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Audit of the Federal Bureau of Prisons Residential Reentry Center Contract No. DJB200143 Awarded to Liberty Management Services, Inc. Philadelphia, Pennsylvania

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AUDIT OF THE FEDERAL BUREAU OF PRISONS RESIDENTIAL REENTRY CENTER CONTRACT NO. DJB200143 AWARDED TO LIBERTY MANAGEMENT SERVICES, INC. PHILADELPHIA, PENNSYLVANIA

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of the Federal Bureau of Prisons (BOP) Contract Number DJB200143, awarded to Liberty Management Services, Inc. (LMS). The purpose of the contract was to operate and manage a residential reentry center (RRC) located in Philadelphia, Pennsylvania. The contract was awarded to LMS on May 9, 2013, and the contract has an estimated award amount of over $16.9 million for the 1-year base period and four 1-year options ending August 31, 2018.

The overall purpose of the audit was to review LMS's compliance with the terms and conditions of the contract. Specifically, we assessed LMS's performance against the Statement of Work (SOW) for RRC operations that accompanies the contract in the following areas: (1) BOP monitoring activities, (2) LMS policies and procedures, (3) LMS personnel, (4) LMS accountability, (5) LMS programs and activities, (6) billings, and (7) BOP contract solicitation and award.

Additionally, in performing our audit we were made aware of a completed OIG investigation in which an LMS employee responsible for billing and subsistence admitted to misappropriating approximately $8,000 in subsistence payments, between September 2013 and April 2015. The investigation addressed issues related to some aspects that we included in the scope of our audit, and we considered these aspects when performing our audit work and testing.

The BOP contracts with an RRC, also known as a halfway house, to provide assistance to offenders who are nearing release. RRCs are intended to provide offenders with a safe, structured, and supervised environment, as well as employment counseling, job placement, financial management assistance, and other programs and services. According to the BOP, RRCs help facilitate an offender's successful reentry into the community after incarceration.

LMS operated the facility we audited under a BOP-issued Statement of Work which sets contract performance requirements for the management and operation for federal offenders. In conducting the audit, we obtained an understanding of the contract requirements along with LMS's internal controls and processes. We reviewed documents and conducted interviews with LMS staff and BOP officials to determine if LMS provided services in accordance with the contract, and if billed costs were accurate and allowable. We also reviewed available LMS policies and procedures specific to compliance with the contract.

We determined LMS did not always meet the terms and conditions of the contract, and identified internal control deficiencies in all of the areas we tested, including recordkeeping, offender accountability, and financial management and oversight. We reviewed 59 offender case files and determined LMS was not in compliance with requirements for initial intake and did not always complete resident offenders' Individualized Reentry Plans, or update the plans in a timely manner. We found LMS staff did not always complete required employment verifications of offenders, or conduct the verifications in a timely manner. In addition, we found that drug tests were not always completed as required. Also, we determined that terminal reports were not always submitted timely and release plans were never submitted for any offenders.

With respect to offender security and accountability, we identified issues related to LMS's sign-in/sign-out procedures for inmates leaving and returning back to the facility. In our review of sign-in/sign-out logs, we found that signatures were missing throughout all of the records for the offenders in our sample. While some included more signatures than others, we noted that many had very few signatures or no signatures at all. Overall, these deficiencies were partly attributed to outdated and absence of written policies and procedures, and senior corporate management's inactive oversight role in monitoring compliance with the BOP contract.

Our report makes 14 recommendations. These items are discussed in detail in the Findings and Recommendations section of the report. We discussed the results of our audit with LMS officials and have included their comments in the report, as applicable. Our audit objective, scope, and methodology appear in Appendix 1.

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AUDIT OF THE FEDERAL BUREAU OF PRISONS RESIDENTIAL REENTRY CENTER CONTRACT NO. DJB200143 AWARDED TO LIBERTY MANAGEMENT SERVICES, INC. PHILADELPHIA, PENNSYLVANIA

INTRODUCTION

The Department of Justice (DOJ) Office of the Inspector General (OIG) has completed an audit of the Federal Bureau of Prisons Contract number DJB200143, awarded to Liberty Management Services, Incorporated (LMS). The purpose of the contract was to provide residential reentry center (RRC) services and home detention services in Philadelphia, Pennsylvania. The contract we audited was an indefinite-delivery, indefinite-quantity contract awarded to LMS on May 9, 2013, with an estimated award amount of over $16.9 million for the base year and four 1-year options ending August 31, 2018, as shown in Table 1.

