

## DEPARTMENT OF CORRECTIONS

Inmate Trust Accounts,  
Inmate Health Care Services Contracts, and  
Prior Audit Follow-Up



Sherrill F. Norman, CPA  
Auditor General

### **Secretary of the Department of Corrections**

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

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

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

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# DEPARTMENT OF CORRECTIONS

## Inmate Trust Accounts, Inmate Health Care Services Contracts, and Prior Audit Follow-Up

### ***SUMMARY***

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This operational audit of the Department of Corrections (Department) focused on the administration of inmate trust accounts and inmate health care services contracts, and also included a follow-up on the findings noted in our report No. 2014-066. Our audit disclosed the following:

#### **Inmate Trust Accounts**

**Finding 1:** Department controls for monitoring inmate trust accounts for suspicious activity need enhancement.

#### **Administration of Inmate Health Care Services Contracts**

**Finding 2:** Inmate health care service contract providers did not always timely correct performance deficiencies noted during Department on-site monitoring visits.

**Finding 3:** The Department did not timely conduct monitoring of inmate health care service provider compliance with certain contract requirements.

**Finding 4:** The Department did not submit statutorily required contract performance reports to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

#### **Inmate Health Care Services Contract Payments**

**Finding 5:** Contrary to contract terms, the Department did not reduce provider payments for the cost of non-formulary pharmaceuticals totaling approximately \$741,000.

**Finding 6:** The Department did not reduce provider payments for certain costs incurred by the Department as specified by the inmate health care services provider contracts.

**Finding 7:** The Department did not recover contract monitoring costs in accordance with the inmate health care services provider contracts.

#### **Selected Administrative Activities**

**Finding 8:** As similarly noted in our report No. 2014-066, the Department did not always ensure that a complete physical inventory of tangible personal property, including the accurate update of Department property records for the inventory results, was timely performed.

**Finding 9:** As similarly noted in prior reports, most recently in our report No. 2014-066, the Department could not always demonstrate that Department records accurately reflected motor vehicle usage and cost information.

## BACKGROUND

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State law<sup>1</sup> specifies that the purpose of the Department of Corrections (Department) is to protect the public through the incarceration and supervision of offenders and to rehabilitate offenders through the application of work, programs, and services. According to Department records, the Department operates the third largest state prison system in the United States. The Legislature appropriated to the Department \$2.35 billion, including funds for 23,892 positions, and \$2.3 billion, including funds for 23,729 positions, for the 2015-16 and 2014-15 fiscal years, respectively.<sup>2</sup> In addition to housing over 100,000 inmates, as of June 2015, the Department supervised over 139,000 offenders on community supervision.

## FINDINGS AND RECOMMENDATIONS

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### INMATE TRUST ACCOUNTS

Pursuant to State law,<sup>3</sup> the Department accepts and administers as a trust money and other property received for the personal use or benefit of inmates in State institutions. Department rules<sup>4</sup> provide that an inmate may establish an inmate trust account through the Department's Inmate Trust Fund to receive money for personal use. The Department utilized the Inmate Banking System to account for each inmate's trust account deposits and withdrawals. According to Inmate Banking System records, during the period July 2013 through February 2015, 15,628 inmate trust accounts with total deposits exceeding \$19.2 million, received at least one deposit in excess of \$200.

#### **Finding 1: Analysis of Inmate Trust Account Transactions**

The Department contracted with a money service business to provide money transfer services for inmates to receive deposits into their inmate trust accounts from outside sources. State law<sup>5</sup> requires that for all financial transactions over \$10,000,<sup>6</sup> transactions involving the proceeds of unlawful activity, or transactions designed to evade statutory reporting requirements, money service businesses are to maintain records of the transactions and file a currency transaction report with FinCEN.<sup>7</sup> Department procedures<sup>8</sup> required that, for withdrawals over \$100, inmates were to request authorization by completing a Department form describing the purpose of the withdrawal and include the payee's name and the authorizing signature of the applicable Department institution officer in charge.

As part of our audit, we examined Department records for 60 inmate trust account deposits, totaling \$975,388, and 60 inmate trust account withdrawals, totaling \$432,894, selected from Department records

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<sup>1</sup> Section 20.315(1), Florida Statutes.

<sup>2</sup> Chapters 2014-051 and 2015-232, Laws of Florida.

<sup>3</sup> Section 944.516, Florida Statutes.

<sup>4</sup> Department Rule 33-203.201, Florida Administrative Code.

<sup>5</sup> Section 560.123, Florida Statutes.

<sup>6</sup> Section 560.123(3)(a), Florida Statutes, specifies that multiple financial transactions are to be treated as a single transaction if the money service business has knowledge that they are made by or on behalf of any one person and result in cash in or cash out totaling more than \$10,000 during any day.

<sup>7</sup> FinCEN is the United States Department of the Treasury, Financial Crimes Enforcement Network.

