



AUDITOR GENERAL

DAVID W. MARTIN, CPA



DEPARTMENT OF CORRECTIONS CONTRACT MANAGEMENT AND MOTOR VEHICLE RECORDS Operational Audit

SUMMARY

This operational audit of the Department of Corrections (Department) focused on contract management and motor vehicle records. The audit covered the period July 2006 through February 2008, and selected Department actions through September 9, 2008. As summarized below, some processes and controls were in need of improvement.

Contract Management

CONTRACT LIST

Finding No. 1: Information recorded in the Department's contractual services contract database and used for contract planning, monitoring, and reporting was not always accurate.

CONTRACT AMENDMENTS

Finding No. 2: For one contract tested, Department contract files did not always contain a cost-benefit analysis or other documentation justifying, prior to execution of the amendment, management's decision to amend the contract.

DEPARTMENTWIDE MONITORING POLICIES AND PROCEDURES

Finding No. 3: The Department had not fully developed and implemented Departmentwide written contract monitoring policies and procedures.

PROGRAM AREA CONTRACT MONITORING

Finding No. 4: Department program areas did not always fully develop, implement, or follow contract monitoring procedures specific to each program area.

Motor Vehicle Records

MOTOR VEHICLE RECORD ACCURACY

Finding No. 5: Management did not ensure that Department motor vehicle information was accurately entered into the Equipment Management Information System or that supporting documentation was retained.

BACKGROUND

The Department was created by Section 20.315, Florida Statutes, for the purpose of protecting the public through the incarceration and supervision of offenders, and rehabilitating offenders through the application of work, programs, and services. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. Table 1 shows the Department Secretaries who served during the audit period.

Table 1

Department Secretaries and Dates of Service

Secretary	Dates of Service
James McDonough	February 10, 2006, to April 17, 2008
Walter A. McNeil	From February 8, 2008

Source: Department personnel records.

Department operations are governed by the provisions of Section 20.315 and Chapters 944, 945, 946, 948, and 958, Florida Statutes.

FINDINGS AND RECOMMENDATIONS

Contract Management

Effective contract management requires the establishment of:

- Appropriately designed policies and procedures that are effectively communicated to employees. Such policies and procedures should address, among other matters:
 - The roles, responsibilities, and authority of agency personnel for contracting activities.
 - The monitoring of contracts to ensure that goods and services have been provided in accordance with contract terms.
 - The documentation required relative to all aspects of the contract management process.
- Management monitoring and enforcement of contracting policies and procedures.

The Department had assigned contract management responsibilities to various organizational units, program areas, and individuals within the Department. In addition, the Department’s Inspector General’s Office, Bureau of Internal Audit, conducts audits of selected contracts and performs selected contract reviews.

To evaluate the effectiveness of the Department’s contract management process, we reviewed selected Department policies and procedures, written justifications for certain management decisions, and documentation related to contractual services contract amendments, extensions, and renewals approved during the period July 2006 through February 2008.

Finding No. 1: Contract List

To effectively manage Department contracts, Department decision makers must be timely provided accurate, complete, and relevant information. During the audit period, the Department maintained a contractual services database to store relevant contract information, such as contract number, provider name, contract amount, contract start and expiration dates, and assigned contract manager’s name. This database was used by procurement staff to track contracts and amendments through the procurement and contract execution cycles and to produce weekly and monthly reports for senior management. Additionally, the database was used to produce reports for program offices, legislative

committees, and other interested parties on an as-needed basis.

In response to our request for a listing of contractual services contracts that were active during the audit period, the Department provided from its contractual services database a list of 492 active contracts. The payments required under the listed contracts totaled \$1.98 billion, and the list included 154 contracts with amendments, 19 contracts with extensions, and 251 contracts with options to renew.

For 20 selected contracts, we tested the accuracy and completeness of the contractual services database. A summary of the 20 contracts selected for testing is shown in Table 2.