Table 1

Contract Period and Estimated Costs

Contract Period	From	To	Home Detention Services Estimated Cost	RRC Services Estimated Cost
Base Period	09/01/13	08/31/14	$ 566,663	$ 2,811,413
Option Year 1	09/01/14	08/31/15	566,663	2,811,413
Option Year 2	09/01/15	08/31/16	572,333	2,831,010
Option Year 3	09/01/16	08/31/17	570,769	2,835,138
Option Year 4	09/01/17	08/31/18	574,875	2,835,138
		Total	**$2,851,303**	**$14,124,112**
Total of Contracted Services Estimated Costs				**$16,975,411**

Note: Throughout the report, differences between the aggregated costs and totals are due to rounding.

Source: BOP contract with LMS

The purpose of the audit was to review compliance with the overall terms and conditions of the LMS contract. Specifically, we assessed LMS performance against the Statement of Work (SOW) for RRC operations that accompanies the BOP contract.

Federal Bureau of Prisons

The Federal Bureau of Prisons (BOP) was established in 1930 to provide more progressive and humane care for federal offenders, to professionalize the prison service, and to ensure consistent and centralized administration of the 11 federal prisons in operation at the time. As of January 2016, the BOP consisted of 122

institutions, 6 regional offices, a Central Office, 2 staff training centers, and 25 residential reentry management offices.

As of January 2016, the BOP website said that the BOP was responsible for the custody and care of 196,352 federal offenders. The BOP contracts with RRCs, also known as halfway houses, to provide assistance to offenders who are nearing release from incarceration. RRCs are used by the BOP to facilitate offenders' reentry to the community. According to the BOP, RRCs provide a structured, supervised environment, along with support in job placement, counseling, and other services to help offenders facilitate successful reentry into the community after incarceration. Generally, the RRCs operate under a BOP issued Statement of Work (SOW) which sets contract performance requirements for the management and operation of an RRC for federal offenders.

Liberty Management Services, Incorporated

Liberty Management Services, Inc. (LMS) is located in Philadelphia, Pennsylvania, and is a private, for-profit social service company, which provides professional services to corrections agencies at all levels of government. According to its website, LMS offers the following: (1) results-based community corrections and pre-release housing; (2) day reporting programs for parolees; (3) correctional facility design and development services. Additionally, the website states that LMS programs are designed with the dual goals of reducing recidivism rates within their residents and reducing costs to their government clients.

On May 9, 2013, the BOP awarded LMS a contract to operate RRCs in Philadelphia, Pennsylvania. LMS operates two facilities that serve and separately house both federal and state offenders. The all-male facility includes 110 beds allocated for federal offenders and the female facility has 20 beds allocated for federal offenders.

As shown in Table 2, the BOP pays LMS a per diem rate, which is the price per resident offender, per day based on the actual offender count at LMS.

Table 2

Payment Rate

Contract Period	Estimate Man-days- In house	Estimate Man-days- Home detention	Per Diem Rate	Estimated Costs
Base Period	47,450		$59.25	$ 2,811,413
		16,425	$34.50	566,663
Option Year 1	47,450		$59.25	2,811,413
		16,425	$34.50	566,663
Option Year 2	47,580		$59.50	2,831,010
		16,470	$34.75	572,333
Option Year 3	47,450		$59.75	2,835,138
		16,425	$34.75	570,769
Option Year 4	47,450		$59.75	2,835,138
		16,425	$35.00	574,875
			Total	**$ 16,975,411**

Source: BOP contract with LMS

OIG Audit Approach

The overall objective of this audit was to determine whether services have been administered according to contractual and government requirements. In addition to reviewing the solicitation procedures for acquiring services, we tested compliance with what we consider to be the most important terms and conditions of the contract. Specifically, we determined if:

1. LMS operated in compliance with the BOP's SOW for RRCs.

2. LMS billing processes provided proper documentation to the BOP to support requests for payment.

3. The solicitation process for the contract was in accordance with required policies and procedures.

4. The BOP effectively monitored LMS's performance.

The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information related to the audit objective, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