<sup>8</sup> Department Procedure 203.015, *Administration of the Inmate Trust Fund*.

for all inmate trust accounts that received deposits in excess of \$200 during the period July 2013 through February 2015. Our examination identified activity for one inmate's account that warranted further investigation by the Department. Specifically, as shown in Table 1, deposits on several dates appeared to be divided to evade the \$10,000 money service business financial transaction reporting threshold. In addition, in January and February 2015, one individual who made deposits to the inmate's account in October and November 2014 received disbursements in excess of the amounts deposited during those months.

**Table 1**  
**Inmate Deposits and Withdrawals Greater than \$4,000**  
**During the Period July 2014 Through June 2015**

Date	Transaction	Amount	Remitter/Receiver
7/17/2014	Deposit	\$ 4,000	Person 1
7/18/2014	Deposit	5,000	Person 1
9/9/2014	Check Disbursement	(6,000)	Person 2
10/9/2014	Deposit	5,000	Person 2
10/9/2014	Deposit	5,000	Person 1
10/10/2014	Deposit	4,999	Person 2
10/10/2014	Deposit	5,000	Person 2
10/10/2014	Deposit	4,999	Person 2
10/10/2014	Deposit	5,000	Person 2
10/10/2014	Deposit	4,999	Person 1
10/10/2014	Deposit	5,000	Person 1
11/3/2014	Deposit	5,000	Person 2
11/4/2014	Deposit	5,000	Person 2
11/22/2014	Deposit	4,900	Person 2
1/20/2015	Check Disbursement	(10,000)	Person 2
2/24/2015	Check Disbursement	(42,000)	Person 2
3/18/2015	Deposit	5,000	Person 2
3/18/2015	Deposit	4,900	Person 2
3/18/2015	Deposit	4,010	Person 2
6/1/2015	Check Disbursement	(5,000)	Person 2

Source: Department inmate trust account records.

In response to our audit inquiry, Department management indicated that the Department had established a process to review suspicious inmate trust account activity which was to include the periodic review by Bureau of Finance and Accounting staff of three reports on account deposit and withdrawal activity. However, the Department had not established policies or procedures for the report review process, and the reports had not been routinely reviewed. One Department report identified inmate withdrawal requests in excess of \$500. However, neither the Department nor the Department's money service contractor had identified the transactions in Table 1 as suspicious and requiring further Department investigation. This matter was referred to the Department's Office of Inspector General in July 2015 for further investigation.

Routine monitoring of inmate trust accounts would increase the Department's assurance that the accounts are not used in connection with unlawful activity.

**Recommendation:** To better ensure that inmate trust accounts are not used in connection with unlawful activity, we recommend that Department management establish policies and procedures for routinely reviewing inmate trust accounts for suspicious activity.

#### ADMINISTRATION OF INMATE HEALTH CARE SERVICES CONTRACTS

The Department contracted with two providers, Wexford Health Sources, Inc. (Wexford) and Corizon, Inc. (Corizon) to provide inmate health care services.<sup>9</sup> The inmate health care services to be provided included, but were not limited to, routine physician care, health screenings, radiotherapy services, dental services, optometry and ophthalmology services, and mental health services. Table 2 summarizes, by provider, the contract period, the period for transitioning inmate health care services from the Department to the health care services providers, the original contract amounts, and the number of facilities and approximate inmate populations served.

**Table 2**  
**Summary of Inmate Health Care Services Contracts**  
**As of June 30, 2015**

Provider	Contract Period	Transition Period <sup>a</sup>	Original Contract Amount	Number of Facilities Served	Approximate Number of Inmates Served
Wexford	12/21/2012 - 12/20/2017	3/10/2013 - 3/24/2013	\$ 234,384,011	10 major facilities and 19 satellite facilities <sup>b</sup>	16,058
Corizon	10/1/2012 - 06/30/2018	9/8/2013 - 10/13/2013	\$1,088,905,684	56 major facilities and 59 satellite facilities <sup>b</sup>	73,816

<sup>a</sup> According to Department management, contractual services did not begin when the contract period began due to transition issues.

<sup>b</sup> Satellite facilities include annexes, work camps, road prisons, and work release centers.

Source: Department records.

As part of our audit, we examined Department monitoring records for the inmate health care services provider contracts and evaluated Department activities related to the contracts. As described in Findings 2 through 4, we found that Department monitoring efforts and contract amendment controls needed improvement.

#### **Finding 2: Provider Compliance with Contract Performance Measures**

The Department's inmate health care services contracts required each provider to comply with various performance measures in the categories of medical services, mental health services, dental services, medication management and pharmacy services, and administrative responsibilities. The contracts specified that the Department was to conduct semiannual on-site monitoring visits to assess provider

<sup>9</sup> Corizon notified the Department on November 30, 2015, of the intention to terminate their contract with the Department within 180 days. Effective January 29, 2016, the Department contracted with Centurion of Florida, LLC, to assume the applicable inmate health care services responsibilities.

compliance with the performance measures. The contracts also specified that if the Department determined that a provider did not satisfy required performance standards, the Department was to notify the provider of the deficiencies through a written monitoring report. The providers had 10 days to respond to and request a review of the Department's findings. Within 15 days of the Department's review, the Assistant Secretary for Health Services was to make a final decision on the findings. The providers were required to timely complete and implement a corrective action plan (CAP) within 30 days of notification of monitoring deficiencies, or if a review was requested, within 30 days of the Department's final decision.

