

**DEPARTMENT OF  
MANAGEMENT SERVICES**

Oversight of Private Correctional Facilities



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Auditor General

## Secretary of the Department of Management Services

The Department of Management Services is established by Section 20.22, 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 Secretary:

Jonathan Satter from February 5, 2019<sup>a</sup>

Erin Rock through January 8, 2019

<sup>a</sup> Position was vacant from January 9, 2019,  
through February 4, 2019

The team leader was David Cain, CPA, and the audit was supervised by Christi Alexander, CPA.

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# DEPARTMENT OF MANAGEMENT SERVICES

## Oversight of Private Correctional Facilities

### ***SUMMARY***

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This operational audit of the Department of Management Services (Department) focused on the oversight of private correctional facilities. Our audit disclosed the following:

**Finding 1:** The Bureau of Private Prison Monitoring (Bureau) did not always issue written notices of noncompliance or document the basis for not issuing notices of noncompliance to private prison providers when continued noncompliance was identified by Bureau monitoring activities. Additionally, Department controls over the issuance of notice letters and adjustment of private correctional facility provider compensation need enhancement to ensure that Department records evidence the basis for issuing or not issuing notice letters and applying provider compensation adjustments.

**Finding 2:** The Bureau had not established policies and procedures for monitoring provider maintenance activities at the private correctional facilities and Bureau monitoring tools were not always completed, Bureau monitoring reports did not evidence supervisory review, written notice of noncompliance was not given to providers, and Bureau records did not evidence that provider deficiencies were timely followed up on or corrective actions were timely implemented.

**Finding 3:** Bureau policies and procedures for, and documentation of, review of the on-site nursing consultant's activities need improvement to demonstrate that health care monitoring services at private correctional facilities are provided in accordance with contract terms. Additionally, Bureau records did not always evidence that appropriate actions were taken in response to the consultant's findings.

**Finding 4:** Bureau monitoring of private correctional facility staffing needs enhancement to ensure that appropriate and qualified staff are assigned to provide for and maintain the security, control, custody, and supervision of inmates.

**Finding 5:** Bureau efforts to review and verify the accuracy and completeness of private correctional facility provider incident reporting need enhancement to ensure that incidents are correctly reported and appropriately handled in accordance with applicable contract provisions and Bureau policies and procedures.

**Finding 6:** The Bureau did not ensure that private correctional facility providers obtained and maintained required insurance coverages.

**Finding 7:** Bureau controls need improvement to ensure that audited provider Inmate Bank and Commissary financial statements are timely received and appropriately reviewed.

### ***BACKGROUND***

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Pursuant to State law,<sup>1</sup> the Department of Management Services (Department), Division of Specialized Services (Division), Bureau of Private Prison Monitoring (Bureau), is responsible for overseeing the

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<sup>1</sup> Section 957.04, Florida Statutes.

State’s private prison system and ensuring private correctional facility compliance with contract terms and conditions. For the 2020-21 and 2021-22 fiscal years, the Legislature appropriated approximately \$2.9 million and \$3 million, respectively, for private prison monitoring and authorized 15 Bureau positions.<sup>2</sup>

The Bureau contracted with three providers, CoreCivic of Tennessee, LLC (CoreCivic); GEO Group, Inc. (GEO); and Management and Training Corporation (MTC), to operate and manage the seven private correctional facilities located throughout the State. Table 1 summarizes, by provider, information regarding the private correctional facilities managed, including the contract period and contract amounts. During the period July 2018 through June 2021, the Bureau oversaw contracts totaling approximately \$1.7 billion.

**Table 1**  
**Private Correctional Facility Contracts**  
**Active During the Period July 2018 Through June 2021**

Provider	Correctional Facility/ Contract Numbers	Contract Begin Date	Original Contract End Date	Amended Contract End Date	Original Contract Amount	Total Contract Amount <sup>a</sup> as of 06-30-2021
CoreCivic	Lake City Youthful Offender Facility (DMS 08/09-076)	07-31-2009	06-30-2012	06-30-2022	\$ 59,495,925	\$ 251,265,837
GEO	Bay Correctional Facility (DMS 13/14-009A)	02-01-2014	01-31-2017	07-31-2021	47,511,229	123,815,095
	Blackwater River Correctional Facility (DMS 08/09-026)	11-01-2010	10-31-2013	10-03-2021	91,980,000	344,896,601
	Graceville Correctional Facility (DMS 12/13-010)	02-01-2014	01-31-2017	08-31-2021	74,060,982	195,960,413
	Moore Haven Correctional Facility (DMS 13/14-009B)	02-01-2014	01-31-2017	06-30-2021	47,187,656	121,315,511
	South Bay Correctional Facility (DMS 08/09-077)	07-01-2009	06-30-2012	12-31-2022	225,033,702	587,248,052
MTC	Gadsden Correctional Facility (DMS 17/18-025)	02-01-2018	07-31-2019	07-31-2019	29,697,228	30,299,924
	Gadsden Correctional Facility (DMS 17/18-023)	08-01-2019	06-30-2021	06-30-2022	41,241,000	42,232,600
<b>Totals</b>					<b><u>\$616,207,722</u></b>	<b><u>\$1,697,034,033</u></b>

<sup>a</sup> Total contract amount includes the original contract amount, applicable contract renewals, extensions, and amendments (e.g., increases in per diem rates) made through June 30, 2021.

Source: Department and Florida Accountability Contract Tracking System records.

**EXHIBIT A** to this report provides additional private correctional facility location and demographic information.

<sup>2</sup> Chapters 2020-111 and 2021-36, Laws of Florida.

# ***FINDINGS AND RECOMMENDATIONS***

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## **Finding 1: Provider Monitoring**

The Bureau designated an on-site contract monitor (OCM) at each private correctional facility and, through various monitoring activities including monthly and quarterly reviews, was to determine whether private correctional facility provider programs and services were delivered in accordance with contract terms. Department guidance specified that provider programs and services were to be evaluated by the Bureau using a standard set of contract performance indicators (CPIs)<sup>3</sup> that included areas such as classification, grievances, academic and vocational programs, health care, mental health and substance abuse services, employee training, safety, and security. If a deficiency was noted, the Bureau was to determine based on the severity of the deficiency whether written notice of noncompliance should be issued to the provider notifying the provider that they had 20 days to correct the deficiency and provide a corrective action plan (CAP). Adjustments to provider compensation could occur once the CAP was accepted or, if a noncompliance issue was not resolved within the established time frame, at which time the provider was notified by an official notice letter.