We found that Liberty Management Services, Inc. (LMS) did not always comply with the Statement of Work (SOW) requirements for Contract No. DJB200143. Overall, we found that none of the case files we reviewed included all of the required documentation to comply fully with contractual terms and conditions. This deficiency was partly attributed to outdated and inadequate written policies and procedures. Specifically, LMS did not always comply with the SOW for offender intake and did not always complete resident offenders' Individualized Reentry Plans, or update the plans in a timely manner. We found LMS staff did not always complete the required employment verification of offenders, or conduct them in a timely manner. In addition, we determined that terminal reports were not always submitted timely, and release plans were never submitted for any offenders. Finally, we identified a lack of documentation for authorized offender absences and senior corporate management's inactive oversight role in monitoring compliance with the BOP contract. Collectively, the internal control deficiencies undermine the BOP's ability to ensure effective contract administration surrounding individual offender needs and requirements, offender accountability, and overall offender monitoring and oversight. These issues, as well as other areas covered in our audit, are discussed in detail in the following sections.

Internal Control Environment

We determined that LMS did not have adequate internal controls in place to ensure full and complete compliance with the terms and conditions of its contract with the Federal Bureau of Prisons (BOP). Specifically, we identified control deficiencies related to offender recordkeeping, accountability, and financial management and oversight. Additionally, we determined that many of LMS's written policies were outdated and did not fully address the requirements incorporated in the Statement of Work, included with the current BOP contract. From our review, we also determined that LMS's existing written polices had not been updated since well before it was awarded its current contract with BOP in May 2013.

Our audit found that LMS did not have a control system in place to ensure its case files included all of the relevant and required information pertaining to each offender. Specifically, LMS maintained its records in both electronic and hardcopy format that included the use of SecurManage, a web-based software package used to track and manage a resident's stay in the facility, as well as hardcopy documentation in binders maintained by various staff. While we were provided access to SecurManage, we found that the level and types of information captured electronically varied widely for most offenders. For example, while employment site visits were noted in SecurManage for some offenders, for others there was

nothing in SecurManage or any other documentation indicating that a site visit took place.

With respect to oversight of residents, we found that LMS's system for resident accountability was not sufficient to ensure it met the SOW requirement for monitoring offender movement in and out of the facility. LMS relied on manual sign-in/out logs that generally did not include offender signatures or those of the RRC staff. Additionally, in each of BOP's monitoring visits between October 2013 and December 2015, BOP repeatedly identified deficiencies related to LMS's security and offender accountability, including that not all residents with a history of drug abuse were receiving the required urinalysis test at required intervals, and LMS was not consistently conducting and documenting the required telephonic and in-person spot checks for offenders that have signed out of the facility for employment or home confinement. Although both are repeat deficiencies, this latter deficiency was cited as a repeat deficiency nine consecutive times in BOP monitoring reports and, according to the BOP, requires immediate compliance.

We were made aware that an LMS employee had misappropriated at least $8,000 in offender subsistence payments, without being detected, prior to our audit. The issue is discussed more fully later in the report. In discussions with LMS officials with direct responsibility for the operation of the RRC, we were told that senior corporate management generally takes a hands off approach in LMS day to day operations and that the tone at the top does not always demonstrate a full and complete understanding of the challenges LMS officials are faced with in operating the facility.

In a separate discussion with LMS senior officials at the corporate office, located separate from the facility, we were told that two meetings per week were held with the LMS facility director and quarterly meetings are conducted with the facility staff and, as a result, corporate management is aware of the challenges at the facility, and corporate management viewed low morale and high staff turnover as some of the most significant issues contributing to the deficiencies cited by the BOP. Additionally, corporate management told us they were confident in the abilities of LMS facility management staff, and that they rely on facility management staff to ensure full and complete compliance with the BOP's SOW requirements.

According to SOW requirements, RRCs are responsible for maintaining a current written operations manual that is available to all staff. Further, the manual is required to include the policies and procedures of the facility, and the manual should be updated regularly, as needed. The LMS Operations manual we reviewed contained 50 sections that included *Monitoring and Controlling Client Movement; Resident Rule Violations, Sanctions, and Penalties;* and *Reporting Absconders and Escapes.* We determined that 35 of the 50 sections or 70 percent, including the ones mentioned above, were last updated between 2008 and 2011. As discussed throughout the report, the lack of current policies and effective procedures likely contributed to the internal control deficiencies we identified, and therefore

recommend that BOP work with LMS to ensure it updates its Operations Manual, in order to be in compliance with its contract requirements.