During the period December 2013 through February 2015, the Department conducted 120 on-site monitoring visits of facilities served by the inmate health care services providers. As part of our audit, we examined documentation for 23 on-site monitoring visits to determine whether the Department adequately and timely monitored the delivery of inmate health care services, timely followed up on deficiencies identified during monitoring, and took timely and appropriate actions if the providers failed to correct deficiencies. Our examination disclosed that:

- The providers had not satisfied prior to the Department's next on-site monitoring visit the performance standards for 453 of the 730 performance measures for which the Department noted provider noncompliance.
- The Department had not timely closed the CAPs related to the 23 on-site monitoring visits. Specifically, the CAPs were not closed prior to the start dates of the Department's next on-site monitoring visits, which occurred from 145 to 224 days (an average of 171 days) after the prior on-site monitoring reports were issued.

In response to our audit inquiry, Department management indicated that the CAPs had not been closed prior to the next on-site monitoring visit due to the timing of the prior on-site monitoring reports, provider appeals, and delays in Department approval of the providers' planned corrective actions.

Prior to October 1, 2014, the Department's contracts with the inmate health care services providers included no specific financial consequences to address provider noncompliance. In July and September 2014, the Department amended the Corizon and Wexford contracts, respectively, for the period October 2014 through June 2015, to include a \$2,500 contract payment reduction for each on-site monitoring visit where the provider failed to comply with at least 80 percent of the applicable performance measures. In consideration of the providers agreeing to the \$2,500 contract payment reduction and for relinquishing their right to terminate the contracts through June 30, 2015, the Department agreed to pay Corizon an additional \$2.9 million and Wexford an additional \$618,619. For the period October 2014 through June 2015, the Department reduced Corizon contract payments by \$67,500 and reduced Wexford contract payments by \$5,000.

Absent timely corrective actions by inmate health care services providers to address performance deficiencies and sufficient contract provisions requiring timely corrective actions, the Department has reduced assurance that the providers are delivering the contractually required level of health care services and meeting their administrative responsibilities.

**Recommendation: We recommend that Department management ensure that inmate health care services providers timely correct noted performance deficiencies in accordance with appropriate contract requirements.**

### Finding 3: Contract Monitoring

In addition to the requirement to monitor inmate health care services provider compliance with performance measures, the Department's contracts specified that the Department was to conduct, no less than annually, monitoring of provider compliance with other contract requirements. These requirements included provider staff background screenings, medical staff licensing, and liability insurance coverage amounts.

To determine whether the Department timely conducted monitoring of provider compliance with other contract requirements, we requested Department monitoring records for the period May 2013 through February 2015. Our audit procedures disclosed that the Department did not complete monitoring of the providers' compliance with other contract requirements until June 2015, or approximately 20 and 27 months after the Department transitioned inmate health care services to Corizon and Wexford, respectively. The Department's monitoring, for the period July 2014 through April 2015, identified noncompliance by both providers, such as the failure to obtain the approval of the Department's contract manager prior to executing subcontracts and the failure to notify the Department's contract manager of open litigation actions.

In response to our audit inquiry, Department management indicated that monitoring was performed on a fiscal year basis, and that the Department had not conducted monitoring during the 2013-14 fiscal year because, due to the transition period, the 2014-15 fiscal year was the first full year of provider services. Notwithstanding the Department's response, subsequent to the transition, Wexford provided services for the entire 2013-14 fiscal year, while Corizon provided services for approximately 9 months of the 2013-14 fiscal year.

Timely monitoring to evaluate whether contractually required outcomes are being achieved provides the Department greater assurance that performance problems, should they exist, are identified as early as possible so that corrective action may be timely initiated.

**Recommendation: We recommend that Department management ensure that monitoring of inmate health care services provider compliance with contract requirements is timely conducted.**

### Finding 4: Contract Amendments

State law<sup>10</sup> requires that, if a contract amendment results in a longer contract term or increased payments, a State agency may not renew or amend a contract for the outsourcing of a service or activity that has an original term value exceeding \$10 million before submitting a written report concerning contract performance to the Governor, the President of the Senate, and the Speaker of the House of Representatives at least 90 days before execution of the renewal or amendment.

As described in Finding 2, in July 2014, the Department executed an amendment to the Corizon contract that increased total contract payments by \$2.9 million. In September 2014, the Department executed an amendment to the Wexford contract that increased total contract payments by \$618,619. However, prior to both contract amendments, the Department did not submit a written report concerning contract

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<sup>10</sup> Section 287.057(13), Florida Statutes.



performance to the Governor, the President of the Senate, or the Speaker of the House of Representatives as specified by State law. In response to our audit inquiry, Department management indicated that they were unaware of the statutory requirement.

Absent the required submittal of written reports concerning contract performance to the Governor and legislative leadership, performance data required for informed decision making may be limited and the Department cannot demonstrate compliance with the accountability requirements in State law.