As part of our audit, we examined various monitoring records, including 14 of the 140 monthly CPI tools and 7 of the 42 quarterly CPI tools completed by the Bureau during the 20-month period July 2018 through February 2020. Our examination found that, for the issues subsequently described, the Bureau did not issue written notices of noncompliance to providers or did not document the basis for not issuing notices when continued noncompliance was identified. Specifically:

### Monthly CPI Tools

- MTC did not follow up on maintenance issues noted by the OCM at the Gadsden Correctional Facility for 17 months (October 2018 through February 2020), maintain appropriate vehicle utilization logs for 3 months (September 2018 through November 2018), or provide key personnel proper radio equipment for 3 months (May 2019 through July 2019). Additionally, Bureau monitoring records indicated that MTC could not demonstrate that key security personnel had received appropriate training in accordance with Department of Corrections (DOC) requirements for 5 months (September 2019 through January 2020).
- GEO did not maintain adequate levels of security personnel at the Graceville Correctional Facility for two 3-month periods (March 2019 through May 2019) and (July 2019 through September 2019), nor properly maintained the fire safety system for 3 months (August 2018 through October 2018).
- Contrary to contract requirements, GEO did not provide the OCM for the Moore Haven Correctional Facility staffing information for 3 months (April 2019 through June 2019).

### Quarterly CPI Tools

- MTC did not adequately update the certified correctional staff training system for 2 consecutive quarters (January 2019 through June 2019).
- GEO did not provide adequate education services at the Bay Correctional Facility for 3 consecutive quarters (April 2019 through December 2019).

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<sup>3</sup> CPIs were based on the terms and conditions of the contract, State law, Department of Corrections policies and procedures, and American Correctional Association Standards.

- GEO did not accurately report information regarding inmate participation in substance abuse programs at the South Bay Correctional Facility for 2 consecutive quarters (July 2018 through December 2018).

In response to our audit inquiry, Bureau management indicated that working with and addressing provider concerns contributed to written notices of noncompliance not being issued.

Our reviews of Bureau policies and procedures and interviews with Department and Bureau management disclosed that, during the period July 2018 through July 2019, several changes were made to the notice letter process. Specifically:

- Prior to July 2018, notice letters were handled by the Bureau. Notice letters were recommended by Bureau staff to the Bureau Chief, who reviewed and approved or denied issuance of the notice letters.
- In July 2018, responsibility for final notice letter decisions was shifted to the Division. Consequently, notice letters were first sent to the Bureau Chief for review and initial approval or denial and then forwarded to the Division Director for final review and approval or denial.
- Beginning July 2019, the Division Director was required to route the notice letters for approval or denial through the Department’s Legal Division and senior management that included the Department Secretary, Deputy Secretary, and Chief of Staff.

We examined all notice letters issued by the Department to private correctional facility providers during the period July 2017 through February 2020 that included adjustments to provider compensation. As shown in Table 2, our examination disclosed that, as the Department notice letter process evolved, both the number of notice letters issued to providers and the number and amount of adjustments to provider compensation significantly decreased, from 33 notice letters issued with compensation adjustments totaling \$484,750 during the 2017-18 fiscal year to 12 notice letters issued with compensation adjustments totaling \$58,500 during the 2018-19 fiscal year.

**Table 2**  
**Notice Letters Issued and Provider Compensation Adjustments**  
**July 2017 Through February 2020**

Provider	Correctional Facility	July 2017 – June 2018		July 2018 – June 2019		July 2019 – February 2020	
		Notice Letters	Adjustment Amount	Notice Letters	Adjustment Amount	Notice Letters	Adjustment Amount
CoreCivic	Lake City Youthful Offender Facility	3	\$ 22,500	-	\$ -	1	\$ 5,000
GEO	Bay Correctional Facility	-	-	-	-	-	-
	Blackwater River Correctional Facility	8	77,750	1	5,000	-	-
	Graceville Correctional Facility	7	47,500	-	-	-	-
	Moore Haven Correctional Facility	3	42,500	2	17,500	1	10,000
	South Bay Correctional Facility	5	27,000	1	6,000	2	8,500
MTC	Gadsden Correctional Facility	7	267,500	8	30,000	-	-
<b>Totals</b>		<b>33</b>	<b>\$484,750</b>	<b>12</b>	<b>\$58,500</b>	<b>4</b>	<b>\$23,500</b>

Source: Department records.

We also found that policies and procedures for the notice letter process were not revised to reflect the process changes and documentation evidencing Division or Department approvals or denials of notice letters and the basis for such decisions was limited and, at times, not available for our review. For

example, while Bureau monitoring records evidenced significant noncompliance related to security staffing by GEO at the Bay Correctional Facility<sup>4</sup> and the Bureau recommended withholding \$180,000 from GEO, the Division Director denied the withholding without documenting for the public record the basis for the denial.

Similar security staffing noncompliance was noted in Bureau monitoring records for GEO at the Blackwater Correctional Facility,<sup>5</sup> as well as that GEO withheld time sheet information from the Bureau and, consequently, the Bureau could not verify overtime data pursuant to contract requirements. According to Bureau monitoring records, after a notice of noncompliance was sent to GEO for withholding the time sheet information, GEO appealed and senior Department management addressed the issue with senior GEO management. However, Bureau records did not evidence resolution of the issue. Further, Bureau monitoring records indicated that, while a notice of noncompliance was sent to GEO for the security staffing issues, a week later the Division Director placed a hold on the notice and e-mail records indicated that the Division Director did not concur with the notice for a number of reasons, including that GEO was working to increase staffing and had been requested to provide a recruiting plan and timeline to ensure that staffing deficiencies were addressed.

Although we requested, Department management was unable to provide an explanation for why such documentation was not always available to evidence decisions made.