Compliance with Statement of Work Requirements

The Federal Bureau of Prison's contracts with Residential Reentry Centers (RRC), including the LMS facility we audited, contain a Statement of Work (SOW) that includes several sections outlining requirements that an RRC must follow to assist resident offenders in transitioning successfully back into society. Additionally, RRCs must maintain documentation on each offender, including all significant decisions and events relating to the offender, including Individualized Reentry Plans (IRP), employment documentation, drug tests, release plans, and terminal reports.

In order to verify compliance with requirements and to determine whether LMS maintained proper documentation, we selected a judgmental sample of 61 offender files representing residents that were at the LMS facility between September 2013 and October 2015. LMS told us that they weren't able to locate case files for two offenders, which reduced the number of actual files reviewed to 59. Additionally, one offender in our sample was assigned to the facility for three days and, therefore, we only included the results for the intake and release portions of our testing.

During our file review, we identified deficiencies that increase the risk that LMS cannot ensure full compliance with SOW requirements related to: (1) initial intake, (2) Individualized Reentry Plans, (3) employment assistance and verification, (4) drug testing, (5) offender release, and (6) offender accountability, as described below. We also determined that LMS's existing policies were outdated and failed to fully address SOW requirements under the current contract. In other instances LMS did not have a written policy. Many of these deficiencies were also cited by the BOP in its periodic monitoring reports.

Initial Intake

As part of the arrival and intake of a new resident, RRC staff are required to interview each offender, provide orientation to the facility, establish the rules and requirements that must be met by the offender, and ensure that each offender reviews and signs: (1) an orientation checklist, (2) an initial intake information form, (3) an acknowledgment of receipt of RRC's disciplinary policies, and (4) a release of information consent form. Additionally, an acknowledgement of RRC rules and a subsistence agreement form must be completed and kept in the offender's file.

During our review of 59 offender case files at LMS, we determined that the orientation checklist was not in the case files of 19 offenders. Additionally, 5 case files were missing the Initial Intake Form, 5 were missing the acknowledgement of the receipt of the disciplinary policy, and 12 were missing the Release of Information forms, signed by the offender. An acknowledgement of the

receipt of RRC rules was missing from 5 case files and there was no subsistence agreement in the files of 48 offenders. We were told by an LMS official that it does not have a policy that specifically addresses the referral and intake process. Based on our review, we concluded that the absence of written policies and procedures represent a significant internal control deficiency that undermines the ability of LMS management to ensure its staff are cognizant of the requirements and attaining an acceptable level of compliance. Additionally, this internal control shortcoming impedes the BOP's ability to oversee contract performance and effectively assess contract compliance with SOW requirements. We recommend BOP ensures LMS updates its policies and procedures to be in compliance with the SOW initial intake requirements.

Individualized Reentry Plans

As part of the intake process, LMS is required to assess the individual needs of each offender and use the information to develop an Individualized Reentry Plan (IRP). The SOW requires an IRP to be completed within the first 2 weeks of an offender's arrival at the RRC, and the IRP is required to address each resident's risks and needs, including reestablishing relationships with family, obtaining and maintaining employment, obtaining drug and alcohol abuse treatment, and finding housing once the offender leaves the RRC. The IRP must also include a timetable for accomplishing these goals as well as information regarding how the RRC will prioritize and assist the offender in meeting the identified needs. Program planning meetings are required to be completed weekly during an offender's first 6 weeks at an RRC and bi-weekly thereafter.

During our review, we determined there was no written policy or procedural guidance for RRC staff in performing tasks related to IRPs and that many of the case files contained no evidence of an IRP whatsoever. One LMS official told us that some case managers used an alternate form to document an IRP; however, LMS's Senior Compliance Officer explained that case managers should only be using the form specifically titled Individual Program Plan (IPP), LMS's name for the required IRP. As a result, we identified 42 instances out of 58 case files, or 72 percent, that did not include a completed IPP form. For the remaining 16 case files tested, we identified 3 IPPs that were developed late.