**Table 2
Contractual Service Contract Amendments,
Extensions, and Renewals Tested**

Program Area Contractual Service	No. of Contracts	Amendments/ Extensions/ Renewals Tested	Total Contract Amount
Institutions			
Food Service	3	4	\$ 433,101,148
Program Services			
Probation and Restitution Center	2	3	\$ 5,023,744
Nonsecure Residential Drug Treatment	3	3	\$ 8,788,376
Long-Term Residential Secure Drug Treatment	1	1	\$ 8,882,640
Detention Facility for Male Offenders	1	1	\$ 613,200
Total Program Services	7	8	\$ 23,307,960
Health Services			
Orthopedic	1	1	\$ 600,000
Pharmaceutical Repackaging	1	2	\$ 4,163,580
Hospital	3	4	\$ 8,250,000
Electrocardiogram	1	2	\$ 1,375,000
General Surgery	1	1	\$ 1,650,000
Radiology	1	2	\$ 4,200,000
Total Health Services	8	12	\$ 20,238,580
Classifications & Programs			
Work Release Center	1	1	\$ 8,728,280
Community Corrections			
Global Positioning Satellite Electronic Monitoring	1	2	\$ 5,800,000
Total Tested	20	27	\$ 491,175,968

For 9 of the contracts, our audit disclosed differences between contract file documentation and the database. Specifically:

- For 2 of the 9 contracts, the expiration dates shown on the database list did not agree with contract file documentation. In each instance, contract expiration date shown by the database preceded the date documented in the contract file by approximately 6 months.

- For 8 of the 9 contracts, the total current contract amount shown on the database list was incorrect. In one instance, contract documentation showed the total contract amount as \$6,594,638, while the database list showed the total amount as \$3,555,124.
- For 2 of the 9 contracts, the status on the database list was shown as renewal, but contract file documentation showed that each contract had actually been extended by 6 months.

Without accurate and complete information, the Department’s contractual services database has reduced utility for contract planning, monitoring, and reporting.

Recommendation: To provide Department decision makers with the data necessary for effective contract management, the Department should take steps to remedy the inaccuracies noted within the contractual services database and to ensure that information recorded in the database is both current and accurate.

Finding No. 2: Contract Amendments

Once a contract has been signed by a provider and the Department, it becomes a legally binding document committing both parties to specific actions within defined time frames. Any changes to the contract including modifications, extensions, and renewals are generally made in the form of an amendment.

Prior to entering into a contractual services contract, management should perform a cost-benefit analysis or otherwise document in writing that their decision to contract for services is in the best interest of the State. Prior to modifying an existing service contract, management should similarly document justification for their decision to modify the contract.

For the 20 contractual services contracts listed in Table 2, 27 amendments were approved during the audit period. We reviewed the amendments and supporting documentation and noted that Department staff did not prepare a cost-benefit analysis or otherwise document the justification for one health services contract amendment. The amendment revised the terms of the health services contract by adding outpatient hospital services and changing the amounts payable for both emergency room and inpatient care services. Specifically, the amendment provided that all hospital charges were to be 68 percent of usual and customary hospital charges,

whereas the original contract stated that emergency room services and inpatient care services were to be charged at a rate of 70 and 60 percent, respectively.

Absent a cost-benefit analysis or other documentation justifying the need for contract amendments, the Department cannot readily demonstrate that such amendments are in the best interest of the State.

Recommendation: To demonstrate that Department decisions justify that contract amendments are in the best interest of the State, we recommend that, prior to executing all contract amendments, the Department ensure the preparation of cost-benefit analyses or other written justifications showing the benefits to the State. Such cost-benefit analyses or written justifications should be retained in Department contract files.

Finding No. 3: Departmentwide Monitoring Policies and Procedures

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

To ensure that contract monitoring is conducted in a comprehensive and consistent manner, it is essential that written procedures be developed and communicated to contract managers. These procedures should address contract monitoring plans, on-site reviews, contractor performance evaluations, communication of performance deficiencies, and corrective action plans. Standards for documenting monitoring efforts should also be described.