Absent the issuance of written notices of noncompliance for continued contractual noncompliance or documentation evidencing the basis for Department decisions to not issue such notices, Department management's ability to demonstrate that private correctional facility providers are subject to appropriate oversight and contract compliance is limited. Further, written policies and procedures that reflect current processes and documentation of Department decisions promotes transparency and ensures consistent monitoring and enforcement of contract terms.

**Recommendation: We recommend that, when warranted by monitoring findings, the Department issue written notices of noncompliance to private correctional facility providers. Further, to promote transparency and ensure consistent monitoring and enforcement of contract terms, we recommend that Department management enhance policies and procedures and retain documentation evidencing Department decisions.**

## **Finding 2: Facility Maintenance Monitoring**

Pursuant to contracts with the Bureau, the providers operating and managing the seven private correctional facilities located throughout the State were to:

- Provide an environmentally clean, healthy, and safe facility for both employees and inmates.

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<sup>4</sup> According to Bureau monitoring records, GEO did not meet DOC security personnel requirements for 13 months (January 2019 through January 2020) and did not provide adequate levels of security and trained personnel for 9 months (February 2019 through October 2019).

<sup>5</sup> According to Bureau monitoring records, GEO did not maintain adequate levels of security personnel for 11 months (August 2018 through June 2019) and did not meet minimum staffing requirements for critical security personnel for 5 months (February 2019 through June 2019).

- Maintain the physical structure of the facility and all tangible personal property contained therein, including leased furnishings and equipment, including all maintenance related to structural conditions or defects as well as ordinary routine maintenance.
- Maintain, preserve, and keep the facility and the leased furnishings and equipment in good repair, working order and condition, subject to normal wear and tear, and promptly make or cause to be made all necessary and proper repairs.

As part of our evaluation of Bureau monitoring activities, we interviewed Bureau management and examined Bureau records for 7 of the 28 facility maintenance monitoring engagements conducted by the Bureau during the period July 2018 through February 2020. We found that the Bureau had not established policies and procedures for maintenance monitoring and that the absence of such policies and procedures may have contributed to:

- Bureau monitoring tools not being used for 2 of the selected maintenance monitoring engagements.
- Monitoring reports for the 7 selected maintenance monitoring engagements not evidencing supervisory review.
- Bureau records for the 7 selected maintenance monitoring engagements evidencing provider noncompliance, but not:
  - Written notice of noncompliance to the providers.
  - Documentation submitted by the provider supporting that timely corrective action had been taken.
  - Documentation supporting that the Bureau timely followed up to ensure that corrective actions had been implemented.

The noncompliance issues noted during the maintenance monitoring engagements included plumbing leaks and fixtures identified with broken or missing components, multiple trouble codes present on fire alarm control panels, and certain security-related deficiencies.

In response to our audit inquiry, Bureau management indicated that the Bureau's maintenance monitoring process had not been formalized and that management was in the process of developing policies and procedures. Bureau management further indicated in April 2022 that maintenance monitoring had not been conducted since September 2020 when the responsible monitor separated from Department employment. However, a new monitor had been hired and monitoring was to resume in a few weeks.

Effective facility maintenance monitoring evaluates whether contract requirements are being met and identifies problems as early as possible so that corrective actions may be timely initiated. Absent written facility maintenance monitoring policies and procedures, the risk is increased that monitoring may not be appropriate or performed in accordance with management's expectations.

**Recommendation: We recommend that Bureau management continue efforts to establish facility maintenance monitoring policies and procedures and ensure that:**

- **Maintenance monitoring is routinely conducted within reasonable time frames.**
- **Monitoring tools are completed for all engagements.**
- **Monitoring reports are subject to supervisory review and, when appropriate, written notices of noncompliance are provided to providers.**
- **Follow-up is timely conducted to ensure identified deficiencies are promptly corrected.**



### **Finding 3: Monitoring of Health Care Services**

Effective contract administration includes monitoring to assess contractor compliance with applicable contract provisions, laws, and regulations, and to provide a means for early detection of performance problems. In November 2018, the Department contracted with an on-site nursing consultant for the assessment of correctional health care services, including physical, mental health, substance abuse, dental, pharmacy, and related services delivered to inmates in private correctional facilities. Pursuant to the contract, the consultant was, among other things, to:

- Participate in planning strategy sessions with the Bureau to coordinate the annual monitoring schedule and evaluate, review, develop, and update the health care CPI monitoring tool as needed.
- Complete on-site monitoring at each of the seven private correctional facilities at least three times a year, with the first on-site monitoring to be completed on or before October 31 of each fiscal year. Third visits were to be completed by April 30.
- Collect and analyze evaluation data from each facility, assess the effectiveness of program services by interpreting the data collected from the evaluation, and prepare and submit to the Bureau within 10 days of an on-site visit a completed health care CPI monitoring tool and executive summary documenting the results from each on-site monitoring visit.
- Perform a quarterly electronic search of each health care employee's licensure status via the State's License Verification database and provide, within 15 days from the end of each quarterly review, a written report of the search results to the Bureau.

For each private correctional facility, the Bureau was to review the consultant-completed health care CPI monitoring tool and executive summary and notify the facility of the on-site monitoring results. If performance problems were identified by the consultant, the Bureau was responsible for issuing notice letters to ensure that facilities took appropriate and timely corrective actions. As similarly noted in Finding 1, if a CPI remained noncompliant, the Bureau was to notify the provider in writing that they had 20 days to correct the deficiency and provide a CAP. Adjustments to provider compensation could occur once the CAP was accepted or if a noncompliance issue was not resolved within the established time frame. During the period July 2018 through February 2020, the on-site nursing consultant conducted 34 quarterly monitoring visits at the seven private correctional facilities.