Additionally, we determined case managers did not always conduct or document the program planning meetings required weekly, initially and biweekly after the offender's first six weeks, as required by the SOW. Forty-seven of the 58 case files we reviewed, or 81 percent, did not include documentation demonstrating that required meetings were conducted. For an additional two offender files, there was no documentation in the file to indicate whether or not the meetings took place.

In the case files we reviewed, we found that the program planning case notes were general in nature and did not always address specific needs of the offenders. We discussed the issue with LMS officials and were told that the cause of missing program planning meetings and IPPs was simply negligent oversight. We were also

told these deficiencies can be attributed to challenges with recruiting and retaining qualified staff, ensuring that policies and procedures are updated timely and effectively implemented, and getting staff properly trained in facility operations and contractual requirements.

By not ensuring IRPs and program planning meetings were completed and documented in a timely manner, LMS was not in compliance with the terms of its contract with BOP. More importantly, this internal control shortcoming increases the risk that offenders' needs may not be met on a timely basis, such as scheduling drug and alcohol treatment, obtaining employment assistance, and getting life skills training. We recommend BOP implement measures to ensure LMS completes IPPs and program planning meetings as required and in a timely manner and in such a way that each addresses the needs of the offender, and that LMS maintains all of the required documentation in each offender case file. We also recommend that the BOP ensures LMS updates and documents its policies and procures into formal written guidance that can be used and relied on by its staff.

Employment Assistance and Verification

RRCs are required to have an employment assistance program in place to help offenders find viable employment based on their skills and capabilities. Offenders are expected to secure viable employment within 21 calendar days after arrival and orientation. For each job an offender acquires, RRC staff must verify employment by an onsite visit during the first 7 calendar days. Thereafter, on at least a monthly basis the RRC is required to contact the offender's employment supervisor by phone or conduct an onsite visit to verify attendance and discuss any problems or issues which may have arisen.

LMS's Social Services Coordinator was responsible for all employment services for offenders, including employment orientation and oversight of vocational training. The Social Services Coordinator told us she meets with various organizations to identify resources for offenders and has established connections with several colleges in the area to provide opportunities for offenders to earn their high school equivalency certificate or a college degree.

We reviewed the case files in order to determine whether LMS was in compliance with SOW requirements for employment verification. From this review, we determined that in 32 of 40 instances in which offenders found employment (two offenders were employed twice), there was written approval for the offender's employment. In eight instances there was either no written approval in the file or the approval form was not signed.

During our testing, we looked for evidence that an onsite visit was made to the offender's place of employment within 7 calendar days, as required. We also checked for evidence that LMS contacted employers or visited employment sites at least once a month. In 17 instances, there was no documentation in the case file or SecurManage to support that an onsite visit occurred within the first 7 days of employment. According to LMS staff, accountability calls are made at least once a

day to each offender's supervisor. While we did not review each instance of the daily calls made to offenders, we did look for evidence that these calls were made at least monthly. Based on the information maintained in SecurManage, we verified that for 15 offenders LMS did not meet the SOW requirements to contact the offender's employment supervisors by phone to verify employment at least monthly.

Additionally, the LMS Field Investigator told us that offender job sites are visited at least once a month and documentation is maintained from each visit in a binder and also recorded in SecurManage. We repeatedly requested access to the hardcopy documentation maintained in the binder but it was not provided to us. Absent this hardcopy documentation, we were not able to determine whether monthly visits were made to employment sites because the information was not consistently maintained in SecurManage. We discussed the deficiencies with LMS officials who cited negligent oversight as the cause of the deficiencies. Additionally, we were told that as a result of our audit work, LMS has reevaluated their processes and are in the process of implementing more stringent procedures and control related to employment verifications.

By not completing and documenting employment verification within the required timeframes as mandated by the SOW, LMS cannot ensure accountability of its offenders or monitor offender productivity and success at their place of employment. We recommend BOP works with LMS to ensure employment is verified during the first 7 calendar days and at least monthly thereafter and documentation is adequately maintained in offender case files. We also recommend BOP works with LMS to update its policies and procedures to ensure LMS consistently conducts and documents telephonic and in-person contact with offenders and their employers.