While some program areas had developed contract monitoring procedures, Departmentwide written procedures for contract monitoring had not been fully developed and implemented during the audit period. In response to audit inquiry, Department staff provided a procedure with an effective date of September 9, 2008; however, Department staff also stated that the new procedure would not replace monitoring procedures already developed at the program area level. The

effective implementation of Departmentwide contract monitoring procedures would provide additional assurance that monitoring is consistently conducted on a regular basis throughout all Department program areas.

Recommendation: The Department should continue its efforts to implement effective Departmentwide contract monitoring procedures. As contract monitoring procedures are implemented, the Department should also ensure that the program area monitoring methodologies are aligned with the new procedures.

Finding No. 4: Program Area Contract Monitoring

Department program areas are responsible for monitoring the contracts for which they have oversight responsibilities. In addition, the Department’s Bureau of Internal Audit has a Contract Management Review Section that performs reviews of selected contracts.¹

As noted in finding No. 3, various program areas had developed contract monitoring procedures. We reviewed the program area contract monitoring procedures and documentation related to ten selected contracts as shown in Table 3.

**Table 3
Contractual Service Contracts Tested
for Contract Monitoring**

Program Area	No. of Contracts	Total Contract Amount
Contractual Services		
Institutions		
Food Service	1	\$ 275,000,000
Program Services		
Probation and Restitution Center	2	\$ 5,023,744
Nonsecure Residential Drug Treatment	2	\$ 5,118,398
Institutional Substance Abuse	2	\$ 16,081,502
Total Program Services	6	\$ 26,223,644
Health Services		
Pharmaceutical Repackaging	1	\$ 4,163,580
Hospital	1	\$ 1,050,000
Total Health Services	2	\$ 5,213,580
Classifications & Programs		
Work Release Center	1	\$ 8,728,280
Total Tested	10	\$ 315,165,504

¹ The Department lists completed contract reviews in the *Office of the Inspector General Annual Report*.

Our review of the monitoring documentation for the ten contracts disclosed significant deficiencies in the program area monitoring methodologies. Specifically, we noted that:

- As the Department had not established procedures addressing the usage or development of monitoring plans, monitoring plans had not been prepared by any of the program areas. Effective monitoring plans assess the risks associated with contract provider noncompliance or nonperformance, describe the Department’s planned monitoring activities to mitigate such risks, and ensure that the Department’s monitoring resources are appropriately allocated based on the assessed levels of risk.
- Health Services staff had not developed and implemented written procedures for contract monitoring, although related contracts included language authorizing Department monitoring. For example, the terms of the one hospital contract that we selected for review provided that, to ensure compliance with contract requirements, monitoring would be performed not less than once a year. Although the contract had been in effect for more than one year at the time of our April 8, 2008, inquiry, no monitoring had been performed. Absent specific contract monitoring procedures, Health Services lacked reasonable assurance that monitoring efforts, if any, would be sufficiently rigorous to detect contractor performance issues.
- Monitoring procedures for the food service contract tested did not require Department verification that the provider complied with contract terms, such as those requiring maintenance of adequate comprehensive liability insurance or submission of financial and compliance audits. Similarly, monitoring checklists used for the seven drug treatment contracts that we selected for testing, including the work release center contract and probation and restitution center contracts, did not include steps requiring monitors to verify and document that:
 - For four contracts, adequate comprehensive liability insurance coverage was maintained.
 - For three contracts, the provider had submitted the required financial and compliance audits.
 To provide management with increased assurance that contractor performance is satisfactory and in compliance with contract terms, monitoring checklists or other monitoring instruments should address all key contract requirements.

- Procedures for the food service contract required that, for each institution, site visits and monitoring

checklists be completed not less than quarterly by Department regional food service representatives.