We evaluated Bureau processes and procedures for monitoring the on-site nursing consultant for compliance with applicable contract provisions, laws, and regulations, and found that the Bureau had neither established policies and procedures for reviewing whether the consultant satisfied all contract deliverables nor a mechanism to track Bureau review of consultant-completed health care CPI monitoring tools and executive summaries. The absence of such controls may have contributed to the issues noted on audit. Specifically:

- Our examination of records for 9 of the 34 monitoring visits disclosed that the health care CPI monitoring tools and executive summaries for 8 of the 9 monitoring visits did not evidence Bureau review. According to Bureau management, the tools and summaries had been reviewed, but the review dates and reviewer names were not recorded and will be added to review documents going forward.
- For the 25 monitoring visits during which the consultant noted deficiencies, Bureau records did not evidence that:

- The Bureau sent notice letters to the providers with deficiencies noted during 4 of the monitoring visits.
- The Bureau obtained from providers CAPs related to deficiencies noted during 5 of the monitoring visits.
- Bureau CAP acceptance or denial decisions were made for 9 of the monitoring visits.
- The Bureau followed up on 9 of the monitoring visits to ensure that corrective actions were implemented by the private correctional facility provider.
- During the period July 2018 through February 2020, the consultant performed only four of the seven required quarterly electronic searches for licenses of health care employees at the Bay, Gadsden, and Graceville Correctional Facilities and five of the seven required license searches at the Blackwater, Lake City, Moore Haven, and South Bay Correctional Facilities. Bureau management indicated that the consultant usually performed license searches three times a year, not quarterly, in conjunction with the nurse's on-site monitoring visits.
- Contrary to contract requirements, the consultant's health care CPI tools and executive summaries documenting the results of each monitoring visit were not always provided to the Bureau within 10 days of a monitoring visit. Specifically, consultant health care CPI monitoring tools and executive summaries for monitoring visits at the Gadsden Correction Facility and the South Bay Correctional Facility were provided 32 and 88 days, respectively, after the visits were conducted.

Without policies and procedures for, and adequate documentation evidencing, review of the on-site nursing consultant's activities and appropriate Bureau follow-up actions, the Department cannot clearly demonstrate that contractual services were provided in accordance with contract terms, contract deliverables were adequately received, or appropriate actions were taken in response to the consultant's findings.

**Recommendation:** We recommend that Bureau management establish policies and procedures for assessing the on-site nursing consultant's satisfaction of contract deliverables and a mechanism to track the Bureau's review of the consultant's health care CPI monitoring tool and executive summary. Additionally, we recommend that Bureau management enhance controls to ensure that:

- Bureau records evidence review of consultant health care CPI monitoring tools and executive summaries.
- Bureau records evidence that appropriate actions are taken in response to the consultant's findings.
- Health care employee license searches are conducted in accordance with contract terms.
- Consultant health care CPI monitoring tools and executive summaries are timely submitted.

#### **Finding 4: Monitoring of Facility Staffing**

State law<sup>6</sup> provides that State agencies are responsible for enforcing the terms and conditions of all contracts and ensuring that deliverables are appropriately satisfied. Pursuant to contracts with the Bureau, providers were to at all times provide sufficient, trained staff to provide for and maintain the

<sup>6</sup> Section 287.057, Florida Statutes.

security, control, custody, and supervision of inmates of the facility in compliance with applicable court orders, American Correctional Association Standards, and the contract. The provider was to, among other things, maintain or provide as applicable:

- An organization chart that included all positions within the facility, indicating which positions were certified, critical complement, and mission critical.
- A staffing pattern approved by the Department's contract manager prior to the service commencement date. Any modifications to the position requirements or the staffing patterns had to be approved in writing by the Department's contract manager. All name changes were to be sent to the OCM and noted on the Position Control Logs monthly.
- A finalized chart for each shift (i.e., daily shift rosters) indicating critical complement and positions required to be filled.
- A bi-weekly report that listed the number of hours each certified officer and temporary officer worked during the pay period. Part-time correctional officers could be used if they were fully trained and licensed. However, the use of part-time correctional officers was limited to a maximum of 32 hours per officer, per week, and a total not to exceed 1,440 hours per week for the facility. Full-time correctional officers were limited to no more than 32 hours of overtime in any 2-week period unless the provider had requested and was granted an exception to the limit by the Bureau.
- Records of participation in and compliance with the provisions of the Employment Eligibility Verification Program (E-Verify Program),<sup>7</sup> including participation by provider subcontractors as applicable.
- A file containing job descriptions for each position included in the staffing pattern along with documentation of the facility's annual review of the job descriptions.

As part of our audit, we evaluated Bureau processes and examined Bureau records for assessing provider compliance with facility staffing requirements during the period July 2018 through February 2020. We found that the Bureau had not established policies and procedures to address the specific criteria and methods used to assess provider compliance or the Bureau monitoring documentation to be retained, which may have contributed to the issues noted on audit. Specifically, we found that:

- For August 2, 2018, and April 27, 2019, the applicable bi-weekly staffing reports were not available to evidence the number of hours worked by employees at the Moore Haven Correctional Facility. Additionally, for a Graceville Correctional Facility report, Bureau records did not evidence that an exception had been granted for a full-time employee's overtime work that exceeded by 7.45 hours the 32 hours per officer, per 2-week contract provision.
- 3 of the 14 daily shift rosters included in our audit testing were not available to evidence whether the appropriate number of qualified employees were on duty (Bay Correctional Facility on July 4, 2019, and the Moore Haven Correctional Facility on August 2, 2018, and April 27, 2019).
- Bureau records did not evidence verification of each providers' participation in and compliance with the E-Verify Program.

According to Bureau management, the methods used to assess provider performance and document Bureau monitoring activities varied by OCM. Further, Bureau management indicated that the Bureau did not maintain a central repository of the records received from the facilities and, instead, permitted OCMs

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<sup>7</sup> The E-Verify Program is administered by the United States Department of Homeland Security.

to retain their records via e-mail or other means. Consequently, because the OCM assigned to the Moore Haven Correctional Facility retired in January 2021, the Bureau's access to the records requested on audit was limited. Additionally, Bureau management indicated that the OCMs were to verify provider E-Verify Program participation via a sample at each facility, but documentation of such testing was not always maintained. Bureau management indicated that the CPI tool would be revised to include specific criteria and documentation requirements necessary to satisfy E-Verify Program participation and compliance.

Policies and procedures that address the conduct of monitoring activities and adequate CPI tools reduce the risk of inconsistent and ineffective monitoring techniques and outcomes and provide additional assurance that evidence demonstrating the conduct and results of monitoring efforts is appropriately prepared and retained.