Offender Drug Testing

RRCs are required to randomly test at least 5 percent of all resident offenders for drugs and alcohol monthly, with a minimum of one offender tested per month, in order to deter and detect the illegal introduction of drugs and alcohol into the facility. Further, any offenders with a condition of drug aftercare (those offenders known to have a history of drug abuse) that are required to participate in Community Transitional Drug Abuse Treatment (TDAT) services, or who are suspected of illegal drug use, are required to be tested no less than four times a month.[1]

To ensure compliance with the SOW, LMS officials told us they use SecurManage to randomly select offenders to be tested. We requested an explanation regarding how SecurManage is programmed to ensure that those requiring four tests a month, as well as at least five percent of the resident

[1] Some offenders that are assigned to RRC facilities are required to participate in Community Transition Drug Abuse Treatment (TDAT) program as a condition of their release.

population, are tested. After repeatedly asking for this documentation, LMS ultimately failed to provide that information during our audit field work and before this report was issued.

In addition to the required drug tests, according to LMS officials, each time offenders enter the facility they are required to take breathalyzer tests. Further, any offender that appears to the LMS staff to be under the influence of an illegal substance is also subject to immediate drug testing.

We selected a sample of 3 months of all drug tests performed by LMS to determine whether drug tests were administered to at least 5 percent of the resident population. From our review, we determined LMS adhered to this SOW requirement, notwithstanding LMS's failure to provide us with the requested information specific to how SecurManage is configured to randomly select offenders for testing. Although LMS was in compliance with the requirement to test at least five percent of its population, we were not able to complete our testing to determine what disciplinary actions were taken by staff when an offender tested positive, because LMS officials did not provide the documentation that we requested to support such actions.

Within our sample of 58 case files, we identified 44 offenders, or nearly 76 percent, that were required to be drug tested at least four times a month. We determined 17 of the 44, or more than 38 percent, were not tested as required. For an additional two offenders, there was no documentation in the case file to determine whether or not they were required to be tested under the four times a month protocol. We also noted that, the most recent BOP monitoring report citied shortcomings in LMS offender drug testing as a repeat deficiency. LMS officials described this as an oversight on their part.

By not adhering to the drug testing requirements, not only is LMS in violation of SOW requirements, but the BOP cannot be assured that offenders are adhering to the conditions of their release from federal prison. We recommend that the BOP ensures that LMS conducts and adequately documents drug testing as required by the SOW.

Offender Release

According to the SOW, LMS was required to submit an offender's proposed release plan to the United States Probation Office (USPO) at least 6 weeks prior to an inmate's release date, unless the inmate is being released with no supervision to follow. According to the SOW, the release plan, at a minimum, was to include: the offender's verified residence; employment or enrollment in a training program or both; medication needs; and follow-up appointments for medical, mental health, and/or substance abuse treatment. Additionally, the SOW also required that LMS complete a terminal report, notifying that an inmate was released, and forward it to the USPO within 5 working days of an inmate's release.

In performing our case file reviews for release plans, we found that none of the files we reviewed contained a release plan. We discussed the issue with the Senior Case Manager, who told us that there is a letter that is sent to the USPO notifying them of an offender's arrival and of the date of the LMS's Program Review Team (PRT) meeting with the offender. This letter also includes the address an offender is expected to reside after release. However, because the letter is drafted even before an inmate's needs have been identified, and before the intended place of residence has been approved, we believe this process cannot be considered compliant with the SOW requirements. As a result, we consider LMS to be non-compliant with this requirement.

We identified 54 offenders in our sample as having been released from LMS. We looked for evidence that terminal reports were submitted and the date they were submitted. In 22 instances or nearly 41 percent, there was no documentation in the case file to support that a terminal report was sent. Additionally, 14 files included a terminal report, but did not include an appropriate confirmation that the report was received by the USPO. As a result we were unable to determine whether the terminal was sent timely, if at all. Of the 16 instances where terminal reports were submitted, 7 were between 7 and 9 days late. LMS officials told us they are aware of these deficiencies and were adhering to the requirement, as of the end of our fieldwork, to submit release plans and making efforts to implement corrective actions to ensure terminal reports are submitted timely.

By not submitting an offender's release plan in a timely manner, LMS potentially inhibits the USPO's ability to provide necessary services when the offender is released from RRC custody. Further, late terminal reports may prevent the BOP from knowing of an offender's release from RRC custody. Therefore, we recommend that the BOP ensures that LMS submits release plans and terminal reports in a timely manner, as required.