- Our review of documentation for the site visits performed during the 2007 calendar year for five institutions disclosed that 2 of the 20 required quarterly visits had not been conducted. Increased management oversight of the performance of regional food service representatives would provide assurance that this vital function is consistently performed.
 - For each of five institutions, we examined one food service checklist and the resulting monitoring report. For two monitoring reports with findings, the Department did not obtain corrective action plans from the food service provider. Deficiencies reported included failure to label foods, failure to properly clean food contact surfaces, and failure to store foods properly. Corrective action plans, the execution of which is subsequently verified by Department staff, can provide management assurance that providers are taking appropriate actions to correct reported deficiencies.
- Written procedures for monitoring the contracts for institutional substance abuse services, probation and restitution centers, and nonsecure residential drug treatment programs did not always agree with contract terms addressing monitoring. Differences between the monitoring procedures and contract terms included the time frames for monitoring report issuance by program areas and submission of corrective action plans by providers. Consistency between procedures and contract terms better ensures provider cooperation with Department monitoring staff.

Recommendation: As applicable, Department program areas should ensure that consistent and thorough contract monitoring is performed by:

- Developing monitoring plans enumerating planned monitoring activities for all contractual services contracts;
 - Designing checklists or other monitoring instruments that include all key contract requirements;
 - Consistently and timely performing monitoring site visits;
 - Obtaining and following up on corrective action plans for all monitoring report findings; and
 - Ensuring that contract terms facilitate the execution of program area monitoring procedures.
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Motor Vehicle Records

State law² and Department of Management Services (DMS) rules³ provide that State-owned motor vehicles are to be used effectively, efficiently, and for official purposes. The Equipment Management Information System (EMIS) was developed by DMS to assist State agencies in the management of motor vehicles and watercraft. EMIS is designed to maintain and provide information about the condition, utilization, cost, fuel consumption, maintenance, and assignment of motor vehicles and watercraft owned, leased, or operated by State agencies. Each State agency is responsible for the accuracy and timeliness of data recorded in EMIS.

Finding No. 5: Motor Vehicle Record Accuracy

To ensure the proper management and control of its approximately 2,700 vehicles, the Department established and adopted procedures over the procurement, assignment, use, and control of State vehicles. Department procedures⁴ required that drivers record on form DC2-524, *Vehicle Record*, the following information: destination, beginning and ending mileage by trip, driver's name, fuel purchases, maintenance and repair expenses, oil and lubricant purchases, and preventive maintenance data. Additionally, vehicle repairs and maintenance performed by Department motor pool personnel were to be recorded on the *Vehicle Maintenance Record* (DC2-547) and summarized on the monthly *Vehicle Record*. The information recorded on the monthly *Vehicle Record* was to be entered into EMIS by the 15th of each month.

To ensure monthly vehicle records were timely entered into EMIS, Department procedures required that the assigned vehicle dispatcher maintain a monthly checklist by vehicle tag number. The procedures also required that the monthly EMIS exception report for unreported vehicles be reviewed monthly. In response to audit request for the EMIS exception reports, the Department Fleet Manager stated that the reports were discarded once they had been viewed and the vehicle records had been reconciled.

² Section 287.16, Florida Statutes.

³ DMS Rule 60B-1, Florida Administrative Code.

⁴ Procedure 604.201, Procurement, Assignment, Use and Control of State Vehicles.

For 15 selected vehicles, we compared applicable EMIS data to available supporting *Vehicle Records* and other documentation for the audit period and noted the following:

- For 3 of the 15 vehicles, the Department was unable to provide for our review 11 of 60 monthly *Vehicle Records*. As a result, the Department could not demonstrate the accuracy of EMIS data for the applicable vehicles (two trucks and a car). Usage shown by EMIS, but for which *Vehicle Records* were not available, ranged from 19 to 6,832 miles per vehicle.
- For 14 of the 15 vehicles, purchases listed on the monthly *Vehicle Record* were not always supported by invoice receipts or *Vehicle Maintenance Record* entries. Thus, the accuracy of the *Vehicle Records* could not be determined.
- For all 15 vehicles, the available monthly *Vehicle Record* did not always agree with the data recorded in EMIS. Specifically, our examination of 289 monthly *Vehicle Records* and related EMIS entries disclosed 104 mileage differences, 62 maintenance cost differences, 54 fuel purchase differences, and 30 oil purchase differences. In addition, Department drivers did not always record their names and destinations on the applicable *Vehicle Record*.