**Recommendation:** We recommend that Department management timely prepare and submit reports detailing contract performance to the Governor, the President of the Senate, and the Speaker of the House of Representatives as required by State law.

#### INMATE HEALTH CARE SERVICES CONTRACT PAYMENTS

The Department provided bimonthly payments to the inmate health care services providers, primarily based on the capitation rate established in each provider's contract, the number of inmates at the facilities covered by the provider, and the number of days within the invoice period. The contracts specified that certain costs incurred by the Department, such as Department monitoring costs, transportation fees, and non-formulary pharmaceutical costs, were to be deducted from provider payments. During the period March 2013 through February 2015, the Department made payments to Corizon totaling \$327,105,930 and payments to Wexford totaling \$91,903,866. As part of our audit, we examined Department records for five Department payments to Corizon totaling \$47,530,531 and five Department payments to Wexford totaling \$13,672,815 and noted, as discussed in Findings 5 through 7, that Department contract payments were not always made in accordance with applicable contract terms.

#### **Finding 5: Waiver of Non-Formulary Pharmaceuticals Costs**

The Department developed and maintained a pharmaceutical (drug) formulary that listed cost-effective pharmaceuticals approved for dispensing to inmates. Pursuant to the Department's inmate health care services provider contracts, the Department was to pay the cost of all pharmaceuticals used by the providers that were listed on the formulary. In addition, the Department was to adjust provider payments for the cost of non-formulary drugs dispensed to inmates based on monthly Drug Utilization reports.

As part of our audit, we noted that the Department did not always adjust provider payments as specified by the providers' contracts for the costs of non-formulary drugs dispensed to inmates. Specifically, we found that the Department did not reduce Corizon's contract payment for non-formulary drug costs totaling \$680,900 incurred by the Department during the period September 8, 2013, through October 31, 2013. In addition, we found that the Department did not reduce Wexford's contract payment for non-formulary drug costs totaling \$60,390 incurred by the Department during the period March 10, 2013, through April 30, 2013. Our examination of both provider contracts disclosed no provisions addressing conditions for which the Department could waive reductions in provider payments for non-formulary drug costs.

In response to our audit inquiry, Department management indicated that the providers had been exempted from incurring the non-formulary drug costs to ensure continuity of care for inmates. Department management noted that the providers needed time to evaluate each inmate's treatment

needs to ensure that decisions regarding the use of formulary or non-formulary drugs were based on clinical rationale and continuity of care considerations, rather than solely on costs.

Notwithstanding Department management's explanation, adherence to prescribed contract payment requirements, or adequate contract provisions allowing for a reasonable waiver of such requirements, is necessary to demonstrate that Department inmate health care services contract payments are appropriate and economical uses of State resources.

**Recommendation:** We recommend that Department management adjust inmate health care services provider payments for the cost of non-formulary drugs dispensed to inmates in accordance with contract terms or otherwise ensure adequate contract provisions are established exempting providers from payment reductions when specified conditions are met.

#### **Finding 6: Recovery of Department Costs**

In addition to the non-formulary drug costs noted in Finding 5, the Department's inmate health care services contracts specified that the Department was to deduct from provider payments the costs of other goods or services incurred by the Department that were to be borne by the providers. These costs related to goods and services such as on-site ambulatory surgery, and laboratory, radiotherapy, and consultation and evaluation services. The inmate health care services providers also utilized the Department's telephone, facsimile, and electrocardiogram (EKG) lines and were required to meet American Correctional Association standards for the provision of health services, for which compliance was assessed through accreditation or re-accreditation audits paid for by the Department.

As shown in Table 3, our examination of Department provider payment records for the period July 2013 through March 2015 disclosed that the Department did not recover, as specified by the contracts, the costs of certain goods and services. Subsequent to our audit inquiry, the Department adjusted the providers' May 2015 invoiced payment amounts to recover the costs.

**Table 3**  
**Unrecovered Department Costs**  
**During the Period July 2013 Through March 2015**

<b>Goods or Services</b>	<b>Amount</b>
Radiotherapy	\$164,187
On-site ambulatory surgery and other hospital services	74,105
Telephone, facsimile, and EKG lines	5,685
Non-formulary drugs <sup>a</sup>	46,271
Re-accreditation	3,450
Medical supply inventory	11,949
<b>Total</b>	<b><u>\$305,647</u></b>

<sup>a</sup> Amount does not include any costs waived by the Department as discussed in Finding 5.

Source: Department records.

The complexity of identifying all applicable costs incurred by the Department, specifically costs incurred during the transition of services to the inmate health care services providers, increased the possibility of

costs not being timely and appropriately recovered through provider payment adjustments. However, absent adherence to contract payment requirements, the Department has reduced assurance that inmate health care services costs are being borne by providers in appropriate amounts.

**Recommendation:** We recommend that Department management ensure that all applicable costs are identified and timely and properly recovered from inmate health care services providers in accordance with contract terms.

#### **Finding 7: Contract Monitoring Costs**

The Department's contracts with the inmate health care services providers specified that the providers were responsible for actual Department contract monitoring costs, including the salaries and benefits of contract monitors and other associated expenses such as travel costs. In accordance with the contracts, Department monitoring costs were to be deducted from provider payments.