Offender Security and Accountability

According to SOW requirements, RRCs must be able to locate and verify the whereabouts of offenders at all times, and RRCs must contact the offender, either by telephone or in-person, at random times at work, at home, or at authorized destinations to maintain ongoing accountability. The RRC must conduct these checks at a frequency that ensures full and ongoing accountability and that is commensurate with the accountability risks of each individual offender. RRCs can only authorize an offender to leave the facility through sign-out procedures and only for an approved program activity, which typically include job searches, employment, religious services, and visitations with family and friends. During authorized absences, the RRC is still responsible for offender accountability. In addition, RRCs are required to monitor and maintain documentation of offenders, visitors, contractors and volunteers entering or exiting the facility by using a sign-in/sign-out system.

LMS uses SecurManage, a web based software package, to track and manage all aspects of the residents' stay in the facility. SecurManage is designed to track residents from the time of their acceptance into the facility through their release. One of SecurManage's features used by LMS includes a keypad to allow offenders and staff to provide signatures when an offender signs in and out of the facility.

According to LMS officials, offenders must request approval to leave the facility using a manual paper form that is submitted to their case manager. Once requests are approved, the information is entered into SecurManage by the approving case manager. This information includes the approval times, destination, and contact telephone number. When signing in and out of the facility, both the offender and a staff member are required to sign the SecurManage signature pad. If SecurManage is not working at the time of departure or re-entry, LMS staff relies on manual paper logs. During our review of case files, we noted that some files included manual paper logs.

We used the SecurManage system to review sign in/out logs for each of the offenders in our sample and looked for evidence that each time the offender signed in or out, there were accompanying signatures by the offender and LMS staff. Generally, we noted that signatures were missing from both offenders and staff throughout all of the sign in/out logs included in our sample and for 21 offenders, the sign in/out logs contained no signatures. While the logs for the rest of our sample included some signatures, we noted that most had very few of the required signatures.

At the time of our audit, we requested LMS written policies and procedures for inmate accountability. According to the LMS Facility Director, they were in the process of updating the policy for inmate accountability, as the policy had not been updated since prior to LMS's contract with the BOP.

The monitoring of offender movement, particularly during the evening and night hours, serves to protect offenders, staff, and the public. By not ensuring completed sign-in/sign-out documentation, LMS is not only non-compliant with requirements but it also calls into question its ability to effective monitor inmate movement and undermines BOP's ability to adequately monitor offender accountability. We recommend that BOP require LMS to update their sign-in/sign-out procedures to ensure documentation is completed and maintained.

Searches and Contraband

In order to control contraband in residential reentry facilities, the SOW requires RRCs to have written policies and procedures for searches. Additionally, at least monthly, RRCs are required to conduct and maintain a log of searches of the facility and personal belongings of offenders, including vehicles operated by an offender.

In order to determine whether LMS was in compliance with this requirement, we requested policy documents, as well as a sample of 3 months of search logs.

LMS provided us a policy, which had not been reviewed or updated since June 2008. According to the LMS Facility Director, this policy was in the process of being updated.

Additionally, we reviewed vehicle search logs for all of the offenders in our sample that operated a vehicle and determined LMS was in compliance of this monthly requirement. However, we requested but did not receive documentation to substantiate that LMS conducted required room searches for the 3 months in our sample. LMS officials explained that we did not receive the requested information during our audit because a former staff member did not maintain proper records. These officials also acknowledged the ongoing need to update and effectively implement procedural guidance and stated such revisions are underway.

By not having updated policies and procedures committed to writing, in place, and working as intended, LMS is not only non-compliant with SOW requirements, but also does not have a consistent process to ensure that contraband is not being introduced into the facility. We recommend that the BOP requires LMS to update its policies and procedures for searches and contraband to be in compliance with SOW requirements.

Employee Training and Background Checks

According to requirements, LMS employees must be approved by the BOP Residential Reentry Manager (RRM) before working with federal offenders, including performing preliminary background checks. The SOW also requires all RRC staff to receive training on their respective duties and responsibilities prior to working with federal offenders. Additionally, staff are required to receive at least 20 hours of annual refresher training relating to the operation of the RRC. We reviewed employee files for 18 LMS employees to determine whether all these employees received the required background checks and approvals.