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

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

PRIOR AUDIT FOLLOW-UP

As part of our audit, we determined that Department staff had corrected, or were in the process of correcting, the applicable findings included in audit report Nos. 2006-080, 2007-076, and 2007-087.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our operational audit of the Department of Corrections were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To determine whether the management had corrected, or was in the process of correcting, all Department-related deficiencies disclosed in the prior audit (report Nos. 2006-080, 2007-076, and 2007-087).
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

The scope of our audit included an examination of Department contract management processes and an examination of motor vehicle records for the period July 2006 through February 2008, and selected actions through September 9, 2008.

We conducted this operational audit in accordance with applicable 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.

In conducting our audit, we:

- Interviewed Department personnel.

- Obtained an understanding of internal controls and observed, documented, and tested the effectiveness of key processes and procedures related to the administration of contract amendments, extensions, and renewals and contract monitoring processes. In testing the effectiveness of these processes and procedures, we:
 - Compared selected contracts identified in the Department's accounting records to those shown in the contractual services database.
 - Tested 20 contracts from the population of 492 active contractual service contracts to determine whether the Department complied with laws, rules, and other guidelines related to amending and renewing contracts. Contracts selected had amendments, extensions, or renewals and \$500,000 or more in expenditures during the audit period.
 - Tested program area monitoring processes for 10 selected contracts.
- Obtained an understanding of internal controls and tested the effectiveness of key processes and procedures related to motor vehicle equipment and maintenance records. In testing the effectiveness of these processes and procedures, we:
 - Compared EMIS data for 15 vehicles to monthly *Vehicle Records*.
 - Compared selected vehicle descriptions shown in EMIS to those shown in Department tangible personal property records.
 - Determined whether the Department complied with laws, rules, and other guidelines applicable to motor vehicle equipment and maintenance records.
- Evaluated Department actions taken to implement recommendations included in report Nos. 2006-080, 2007-076, and 2007-087. Specifically, we:
 - Reviewed the appropriateness of updated contract procedures, contract advisories, selected contract actions, and a selected cost comparison prepared by Department staff.
 - Evaluated the extent of Department utilization of MyFloridaMarketPlace (MFMP) and

Department MFMP procedures to determine whether the procedures addressed confidential issues within MFMP. The results of our survey of Department MFMP utilization will be disclosed in our operational audit report issued on the Department of Management Services.

- Reviewed various documents utilized by Department staff and inquired of Department management to determine whether the Department addressed the verification of payroll data contained in People First and that provided by the Bureau of State Payrolls; employee leave balance audits; and Department utilization of People First.
- Performed various other auditing procedures as necessary to accomplish the objectives of the audit.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated October 16, 2008, the Secretary provided responses to our audit findings. The letter is included at the end of this report as **APPENDIX A**. The Secretary submitted numerous attachments with his letter. Due to the volume, these attachments are not included in **APPENDIX A**, but may be viewed with this report on our Web site, or obtained from the Department.

This audit was conducted by Stan Mitchell, CPA, and supervised by Frank Becton, CPA. Please address inquiries regarding this report to Nancy C. Tucker, CPA, Audit Manager, by e-mail (nancytucker@aud.state.fl.us) or by telephone (850-487-4370).