Our audit disclosed that, for monitoring activities conducted during the period April 2014 through March 2015, the Department reduced inmate health care services provider payments by \$1.7 million. However, while Department salary and benefit costs related to monitoring activities totaled \$1.7 million, the Department incurred other monitoring expenses that were not recovered. These costs included travel costs totaling approximately \$147,431. In response to our audit inquiry, Department management indicated that, to facilitate the providers' request to more appropriately budget contract costs, the Department agreed with the providers on fixed annual reimbursable monitoring costs totaling \$1.7 million.

Notwithstanding the need for the inmate health care services providers to appropriately budget for Department monitoring costs, agreeing to a reimbursement amount less than actual Department costs does not appear to be in accordance with contract terms nor does it allow the Department to recover the actual costs incurred in monitoring the providers.

**Recommendation:** We recommend that Department management ensure that actual contract monitoring costs are recovered in accordance with contract terms.

#### **SELECTED ADMINISTRATIVE ACTIVITIES**

As part of our audit, we also evaluated selected Department administrative activities and controls, including those related to Department tangible personal property and motor vehicle records.

#### **Finding 8: Tangible Personal Property Controls**

Effective controls for the management of tangible personal property<sup>11</sup> require that property items be adequately controlled, safeguarded, and accounted for by Department management. Department of Financial Services (DFS) rules<sup>12</sup> specify that State agencies are to record all tangible personal property with a value or cost of \$1,000 or more and a projected useful life of one year or more in the Florida Accounting Information Resource Subsystem (FLAIR) Property Subsystem.

<sup>11</sup> Property is defined in applicable laws and rules as State-owned equipment, fixtures, and other tangible personal property of a nonconsumable or nonexpendable nature, the value or cost of which is \$1,000 or more and the projected useful life of which is one year or more.

<sup>12</sup> DFS Rule 69I-72.002, Florida Administrative Code.

The FLAIR Property Subsystem facilitates the creation and maintenance of a property file that contains detailed information for each property item. To promote the proper accountability for and safeguarding of tangible personal property, DFS rules<sup>13</sup> require State agencies to complete a physical inventory of all tangible personal property at least once each fiscal year and that agency property records include, among other things, the date each item was last physically inventoried and the condition of the item on that date. DFS rules also require that, upon completion of a physical inventory, information from the inventory be compared to the individual property records. Noted differences are to be investigated and corrected in the property records, as appropriate. Items not located during the inventory process are to be promptly reported to the appropriate custodian and a thorough investigation is to be made. According to Department property records, as of February 27, 2015, the Department had approximately 29,000 items of tangible personal property with acquisition costs totaling approximately \$160 million.

In our report No. 2014-066 (finding No. 1), we noted that the Department did not always ensure that a complete physical inventory of tangible personal property, including the accurate update of Department property records for the inventory results, was timely performed. As part of our audit, we examined Department property records as of February 27, 2015, and found that, although improvements had been made, Department property records included 549 active tangible personal property items with acquisition dates prior to July 1, 2013, for which either no physical inventory date had been recorded in FLAIR or the recorded date preceded the 2013-14 fiscal year. The recorded acquisition costs for these 549 items totaled \$2,017,930.

We selected for further examination 25 of the 549 property items, with acquisition costs totaling \$149,564, to determine the appropriateness of the items' status and physical inventory dates. In response to our audit inquiry, Department management indicated that, for each item, the active status or physical inventory date in the property records required update. Specifically:

- For 3 property items with acquisition costs totaling \$11,860, Department management indicated that the items had been included in a March 2015 physical inventory; however, this inventory occurred approximately 29 months after the last recorded physical inventory for the items.
- For 15 items with acquisition costs totaling \$46,005, the property items were identified as missing on Department *Termination of Property Accountability* forms or on an incident report, prior to, or during, our audit field work.
- For 7 items with acquisition costs totaling \$91,699, the items were certified as surplus on Department *Certification of State Surplus Property* forms prior to, or during, our audit field work.

Periodic inventories and accurate records of tangible personal property are necessary to ensure proper accountability for and safeguarding of State-owned property.

**Recommendation:** We recommend that Department management enhance tangible personal property controls to ensure that a complete annual physical inventory of Department tangible personal property is timely performed and that property records are accurately maintained in accordance with DFS rules.

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<sup>13</sup> DFS Rules 69I-72.003 and 69I-72.006, Florida Administrative Code.

## Finding 9: Motor Vehicle Record Accuracy

State law<sup>14</sup> and Department of Management Services (DMS) rules<sup>15</sup> provide that State-owned motor vehicles are to be used effectively, efficiently, and for official purposes. As part of its State-owned motor vehicle oversight responsibilities, the DMS developed the Florida Equipment Electronic Tracking System (FLEET). FLEET was designed to maintain information about the condition, utilization, cost, fuel consumption, maintenance, and assignment of motor vehicles and watercraft owned, leased, or operated by State agencies.

