly formed PRIDE Executive Team is firmly committed to upholding the highest standards of governance, accountability, and transparency. We are focused on fortifying our organization and enhancing our goal of continuous improvement.

The PRIDE Board of Directors have been engaged with the PRIDE Staff in responding to the Audit, and the Board has committed to giving the Staff oversight and guidance to ensure all proper measures are taken toward meaningful corrective actions.

We appreciate all the hard work that your team spent in completing this audit, as well as their professional conduct throughout the course of the process.

The following will detail each AG finding, and PRIDE's response.

Very truly yours,

A handwritten signature in blue ink that reads "Blake Brown".

Blake Brown
President
PRIDE Enterprises

IMPACT THROUGH INDUSTRY

www.pride-enterprises.org

Financial Activities and Controls

Finding 1: PRIDE controls did not adequately ensure the use of competitive selection procedures for certain expenses, purchase orders, and contracts, or a reasonable basis for why such requirements were not applicable, nor did PRIDE records always demonstrate the approval for or propriety of expenses, the receipt of goods and services, or the basis for significant deviations from established expense policy limits.

PRIDE Response: PRIDE Management acknowledges that its procurement process does not always present documentation of competitive sourcing. PRIDE, as a private self-funded corporation, PRIDE inherently pursues the best value and price for goods and services.

PRIDE Management will initiate actions to clarify and enhance procurement policies and procedures to clearly define the requirements for the competitive procurement of goods and services and to develop a means to systemically memorialize the applicable competitor cost comparisons within the contract file.

Finding 2: PRIDE outsourcing agreements for license plate image validation services do not appear to comport with PRIDE's statutory mission and the absence of effective controls contributed to PRIDE making payments to a vendor during the period January 2021 through August 2023 that exceeded contractual limits by \$449,884.

PRIDE Response: PRIDE's image validation service competes in an extremely competitive market; one that is based primarily on transactional prices, process accuracy, operational reliability, and system redundancy. PRIDE is strongly encouraged by FDOT to have redundant systems in the event of hurricanes, connectivity failures, workforce availability, etc. as evidenced by the widespread disruption of our system, as experienced in 2020 when approximately 85% of image validation inmates were not available for almost 60 days because of COVID restrictions. This event compelled PRIDE to source backup resources (i.e.: Global Agility and TRICOR). PRIDE has implemented a tracking system that allows us to monitor and adjust the ratio of work between PRIDE Inmates and outsourced services on a periodic basis.

Finding 3: Although PRIDE's sugarcane operations conform to statutory restrictions against the use of inmate laborers in the agricultural industry, and existing lease and other contractual agreements have standing, the significant nature of PRIDE's sugarcane operations and lesser operations in Hendry County may require further clarification on whether the statutory intent of PRIDE as a correctional work program is being best satisfied.

PRIDE Response: In 2017, due to legislative FIAT, PRIDE was required to remove all agricultural inmates from the Belle Glade Program. PRIDE moved forward with new inmate programs designed to enhance inmate skills, while servicing the agricultural industry. This includes the addition of a Mechanical and Renovation program and a Diesel and Hydraulic Maintenance program at Belle Glade. PRIDE has a Cattle work program, and a Metal Fabrication/Renovation program (the latter is scheduled to launch during 1Q2024) on site at the closed Hendry Correctional Institution.

Finding 4: PRIDE records did not adequately support the appropriateness of consulting, lobbying, and legal services expenses totaling \$854,900. Additionally, the extensive use of contracted lobbying services may not have comported with the limits on such activities specified in PRIDE's Articles of Incorporation.

PRIDE's Response: Of the expenses in the 33-month period noted in the AG finding, 33.4% of the expenses were exclusively for legal services. Additionally, 72.8% of the total came from a single firm, representing both legal and a portion of our lobbying activities. Lobbying activities for the period evaluated averaged \$207,000 per year. Legal activities for the period averaged \$104,100 per year. PRIDE is not excluded from the use of lobbyists and agents per the PRIDE Articles of Incorporation. However, PRIDE agrees that the activities of registered lobbyists should be logged and maintained within PRIDE's confidential records. PRIDE has taken the initial steps to begin the process of logging the activities of our registered lobbyists.

Finding 5: PRIDE records did not always evidence the basis for employee market pay adjustments or the conduct of periodic performance evaluations, including that of the PRIDE President.

PRIDE Response: PRIDE will implement a staff-wide evaluation process for the purpose of giving all staff employees feedback on their performance on an annual basis. PRIDE will utilize an independent entity to evaluate market wages as needed. The retention of market analysis will be included with any off-cycle market adjustments. PRIDE will make a recommendation to the Executive Board Committee that the PRIDE President receive an annual performance assessment.

Finding 6: PRIDE controls over contract review and approval need enhancement.

PRIDE Response: PRIDE will ensure compliance with PRIDE policy 11.03 related to approval requirements for various levels of all agreements.

Finding 7: PRIDE controls for check authorization and the initiation and approval of wire transfers need improvement.

PRIDE Response: PRIDE will create workflows inside the AP module of the ERP system that will address the appropriate authorization required for all checks over \$2,000 and all wire transfers.

Finding 8: PRIDE inventory controls did not adequately ensure the accuracy of the information needed to correctly report and maintain proper accountability over inventory nor promote the timely detection of potential theft and misuse of raw and finished goods.