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone (850 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A
MANAGEMENT RESPONSE



FLORIDA
DEPARTMENT of
CORRECTIONS

Governor
CHARLIE CRIST

Secretary
WALTER A. McNEIL

An Equal Opportunity Employer

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October 16, 2008

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

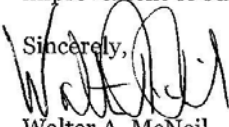
RE: Preliminary and Tentative Audit Findings, Operational Audit of the Department of Corrections, Contract Management and Motor Vehicle Records, for the period July 2006 through February 2008, and selected Department actions through September 9, 2008.

Dear Mr. Martin:

We have reviewed the preliminary and tentative findings and recommendations included with your letter dated September 22, 2008. As required by Section 11.45(4)(d), Florida Statutes, our response is attached.

The enclosed response reflects the specific action taken or contemplated to address the deficiencies cited.

Thank you for your continued cooperation and presentation of recommendations for the improvement of our operations.

Sincerely,

Walter A. McNeil
Secretary

WAM/PD/ps
Enclosure

- cc: Richard Prudom, Chief of Staff
- Richard D. Davison, Deputy Secretary
- Millie Seay, Director of Administration
- George Sapp, Assistant Secretary of Institutions
- David Pridgen, Deputy Assistant Secretary of Institutions
- Bob Staney, Chief of Procurement and Supply
- Charlie Terrell, Chief of Institutional Support Services
- Paul C. Decker, Inspector General

APPENDIX A

MANAGEMENT RESPONSE (CONTINUED)

FLORIDA DEPARTMENT OF CORRECTIONS

Preliminary and Tentative Audit Findings, Operational Audit of the Department of Corrections, Contract Management and Motor Vehicle Records, for the period July 2006 through February 2008, and selected Department actions through September 9, 2008

Finding 1 Contract List

Recommendation: To provide Department decision makers with the data necessary for effective contract management, the Department should take steps to remedy the inaccuracies noted within the contractual services database and to ensure that information recorded in the database is both current and accurate.

Department Response: The Department concurs that it is important to maintain accurate and up-to-date information in the contract database utilized by the Bureau of Procurement and Supply. Maintenance of the contract database will continue to be emphasized in staff meetings and internal training as additional personnel use the system. The Bureau of Procurement and Supply will also work with the program areas to ensure more accurate information is provided on the Request for Contractual Services concerning the dollar value of the contracts.

Finding 2 Contract Amendments

Recommendation: To demonstrate that Department decisions justify that contract amendments are in the best interest of the State, we recommend that, prior to executing all contract amendments, the Department ensure the preparation of cost-benefit analyses or other written justifications showing the benefits to the State. Such cost-benefit analyses or written justifications should be retained in Department contract files.

Department Response: The Department concurs with this recommendation. Even though documentation may have been missing in the sample, the Department always strives to negotiate contract terms that are in the best interest of the State. To promote this, applicable program areas will develop a cost benefit analysis which addresses the benefits to the State for contract amendments in the event that the amendments significantly change the scope of service and/or significantly change the compensation portion of the contract. In those cases where the scope of service and/or the compensation portion of the contract are not significant, written justification (e.g., e-mail) incorporating the benefits to the State would continue to be initiated by applicable program area.

APPENDIX A

MANAGEMENT RESPONSE (CONTINUED)

The Contract Management Assistance Section, located within the Bureau of Procurement and Supply, provides instruction during a course entitled "Overview of Contract Management", on Cost Benefit Analysis and also on Value Analysis. Attendees are provided instruction and given a handout regarding the Cost Comparison Process. A Contract Advisory 06-01 (**Attachment A**) entitled Contents of the Contract Manager File, (issued in December 2006) informs Contract Managers to maintain documentation evidencing cost or price analysis in the Contract Manager contract file.

To add emphasis, the Bureau of Procurement and Supply will initiate and post on the Department's intranet a Contract Advisory regarding contract amendment justifications and documentation to be maintained in the Department's contract file and highlighting the benefits to the state.

Finding 3 Department wide Monitoring Policies and Procedures

Recommendation: The Department should continue its efforts to implement effective Department wide contract monitoring procedures. As contract monitoring procedures are implemented, the Department should also ensure that the program area monitoring methodologies are aligned with the new procedures.