As of February 27, 2015, the Department maintained approximately 3,179 State-owned motor vehicles that were available for assignment and use by Department personnel. To ensure the proper management and control of the Department's motor vehicles in accordance with State law and DMS rules, the Department established procedures for the procurement, assignment, use, and control of State-owned motor vehicles. Department procedures required drivers to record on a *Vehicle Record* form the following information: departure point, destination, beginning and ending mileage by trip, driver's name, fuel purchases, maintenance and repair expenses, oil and lubricant purchases, and preventative maintenance data. Department procedures specified that the information recorded on monthly *Vehicle Record* forms was to be entered into FLEET by the 15<sup>th</sup> of each month.

In our report No. 2014-066 (finding No. 3), we noted that the Department could not always demonstrate that Department records accurately reflected motor vehicle usage and cost information. As part of our follow-up procedures, we examined FLEET records and the supporting *Vehicle Record* forms for 15 Department motor vehicles and noted that:

- The *Vehicle Record* forms did not always document authorized vehicle usage. Our examination of 53 monthly *Vehicle Record* forms for the 15 selected motor vehicles disclosed 16 instances related to 10 vehicles where mileage, ranging from 21 to 756 miles, was unaccounted for.
- The *Vehicle Record* forms did not always document the amount of fuel acquired. Our examination of 53 monthly *Vehicle Record* forms for the 15 selected motor vehicles and the related FLEET records disclosed 6 instances related to 3 vehicles where the amount of fuel recorded as acquired on the monthly *Vehicle Record* form did not agree with the amount of fuel recorded in FLEET for the corresponding month.

The maintenance of accurate and complete documentation enhances the Department's ability to demonstrate that motor vehicle usage was for authorized purposes and that the costs recorded in FLEET were accurate and properly supported. In addition, accurate and complete motor vehicle information increases Department management's assurance that State-owned motor vehicle usage and operations will be effectively monitored and managed.

**Recommendation:** We again recommend that Department management ensure that all required information is accurately recorded on *Vehicle Record* forms and input into FLEET.

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<sup>14</sup> Section 287.16, Florida Statutes.

<sup>15</sup> DMS Rules, Chapter 60B-1, Florida Administrative Code.

## ***PRIOR AUDIT FOLLOW-UP***

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Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings included in our report No. 2014-066.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2015 through August 2015 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 the Department of Corrections (Department) administration of inmate trust accounts and inmate health care services contracts. The overall objectives of the audit were:

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

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all applicable deficiencies noted in our report No. 2014-066.

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

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in



considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

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

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

In conducting our audit we:

- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines and contract documents, and interviewed Department personnel to gain an understanding of inmate trust accounts, inmate health care services contracts, and fixed capital outlay projects.
- From the population of 120 Department on-site monitoring visits conducted during the period December 2013 through February 2015 at facilities served by the inmate health care services providers, examined Department records for 23 on-site monitoring visits to determine whether the Department adequately and timely monitored the delivery of inmate health care services, timely followed up on deficiencies identified during monitoring, and took timely and appropriate actions if the providers failed to correct deficiencies.
- Examined Department records related to annual contract compliance monitoring of the inmate health care services providers, performed in June 2015, to evaluate whether the Department timely conducted monitoring of provider compliance with other contract requirements.
- Examined Department documentation for five amendments to the inmate health care services provider contracts, executed during the period May 2013 through February 2015, to determine whether the amendments were reasonable, supported by adequate documentation, properly approved, and appropriate in amount.
- From the population of 73 inmate health care services provider invoices, totaling \$419,009,796, for services rendered during the period May 2013 through February 2015, examined Department payment records for 10 selected invoices, totaling \$61,203,346, to determine whether the payments were authorized; the related invoices were timely reviewed; and the payments were timely recorded, correctly coded, appropriate in amount, supported by adequate documentation, and in accordance with applicable laws, rules, contract terms, and other guidelines.
- Analyzed Department records for all adjustments made to inmate health care services provider contract payments during the period May 2013 through February 2015, including adjustments for non-formulary pharmaceuticals costs, telephone charges, radiotherapy charges, off-site transportation costs, and health care inventory charges, to determine whether the adjustments were reasonable and were accurately and timely made.
- From the population of 19,963 inmate release gratuity payments totaling \$997,785 and distributed during the period July 2013 through February 2015, examined Department records for 60 selected inmate release gratuity payments totaling \$2,920 to determine whether the payment amounts were correct and properly authorized and recorded.