**Recommendation: We recommend that Bureau management enhance CPI tools and establish facility staffing monitoring policies and procedures. Such policies and procedures should specify the manner in which Bureau monitoring activities are to be conducted and documented.**

#### **Finding 5: Incident Reporting**

Contract provisions required providers to adhere to Department and DOC policies and procedures related to incident reporting. Specifically, private correctional facility providers were required to submit to the DOC reports on reportable incidents, including inmate altercations with facility staff and incidents that required outside medical attention. Incident reports were to be uploaded to the DOC's Management Information Notification System (MINS) and were to contain several data points, including the names of the parties involved, a description of the incident, and corrective actions taken.

As part of our audit, we examined Bureau records for 60 of the 6,253 incidents reports uploaded to MINS by private prison providers during the period July 2018 through February 2020 and found that, as part of the Bureau's facility oversight responsibilities, the Bureau did not verify the accuracy or completeness of incident report information. Specifically, we noted that:

- 46 of the selected incident reports did not include the corrective actions taken.
- Department records did not evidence that the Bureau reviewed or verified the information included in the 60 selected incident reports, or determined whether the incidents were correctly reported and appropriately handled by the provider in accordance with applicable contract provisions and policies and procedures.

According to Bureau management, incident reports were not always verified for completeness and accuracy in MINS by the Bureau due to the high volume of incidents and limited resources.

Absent documented review and verification of the accuracy and completeness of incident report information and actions to evaluate provider actions related to the reported incidents, the Department has reduced assurance that providers correctly report and handle incidents in accordance with applicable contract provisions and policies and procedures.

**Recommendation: We recommend that Department management review and verify the accuracy and completeness of incident report information and take appropriate actions to evaluate**

provider actions. Such review, verification, and evaluation efforts should be documented in Department records.

**Finding 6: Insurance Coverages**

State law<sup>8</sup> requires private correctional facility providers to provide the Department proof of satisfactory insurance coverage in amounts determined by the Department. Table 3 depicts, by insurance type, the minimum coverage per occurrence and minimum yearly aggregate coverage amounts as outlined in each provider’s private correctional facility contract with the Department.

**Table 3  
Required Insurance Coverages**

Coverage	Required Insurance Coverage Amounts		
	Per Occurrence	Yearly Aggregate	Additional Insured
General Liability (to include fire and legal liability)	\$2,000,000	\$10,000,000	Yes <sup>a</sup>
Civil Rights Liability	\$2,000,000	\$5,000,000	Yes <sup>a</sup>
Vehicle Liability	\$2,000,000	N/A	No
Employee Dishonesty	\$50,000	N/A	No
Workers’ Compensation	Specific to Contract	N/A	No
Professional Liability	\$2,000,000	\$5,000,000	No
Umbrella Liability (to include premises liability)	\$10,000,000	\$35,000,000	No
Contractual Liability	\$2,000,000	\$10,000,000	Yes <sup>a</sup>
Environmental Impairment Liability	\$1,000,000	\$2,000,000	Yes <sup>a</sup>
Boiler and Machinery (to include business interruption)	\$1,000,000	N/A	No
Property	Full Value	N/A	Yes <sup>a</sup>

<sup>a</sup> The State and the Department are to be included as additional insureds.

Source: Department records.

To assess whether the Department ensured that private correctional facility providers obtained and maintained required insurance coverages, we examined certificates of insurance for the three private correctional facility providers and found that during the 20-month period July 2018 through February 2020:

- GEO had not obtained and maintained the minimum per occurrence coverage or the minimum aggregate coverage amounts for general liability, employee dishonesty, professional liability, umbrella liability (including premises liability), contractual liability, and property. Additionally, the general liability insurance policy did not include fire or legal liability coverage and the environmental impairment liability did not name the State and Department as additional insureds.
- MTC had not obtained and maintained the minimum per occurrence coverage or the minimum aggregate coverage amounts for general liability, civil rights liability, vehicle liability, employee dishonesty, workers’ compensation, professional liability, umbrella liability (including premises liability), contractual liability, environmental impairment liability, and property for periods ranging

<sup>8</sup> Section 957.04(1)(b), Florida Statutes.

from 3 to 20 months. Additionally, for the 17 months the general liability insurance policy was in effect, the policy did not include fire or legal liability coverage nor name the State and Department as additional insureds.

- CoreCivic had not obtained and maintained the minimum per occurrence coverage or the minimum aggregate coverage amounts for civil rights liability, employee dishonesty, professional liability, contractual liability, environmental impairment liability, boiler and machinery, and property for periods ranging from 11 to 20 months. Additionally, the general liability insurance policy did not include fire or legal liability coverage or list the State and Department as additional insureds, the umbrella liability policy did not include premises liability coverage, and the boiler and machinery liability policy did not include business interruption coverage.

In response to our audit inquiry, Bureau management indicated that the Bureau's review of insurance coverages did not include a comparison of the providers' certificates of insurance to contract requirements.

Appropriate insurance coverage mitigates the Department's risk of loss in the event of an occurrence causing injury to a person or damage to property.

**Recommendation: We recommend that Bureau management enhance insurance review processes to verify that private correctional facility providers obtain and maintain required insurance coverages.**

#### **Finding 7: Inmate Bank and Commissary Financial Statements**

Bureau contracts required providers to provide the Bureau audited financial statements that clearly distinguished between Inmate Bank and Privately Operated Institutions Inmate Welfare Trust Fund (Commissary) accounts no later than January 31 or October 1 each year, depending on the provider's fiscal year. Pursuant to State law<sup>9</sup> and contract terms, providers are to maintain Inmate Bank funds separate and apart from other funds, and Commissary account funds (e.g., net proceeds derived from operating inmate canteens, vending machines used primarily by inmates, receipts from telephone commissions, interest earned on the account) are to be expended only pursuant to legislative appropriation.

To ensure that audited financial statements are timely received and appropriately reviewed and corrective actions are taken for applicable findings, an effective review process is essential. Such a review process should include written policies and procedures and checklists to facilitate review of the financial statements; a method to track financial statements that are due, received, and reviewed; documentation of Bureau actions to obtain financial statements not received; and required actions to follow up on noncompliance or other auditor-noted deficiencies.