PRIDE Response: The new Executive Team has appointed an Inventory Control Manager to oversee the enhancement of inventory controls within PRIDE. The focus will be on ensuring that PRIDE records provide clear evidence of timely and periodic physical inventories, designate personnel responsible for conducting and reviewing these inventories, establish an appropriate separation of duties, and conduct thorough follow-ups on all material differences.

OTHER ACTIVITIES AND CONTROLS

Finding 9: PRIDE's methodology for calculating former inmate worker recidivism understated recidivism in comparison to the methodology used by the Department of Corrections and did not appear consistent with State law. Also, PRIDE needs to enhance controls to better ensure that all former inmate workers who recidivate are appropriately included in PRIDE's calculated recidivism rate.

PRIDE Response: PRIDE will incorporate the FDC's methodology for recidivism calculations going forward. The latest data from 2018 changed the recidivism rate reported by PRIDE from 8.97% to 13.5% using the FDC 3-year methodology.

Finding 10: PRIDE annual reports on the status of correctional work programs did not provide context for the information provided, include financial and performance data necessary to effectively evaluate PRIDE and the status of correctional work programs, or effectively promote transparency in PRIDE operations.

PRIDE Response: PRIDE will ensure that the annual report delivered via cover letter meets all the requirements of the Florida Statute 946.516 (1) and is more descriptive in financial and performance information.

Finding 11: PRIDE had not established a mechanism to track or monitor all customer complaints received nor performance metrics for customer complaint handling.

PRIDE Response: PRIDE recognizes the need to enhance the tracking and monitoring of customer complaints, leading to organizational changes to facilitate these improvements. PRIDE will continue making the necessary process and system changes to support the recommendations.

Finding 12: PRIDE did not consistently adhere to established policies and procedures for handling inmate worker complaints. Additionally, as PRIDE policies and procedures encouraged the resolution of inmate worker problems through discussion, PRIDE records were not sufficient to enable an effective assessment of the extent to which inmate worker complaints existed or whether such complaints were fairly, objectively, and appropriately handled.

PRIDE Response: PRIDE will review and revise Policy 1002 to ensure a proper process and procedure is in place to allow inmate complaints to be monitored and addressed.

Finding 13: While PRIDE conducted workplace environmental health and safety audits, records of the audits called into question the efficacy of the audits. Additionally, PRIDE records did not always evidence actions taken to follow up on noted deficiencies or whether corrective actions had been taken, and PRIDE was unable to locate the records for one audit.

PRIDE Response: PRIDE will establish the necessary policies and procedures to ensure an efficient and safe work environment for staff and inmates. Currently, 61.7% of PRIDE Inmates are certified in OSHA 10, which enhances PRIDE's ability to maintain a safe work environment.

Finding 14: PRIDE records did not always evidence that employee background checks were timely obtained in accordance with established policies and procedures, and PRIDE policies and procedures for employee background checks could be enhanced to require all corporate employees to undergo a background check as a condition of employment.

PRIDE Response: PRIDE Management concurs with the recommendations and will amend current policies to clearly reflect the requirement for all new hires to pass a Level II security check prior to employment. Secondly, the current procedure requires FDC to approve any exceptions to Level II security check findings; such findings will be documented and retained in the candidate's employment application file.

Finding 15: PRIDE did not employ an internal auditor responsible for providing independent and objective evaluations of all PRIDE financial and operational business activities, including corporate governance.

PRIDE Response: PRIDE will re-organize the current Audit Function, to broaden the scope of work to encompass areas not currently reviewed independently, as recommended by the *International Standards for the Professional Practice of Internal Audit a.k.a., IIA Standards*. PRIDE will evaluate re-establishing the use of external, independent auditors. Once the assessment is complete, PRIDE will implement the needed changes.

Finding 16: PRIDE last completed a strategic plan in 2018 and, due to a ransomware attack, the plan was not available for audit.

PRIDE Response: PRIDE will create a new Strategic Plan in 2024, with a 3–5-year horizon.

Finding 17: The Legislature should consider specifying in State law staggered terms and term limits for PRIDE Board members and the Board should adopt formal guidelines explicitly identifying the decisions for which the Board is responsible.

PRIDE Response: PRIDE Board of directors is currently staggered by appointment of two-year, three-year and four-year terms. Therefore, no legislation is required to create staggered terms. The Senate is required to confirm any new appointments to the board. PRIDE Executive Staff will draft guidelines that delineate Board oversight responsibilities and will present those draft guidelines to the Board for their consideration.

INFORMATION TECHNOLOGY CONTROLS

Finding 18: PRIDE information technology (IT) access controls for the network and Microsoft Dynamics 365 need enhancement to better prevent and detect inappropriate access.

PRIDE Response: PRIDE will enhance processes to document for evidence in future audits including the disablement and authorized enablement of former employees Accounts.

Finding 19: PRIDE did not require employees to complete security awareness training upon hire and PRIDE processes and records neither ensured that all employees

completed periodic security awareness training nor demonstrated that any employees had received such training.

PRIDE Response: PRIDE concurs with the recommendation and PRIDE has updated the appropriate policies and procedures to reflect the recommendations.

Finding 20: Certain security controls related to user authentication, disaster recovery, logical access, patch management, and vulnerability management need improvement to ensure the confidentiality, integrity, and availability of PRIDE data and IT resources.

PRIDE Response: PRIDE will review the Auditor General's recommendations and implement the appropriate changes.