- From the population of 50,656 deposits greater than \$200, and totaling \$19,221,243, made into 15,628 inmate trust accounts during the period July 2013 through February 2015, examined Inmate Banking System data and Department records for 60 selected deposits, totaling \$975,388, to determine whether appropriate holds were placed on the funds, appropriate amounts were transferred to the accounts, and the appropriate accounts were credited.
- Examined inmate trust account data and Department records for 60 inmate trust account disbursements, totaling \$432,894 and selected from the inmate trust accounts identified in our examination of deposits, to determine whether the disbursements were authorized based on Department procedures, and whether the disbursements were made in the authorized amounts and to the appropriate payees.
- From the population of 1,347 fixed capital outlay expenditures, totaling \$3,300,927 and made during the period July 2013 through February 2015, examined Department records for 25 selected expenditures, totaling \$2,325,611, to determine whether the related fixed capital outlay projects were properly procured and the expenditures were properly authorized and paid, supported by sufficient documentation, and correctly recorded in Department accounting records.
- From the population of 20 fixed capital outlay projects active during the period July 2013 through February 2015, examined Department monitoring documents related to 4 selected projects to determine whether the Department timely monitored the project-related construction or repairs.
- Analyzed Florida Accounting Information Resource Subsystem records to determine whether Department fixed capital outlay expenditures for the period July 2013 through March 2015, totaling \$3,859,877, had been paid only from funds appropriated for fixed capital outlay projects.
- Evaluated Department actions taken to correct the findings noted in our report No. 2014-066. Specifically, we:
  - Analyzed Department tangible personal property records as of February 27, 2015, and selected for further review, 25 of the 549 active property items, with acquisition costs totaling \$149,564 and acquisition dates prior to July 1, 2013, for which either no physical inventory date had been recorded or the date preceded the 2013-14 fiscal year. For these 25 items, determined whether the Department updated the property records to accurately reflect the latest physical inventory results.
  - From the population of 651 contractual services contracts that were active during the period July 2013 through February 2015, examined Department records for 5 selected contracts to determine whether contract monitoring and follow-up activities were timely performed and appropriately documented in accordance with Department procedures and Department of Financial Services guidelines.
  - From the population of approximately 3,179 motor vehicles maintained by the Department as of February 27, 2015, examined Department and FLEET records for 15 selected vehicles to determine whether Department records accurately reflected motor vehicle usage and cost information.
  - Evaluated selected logical access controls for the Purchase Request System.
- 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***

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



Sherrill F. Norman, CPA  
Auditor General

## MANAGEMENTS REPSONSE

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FLORIDA  
DEPARTMENT of  
CORRECTIONS

Governor

**RICK SCOTT**

Secretary

**JULIE L. JONES**

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501 South Calhoun Street, Tallahassee, FL 32399-2500

<http://www.dc.state.fl.us>

March 29, 2016


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

Dear Ms. Norman:

In accordance with Section 11.45(4)(d), Florida Statutes, I am enclosing the Department's response to the preliminary and tentative findings and recommendations contained in the audit of the Department of Corrections, Inmate Trust Accounts, Inmate Health Care Services Contracts, and Prior Audit Follow-Up. This response reflects the specific action taken or contemplated to address the findings cited in your report.

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

Sincerely,

  
Julie L. Jones  
Secretary

Enclosure

★INSPIRING SUCCESS BY TRANSFORMING ONE LIFE AT A TIME ★

**RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
AUDIT OF THE DEPARTMENT OF CORRECTIONS,  
INMATE TRUST ACCOUNTS, INMATE HEALTH CARE SERVICES  
CONTRACTS, AND PRIOR AUDIT FOLLOW-UP**

**Finding 1: Department controls for monitoring inmate trust accounts for suspicious activity need enhancement.**

**Recommendation:** To better ensure that inmate trust accounts are not used in connection with unlawful activity, we recommend that Department management establish policies and procedures for routinely reviewing inmate trust accounts for suspicious activity.

*Agency Response: The Department concurs with the finding and has established procedures for routinely reviewing inmate trust accounts for suspicious activity and reporting any activity identified to the Office of the Inspector General.*

**Finding 2: Inmate health care service contract providers did not always timely correct performance deficiencies noted during Department on-site monitoring visits.**

**Recommendation:** We recommend that Department management ensure that inmate health care services providers timely correct noted performance deficiencies in accordance with appropriate contract requirements.

*Agency Response: The Office of Health Services adopted a rigorous system for implementing and monitoring Corrective Action Plans (CAPs) related to deficiencies identified in the monitoring visits. The lack of timely corrective action by the contractors was directly related to the number of findings in monitoring reports being much higher than anticipated. The high volume of deficiencies, combined with short time intervals between monitoring events, increased the likelihood that some deficiencies would not be corrected by the time of the next monitoring visit. The Office of Health Services has implemented a new monitoring plan that is designed to address these issues. In this plan, we amplify our oversight in problematic institutions through increased monitoring visits, and we have expanded the role of the contract monitors to provide onsite consultation and technical assistance.*

**Finding 3: The Department did not timely conduct monitoring of inmate health care service provider compliance with certain contract requirements.**

**Recommendation:** We recommend that Department management ensure that monitoring of inmate health care services provider compliance with contract requirements is timely conducted.