As part of our audit, we interviewed Bureau management, evaluated Bureau controls, and examined Bureau records for 14 (7 Inmate Bank and 7 Commissary) of the 28 financial statements due to and received by the Bureau during the period July 2018 through February 2020. Our audit procedures found that the Bureau had not established policies and procedures for reviewing Inmate Bank and Commissary financial statements. The absence of established policies and procedures may have contributed to the other issues noted on audit, specifically:

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<sup>9</sup> Section 945.215, Florida Statutes.

- Bureau records did not evidence review for any of the 14 selected financial statements.
- For 9 (5 Inmate Bank and 4 Commissary) of the 14 selected financial statements, Bureau staff did not record the date the financial statements were received, thus inhibiting the Bureau's ability to demonstrate that the statements were timely received from the providers.
- For the 2 Inmate Bank and 3 Commissary financial statements that Bureau staff recorded the dates received, one provider submitted an Inmate Bank and a Commissary financial statement 57 days after the October 1 due date.

According to Bureau management, staff turnover contributed to the Bureau not documenting when certain financial statements were received or reviewed.

Absent a documented review process, including applicable policies and procedures, the Department's assurance that audited provider Inmate Bank and Commissary financial statements are timely received and appropriately reviewed is minimized and noncompliance or deficiencies noted by the auditors may not be promptly followed up on and resolved.

**Recommendation: We recommend that Bureau management establish an effective audited financial statement review process that includes written policies and procedures and checklists to facilitate review of the financial statements; a method to track financial statements that are due, received, and reviewed; documentation of Bureau actions to obtain financial statements not received; and actions to follow-up on noncompliance or other deficiencies noted by auditors.**

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

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

We conducted this operational audit from April 2020 through September 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Department of Management Services (Department) focused on the oversight of private correctional facilities. 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 other guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

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

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

In conducting our audit, we:

- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of the oversight of private correctional facilities.
- Obtained an understanding of selected Department information technology (IT) controls, assessed the risks related to those controls, evaluated whether selected general IT controls for the Private Prison Accountability Log and Management System were in place, and tested the effectiveness of the selected controls.
- Examined the seven private correctional facility provider contracts in effect during the period July 2018 through February 2020 and related records to determine whether Department contract procurements, extensions, renewals, and amendments made over the life of each contract, and the contract documents, were in accordance with Chapter 957, Florida Statutes, and other applicable laws, rules, and regulations, and whether the providers obtained and maintained adequate insurance coverages.
- From the population of 138 contract payments, totaling \$246,494,364, made to private correctional facility providers during the period July 2018 through February 2020, examined 14 selected contract payments (2 from each of the 7 correctional facilities), totaling \$25,769,515, to determine whether the payments were made in accordance with contract provisions and applicable laws, rules, and regulations.



- From the population of 28 (14 Inmate Bank and 14 Commissary) audited financial statements received by the Department from private correctional facility providers during the period July 2018 through February 2020, examined 14 (7 Inmate Bank and 7 Commissary) selected audited financial statements to determine whether the audited financial statements were in accordance with contract provisions and timely received, appropriately reviewed, and followed up on, if necessary, for noted findings.
- Examined Department records for the 7 private correctional facilities under contract with the Department during the period July 2018 through February 2020 to determine whether the providers maintained American Correctional Association accreditation for the facilities.
- Examined Department records for 14 (2 from each of the 7 private correctional facilities) of the 140 on-site monthly monitoring engagements conducted by the Department during the period July 2018 through February 2020 to determine whether the engagements were completed in accordance with Chapter 957, Florida Statutes, applicable policies and procedures, and contract provisions.
- Examined Department records for 7 (1 from each of the 7 private correctional facilities) of the 42 quarterly monitoring engagements conducted by the Department during the period July 2018 through February 2020 to determine whether the engagements were completed in accordance with Chapter 957, Florida Statutes, applicable policies and procedures, and contract provisions.
- Examined Department monitoring records for all 34 monitoring engagements conducted by the on-site nursing consultant during the period July 2018 through February 2020 to determine whether the Bureau had established policies and procedures for monitoring the consultant for compliance with applicable contract provisions, laws, and regulations, and a mechanism to track Bureau review of consultant completed health care CPI monitoring tools and executive summaries.
- Examined Department records for 9 of the 34 monitoring engagements conducted by the on-site nursing consultant during the period July 2018 through February 2020 to determine whether the engagements were completed in accordance with Chapter 957, Florida Statutes, applicable policies and procedures, and contract provisions.
- Examined Department records for 7 (1 from each of the 7 private correctional facilities) of the 28 maintenance monitoring engagements conducted by the Department during the period July 2018 through February 2020 to determine whether the engagements were completed in accordance with Chapter 957, Florida Statutes, applicable policies and procedures, and contract provisions.
- From the population of 138 invoices and corresponding monthly Position Control Logs submitted by providers to the Bureau during the period July 2018 through February 2020, examined 14 selected invoices and corresponding monthly Position Control Logs (2 from each of the 7 private correctional facilities) to determine whether facility staffing levels were in accordance with applicable contract provisions.
- From the population of 6,253 incident reports uploaded by providers to the Department of Corrections Management Information Notification System during the period July 2018 through February 2020, examined 60 selected incident reports to determine whether the reports were completed in accordance with applicable contract provisions and policies and procedures.
- Examined all notice letters issued by the Department during the period July 2017 through February 2020 that included adjustments to provider compensation to determine whether the adjustments were appropriately assessed in accordance with applicable laws, contract provisions, and other guidelines.