Department Response: On September 9, 2008, DC Procedure 205.013, "Contract Management and Monitoring (**Attachment B**)" was approved by the Secretary of the Department and posted to the Department's intranet under "What's New". The purpose of DC Procedure 205.013 is to outline the responsibilities and guidelines to enable contract managers to monitor and enforce the terms and conditions of the contract. In addition, this procedure serves as a department wide "framework" for all program areas to operate by, and also provides guidance when developing their program specific procedures. The requirements of a program area specific monitoring procedure will still be performed in addition to those identified in DC Procedure 205.013.

The Bureau of Procurement and Supply will be incorporating this procedure into the trainings sessions and provide a hard copy as part of the handout package during the "Overview of Contract Management" and "Contract Monitoring" trainings. This section will not only continue to work with the program areas regarding the implementation of this policy as the overall "framework" in the management and monitoring of departmental contracts, but also in promoting the alignment of program area monitoring methodologies with DC Procedure 205.013.

APPENDIX A

MANAGEMENT RESPONSE (CONTINUED)

Finding 4 Program Area Contract Monitoring

Recommendation: As applicable, Department program areas should ensure that consistent and thorough contract monitoring is performed by:

- **Developing monitoring plans enumerating planned monitoring activities for all contractual services contracts;**
- **Designing checklists or other monitoring instruments that include all key contract requirements;**
- **Consistently and timely performing monitoring site visits;**
- **Obtaining and following up on corrective action plans for all monitoring report findings; and**
- **Ensuring that contract terms facilitate the execution of program area monitoring procedures.**

Department Response: The Department concurs with this recommendation. With the approved DC Procedure 205.013, this will foster and facilitate consistency in the management and monitoring of Department contracts. Future emphasis relating to a risk-based approach of contract monitoring will be addressed in a Risk Assessment training that will be conducted by the Contract Management Assistance Section. This training is tentatively scheduled to be provided during the fall of 2008.

Contract Advisory 05-03, "Contract Monitoring Checklist" (**Attachment C**), provides guidance to the contract managers identifying components that need to be considered in the planning phase of contract monitoring.

In addition, Contract Advisory 05-01, "Contract Monitoring Techniques" (**Attachment D**) informs the Contract Manager that it is incumbent upon him/her to establish a monitoring schedule at the beginning of each fiscal year and to maintain supporting documentation that the schedule has been adhered to in the Contract Manager's file.

DC Procedure 205.013 (2)(b)5., instructs the program areas to submit a monitoring schedule to the Bureau of Procurement and Supply, at the start of each fiscal year, for all contracts managed by a contract manager, and scheduled to be monitored during that fiscal year. Since the new procedure went into effect in September 2008, various management personnel of program areas were advised that the monitoring schedule should be remitted by January 1, 2009 to the Bureau of Procurement and Supply. (**Attachment E**)

APPENDIX A

MANAGEMENT RESPONSE (CONTINUED)

Contract Advisory 06-08, "Corrective Action Plan" (**Attachment F**), provides guidelines to Contract Managers regarding the definition of a corrective action plan, reference to contractual language addressing the process, and timeframes of a corrective action plan, what warrants a corrective action plan, follow-up visits, repeat findings, etc.

The Bureau of Procurement and Supply will continue to work with the various program areas to promote consistency in the management and monitoring of contracts.

Finding 5 Motor Vehicle Record Accuracy

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

Department Response: Procedures are in place requiring motor vehicle records to be accurately completed and resulting information be entered into the Equipment Management Information System. The necessity to comply with established rule in completing the Motor Vehicle Record will be re-enforced with all Department of Corrections staff. The staff responsible for entering accurate information into EMIS will be instructed to comply with the Department of Corrections procedure. The Department will retain the EMIS monthly exception report for post audit purposes.

Attachments: A, B, C, D, E, and F