**Agency Response:** *The Office of Health Services prepares its annual monitoring plan in May for the upcoming fiscal year. The Corizon contract was not included in the FY 13/14 monitoring plan because Corizon did not take over operations at the institutions listed in their contract until September-October 2013. The annual monitoring of the Corizon contract was conducted in FY 14/15 as that was their first full year of operation. Wexford Health Sources assumed operations at nine (9) institutions in South Florida in March 2013. The Department agrees that an annual monitoring of the Wexford contract should have been completed during FY 13/14. The Department performed the annual monitoring of the Wexford contract during FY 14/15. Both of these providers are on the FY 15/16 monitoring work plan and will be monitored during this fiscal year. The Department will ensure that the comprehensive health care contracts continue to receive the required annual monitoring.*

**Finding 4: The Department did not submit statutorily required contract performance reports to the Governor, the President of the Senate, and the Speaker of the House of Representatives.**

**Recommendation:** We recommend that Department management timely prepare and submit reports detailing contract performance to the Governor, the President of the Senate, and the Speaker of the House of Representatives as required by State law.

**Agency Response:** *During the process of preparing Amendment 5 to the Corizon and Wexford contracts, the Department overlooked the requirement to submit a written report concerning contract performance to the Governor, the President of the Senate, and the Speaker of the House of Representatives at least 90 days before execution of the renewal or amendment. This was simply an oversight. The Office of Health Services will work with the Office of Administration to ensure this requirement is met as applicable in future health services contract amendments.*

**Finding 5: Contrary to contract terms, the Department did not reduce provider payments for the cost of non-formulary pharmaceuticals totaling approximately \$741,000.**

**Recommendation:** We recommend that Department management adjust inmate health care services provider payments for the cost of non-formulary drugs dispensed to inmates in accordance with contract terms or otherwise ensure adequate contract provisions are established exempting providers from payment reductions when specified conditions are met.

**Agency Response:** *The decision to exempt non-formulary drug charges was made to ensure continuity of care for our inmate patients during the transition to the new contractors. This was especially critical for inmates on cancer and rare disease medications. The contractors needed time to evaluate each inmate patient before making any decisions regarding the use of formulary vs. non-formulary medications. Without this transition period, the contractors could have made changes in medications based solely on costs and not on clinical rationale and continuity of care. The Office of Health*

*Services will address the continuity of care issues in all future solicitations in a manner that ensures contract(s) contain appropriate language to address continuity of care issues as well as methods for recuperation of pharmaceutical costs.*

**Finding 6: The Department did not reduce provider payments for certain costs incurred by the Department as specified by the inmate health care services provider contracts.**

**Recommendation:** We recommend that Department management ensure that all applicable costs are identified and timely and properly recovered from inmate health care services providers in accordance with contract terms.

*Agency Response: The Office of Health Services has processes in place to minimize opportunities for error. These processes include multiple reviews by separate individuals. When financial errors are discovered, they will be addressed immediately, and the necessary adjustments will be made in an expeditious manner.*

**Finding 7: The Department did not recover contract monitoring costs in accordance with the inmate health care services provider contracts.**

**Recommendation:** We recommend that Department management ensure that actual contract monitoring costs are recovered in accordance with contract terms.

*Agency Response: The Department established a preliminary budget of \$2.333 million to cover the costs of 25 contract monitor positions. During the RFP protest period, this amount was reduced to \$1.7 million. This is a fixed cost that applies for the life of the comprehensive health care contracts, and is not subject to further negotiation. The Office of Health Services will ensure that all future contracts will contain clear language that allows the Department to recover monitoring costs as specified in the terms of the contract.*

**Finding 8: As similarly noted in our report No. 2014-066, the Department did not always ensure that a complete physical inventory of tangible personal property, including the accurate update of Department property records for the inventory results, was timely performed.**

**Recommendation:** We recommend that Department management enhance tangible personal property controls to ensure that a complete annual physical inventory of Department tangible personal property is timely performed and that property records are accurately maintained in accordance with DFS rules.

*Agency Response: The Department concurs with the finding and is implementing enhanced internal controls to ensure that a complete annual physical inventory of Department tangible personal property is timely performed and that property records are accurately maintained in accordance with DFS rules.*

**Finding 9:** As similarly noted in prior reports, most recently in our report No. 2014-066, the Department could not always demonstrate that Department records accurately reflected motor vehicle usage and cost information.

**Recommendation:** We again recommend that Department management ensure that all required information is accurately recorded on Vehicle Record forms and input into FLEET.

*Agency Response: Vehicle Record forms are completed and entered in the FLEET system by the various drivers of the Department's 3,179 vehicles. To ensure that the forms are accurately completed and entered in the FLEET system, the Department intends to send a directive from Senior Management on the expectation that all relevant documentation be recorded accurately on the required Vehicle Record forms and updated in the FLEET system, as required. Additionally, the Office of Administration, Bureau of Support Services is currently in the process of centralizing the fleet management functions conducted in the Department into one team that reports to a Fleet Administrator within our Bureau. This will assist in ensuring that we have consistent vehicle expense tracking processes throughout the Department. We are also filling two additional positions to assist in FLEET system data entry and enhancing tracking of vehicle usage and expenditures. Finally, the Department is investigating better ways to track work orders and associated vehicle expenditures in a Microsoft Access database or third party software. These records would then be input into FLEET, as required.*

*Improvements to both the manual recording of data through a communication effort, and improvements in the processes and systems used for vehicle expenditure tracking, should improve the consistency of vehicle information included in the FLEET system.*