- Analyzed workers' compensation reports for injuries that occurred at the seven private correctional facilities during the period July 2018 through February 2020 to determine whether incidents were reported in accordance with Department policy.
- Analyzed Position Control Log data for the seven private correctional facilities for the period July 2018 through February 2020 to determine whether position vacancies and position vacancy days were accounted for in accordance with contract terms.
- Analyzed monthly Man-Day Billing reports for the seven private correctional facilities for the period July 2018 through February 2020 to determine whether private correctional facility occupancy rates did not exceed capacity and whether total private correctional facility inmate counts were adjusted to alter per diem rates.
- 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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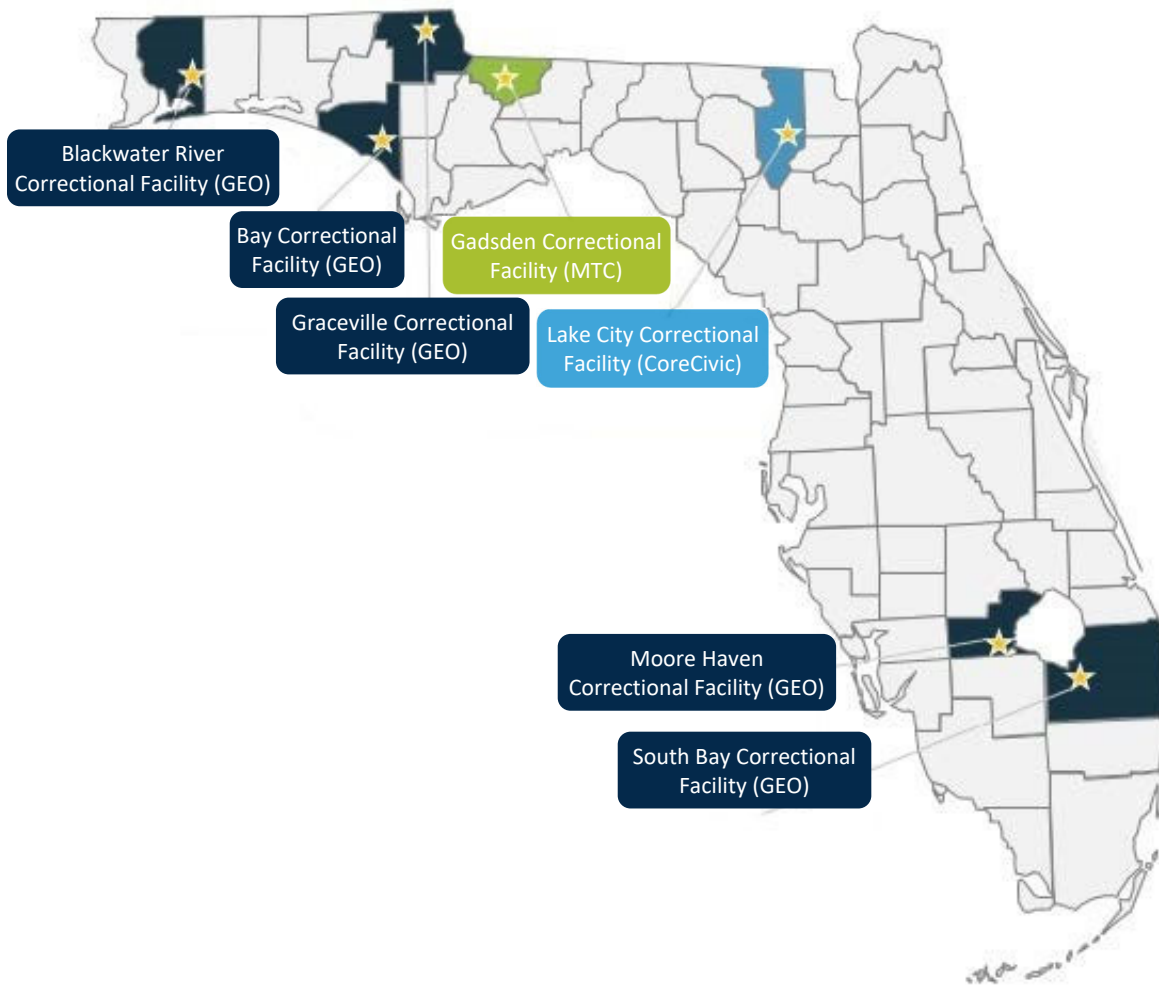
Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# EXHIBIT A

## PRIVATE CORRECTIONAL FACILITY LOCATIONS AND DEMOGRAPHICS



Source: Department records.

Provider	Correctional Facility	Capacity	Population Gender	Adult or Youthful
CoreCivic	Lake City Youthful Offender Facility	894	Male	Youthful Offenders (Age 18 – 24)
GEO	Bay Correctional Facility	985	Male	Adult
	Blackwater River Correctional Facility	2,000	Male	Adult
	Graceville Correctional Facility	1,884	Male	Adult
	Moore Haven Correctional Facility	985	Male	Adult
	South Bay Correctional Facility	1,948	Male	Adult
MTC	Gadsden Correctional Facility	1,544	Female	Adult

Source: DOC Web site, April 2022.

# MANAGEMENT'S RESPONSE

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4050 Esplanade Way  
Tallahassee, FL 32399  
850-488-2786

**Ron DeSantis, Governor**  
J. Todd Inman, Secretary

June 24, 2022

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

Dear Ms. Norman:

Pursuant to subsection 11.45(4)(d), Florida Statutes, enclosed is our response to your operational audit of oversight of private correctional facilities. Our responses correspond with the findings and recommendations contained in the preliminary and tentative findings.

If further information is needed concerning our response, please contact Sarah Beth Hall, Inspector General, at 850-488-5285.

Sincerely,

J. Todd Inman  
Secretary

JTI/mc

Enclosure

cc: Patrick Gillespie, Deputy Secretary of Business Operations  
Raymond Spaulding, Director of Specialized Services  
Sarah Beth Hall, Inspector General

## Management Responses to Preliminary and Tentative Findings

<b>Finding 1: Provider Monitoring</b>
<b>Finding:</b> The Bureau of Private Prison Monitoring (Bureau) did not always issue written notices of noncompliance or document the basis for not issuing notices of noncompliance to private prison providers when continued noncompliance was identified by Bureau monitoring activities. Additionally, Department controls over the issuance of notice letters and adjustment of private correctional facility provider compensation need enhancement to ensure that Department records evidence the basis for issuing or not issuing notice letters and applying provider compensation adjustments.
<b>Recommendation:</b> We recommend that, when warranted by monitoring findings, the Department issue written notices of noncompliance to private correctional facility providers. Further, to promote transparency and ensure consistent monitoring and enforcement of contract terms, we recommend that Department management enhance policies and procedures and retain documentation evidencing Department decisions.
<b>Management Response (Planned Corrective Action):</b> Develop an electronic routing process that identifies all reviewers for notices of non-performance and the assessment of financial consequences, captures each reviewer's approval/disapproval and the reason to disapprove.

<b>Finding 2: Facility Maintenance Monitoring</b>
<b>Finding:</b> The Bureau had not established policies and procedures for monitoring provider maintenance activities at the private correctional facilities and Bureau monitoring tools were not always completed, Bureau monitoring reports did not evidence supervisory review, written notice of noncompliance was not given to providers, and Bureau records did not evidence that provider deficiencies were timely followed up on or corrective actions were timely implemented.
<b>Recommendation:</b> We recommend that Bureau management continue efforts to establish facility maintenance monitoring policies and procedures and ensure that: <ul style="list-style-type: none"><li>• Maintenance monitoring is routinely conducted within reasonable time frames.</li><li>• Monitoring tools are completed for all engagements.</li><li>• Monitoring reports are subject to supervisory review and, when appropriate, written notices of noncompliance are provided to providers.</li><li>• Follow-up is timely conducted to ensure identified deficiencies are promptly corrected.</li></ul>
<b>Management Response (Planned Corrective Action):</b> <ul style="list-style-type: none"><li>• A schedule is established and implemented. Since the position was filled, a schedule has been established to conduct the first monitoring visit at the seven facilities.</li><li>• Maintenance Contract Performance Indicator (CPI) monitoring was added to the Operations Manual in 2021. The individual assigned to the Facility Maintenance Monitor (FMM) position is required to prepare, implement and report CPI monitoring in accordance with the Operations Manual.</li></ul>

- The supervisor’s review is captured on the monitoring report. Indicators rated as not compliant are reviewed by the FMM and the bureau chief. Written notices of non-performance will be issued to the providers to address performance issues following legal review.
- The FMM monitoring schedule will ensure outstanding/recurring performance issues are timely identified and will result in a notice to assess financial consequences.

**Finding 3:  
Monitoring of Health Care Services**

**Finding:** Bureau policies and procedures for, and documentation of, review of the on-site nursing consultant’s activities need improvement to demonstrate that health care monitoring services at private correctional facilities are provided in accordance with contract terms. Additionally, Bureau records did not always evidence that appropriate actions were taken in response to the consultant’s findings.

**Recommendation:** We recommend that Bureau management establish policies and procedures for assessing the on-site nursing consultant’s satisfaction of contract deliverables and a mechanism to track the Bureau’s review of the consultant’s health care CPI monitoring tool and executive summary. Additionally, we recommend that Bureau management enhance controls to ensure that:

- Bureau records evidence review of consultant health care CPI monitoring tools and executive summaries.
- Bureau records evidence that appropriate actions are taken in response to the consultant’s findings.
- Health care employee license searches are conducted in accordance with contract terms.
- Consultant health care CPI monitoring tools and executive summaries are timely submitted.

**Management Response (Planned Corrective Action):**

- Health Care CPI monitoring was added to the Operations Manual in 2021. The individual assigned to conduct health care monitoring is required to prepare, implement and report CPI monitoring in accordance with the Operations Manual.
- Review of the Health Care Contract Performance Indicator (CPI) by the Respect supervisor and Department supervisors was added to the Health Care CPI tool for the 2021-22FY reports.
- Indicators rated as not compliant will be reviewed by the management review specialist and the bureau chief. Written notices of non-performance will be issued to the providers to address all performance issues.
- Require Respect to conduct the license review on a quarterly basis versus when they conduct the on-site Health Care CPI review.
- Develop a template for Respect to use for the monitoring schedule that will automatically input the report submission date. Schedule Outlook calendar invitations for the report submission.

<b>Finding 4: Monitoring of Facility Staffing</b>
<b>Finding:</b> Bureau monitoring of private correctional facility staffing needs enhancement to ensure that appropriate and qualified staff are assigned to provide for and maintain the security, control, custody, and supervision of inmates.
<b>Recommendation:</b> We recommend that Bureau management enhance CPI tools and establish facility staffing monitoring policies and procedures. Such policies and procedures should specify the manner in which Bureau monitoring activities are to be conducted and documented.
<b>Management Response (Planned Corrective Action):</b> The methodology for indicators that evaluate the qualifications of staffing will be updated to include that the detail of the review is documented in the notes.

<b>Finding 5: Incident Reporting</b>
<b>Finding:</b> Bureau efforts to review and verify the accuracy and completeness of private correctional facility provider incident reporting need enhancement to ensure that incidents are correctly reported and appropriately handled in accordance with applicable contract provisions and Bureau policies and procedures.
<b>Recommendation:</b> We recommend that Department management review and verify the accuracy and completeness of incident report information and take appropriate actions to evaluate provider actions. Such review, verification, and evaluation efforts should be documented in Department records.
<b>Management Response (Planned Corrective Action):</b> Due to limited resources, a sample of incidents reports will be reviewed to ensure accuracy and completeness of incident report information. The methodology will be updated to ensure the review is documented on the CPI.

<b>Finding 6: Insurance Coverages</b>
<b>Finding:</b> The Bureau did not ensure that private correctional facility providers obtained and maintained required insurance coverages.
<b>Recommendation:</b> We recommend that Bureau management enhance insurance review processes to verify that private correctional facility providers obtain and maintain required insurance coverages.
<b>Management Response (Planned Corrective Action):</b> Develop a checklist of insurance requirements for each contract to review against the provider's insurance certificates or renewal certificates.

<b>Finding 7: Inmate Bank and Commissary Financial Statements</b>
<b>Finding:</b> Bureau controls need improvement to ensure that audited provider Inmate Bank and Commissary financial statements are timely received and appropriately reviewed.
<b>Recommendation:</b> We recommend that Bureau management establish an effective audited financial statement review process that includes written policies and procedures and checklists to facilitate review of the financial statements; a method to track financial statements that are due, received, and reviewed; documentation of Bureau actions to obtain financial statements not received; and actions to follow-up on noncompliance or other deficiencies noted by auditors.
<b>Management Response (Planned Corrective Action):</b> Develop policy and procedure or a checklist for the tracking and review of the financial statements. Consider outsourcing the review the financial statements to an accounting firm (PPM does not currently employ a CPA).