Prior to being awarded the BOP contract in May 2013, LMS had never been awarded a BOP contract and its employees worked only with offenders from the Pennsylvania Department of Corrections (DOC). When LMS received the BOP contract, all existing employees were required to undergo a background check prior to working with federal offenders. According to LMS officials, the BOP requirements were more stringent than those imposed by the DOC, and this resulted in many employees not passing the BOP background check. These same LMS officials commented that LMS terminated employment with 14 staff members who failed the background check and, as a result, were not eligible to work with federal offenders.

In October 2013, allegations were made by an employee that LMS was allowing its staff to work with federal offenders before being authorized by the BOP to do so. This allegation was referred to OIG Investigations, and, according to the referral, a letter was subsequently sent to LMS, notifying them that the specific employee was prohibited from working with federal offenders due to their prior felony convictions. In addition, LMS also admitted to having another employee conducting home site checks for federal offenders after that employee was

prohibited from doing so. LMS received a letter of deficiency from BOP as a result of this internal control weakness.

During our review of employee files, we identified three staff members in our sample that transferred from working with DOC residents to federal offenders under the BOP contract. One employee received BOP approval in December 2013, while two others received BOP approval in April 2014. Although all three received approval to work with federal offenders, we could not confirm that they were not working with federal offenders prior to receiving the required approvals.

In particular, we identified one employee that was hired and potentially worked with federal offenders prior to receiving approval from BOP. This employee was hired on December 16, 2013, despite a BOP letter dated December 6, 2013, informing LMS that the new staff person was not yet authorized to work with federal offenders. This employee was eventually cleared to work with federal offenders in March 2014. Additionally, the employment file for the former LMS Facility Director could not be found by LMS staff. In the absence of documentation and written policies and procedures, BOP has no assurance that only properly authorized and fully trained employees are assigned to work with federal offenders under their custody. We recommend BOP works with LMS to ensure all potential LMS employees are authorized to work with federal offenders before they are hired.

We determined that all of the eligible staff included in our sample, received annual refresher training. We determined both the current Facility Director and the Social Services Coordinator had the appropriate educational background and related experience to satisfy the contractual requirements. However, for two employees in our sample, the required documentation was not in the file to indicate whether the employees received training prior to working with federal offenders. Therefore, we recommend BOP requires that LMS implements policies and procedures for its employees working with federal offenders, and provides required training prior to allowing its employees to work with federal offenders

Billing and Subsistence

In accordance with SOW requirements, LMS was responsible for providing the BOP with a monthly contract billing along with a report of each offender's finances, which includes total compensation, hours worked, the amount of subsistence collected from the offender, and any other financial obligations. Additionally, to promote financial responsibility the BOP requires those offenders who are employed to make subsistence payments to the RRC each payday. Subsistence payments are generally 25 percent of the offenders' gross compensation. RRCs are responsible for collecting the subsistence payments, providing offenders with receipts for all subsistence payments collected, and reducing the monthly BOP billing by the amount of subsistence payments collected from offenders. This in turn decreases the BOP's RRC program costs.

During our audit, we found that was a recently completed investigation conducted by the OIG Investigations Division that was initiated based on a referral

from the BOP. According to BOP officials, the BOP cited an increase in the number of errors in the billing documentation submitted by LMS on a monthly basis. Concurrent with the BOP analysis of the monthly LMS billings, the BOP was contacted by an LMS resident with allegations related to an LMS employee who was responsible for collecting subsistence. According to the resident, some residents were employed but not paying subsistence. At that time, BOP's analysis compared LMS's monthly employment roster with their monthly billing, and found that numerous offenders were employed and paying subsistence; however, they were listed on LMS's monthly billing as unemployed. BOP concluded that an employee was likely misappropriating offender subsistence payments and OIG Investigations was notified and an investigation was initiated in April 2015.

According to the LMS Facility Director, the employee responsible for processing LMS billings and offender subsistence payments for the BOP was making deals directly with offenders, and possibly working with other LMS employees. Additionally, the employee was altering employment records attempting to conceal employment of offenders participating in the fraud. Although OIG investigators could not substantiate that any other LMS staff were involved in the illegal activity, LMS officials told us that they identified staff that they believe were involved and that these employees were no longer working at the RRC.

The LMS employee directly responsible for LMS billings and offender subsistence accounting and reporting later admitted that between September 2013 and April 2015, offender subsistence payments were misappropriated in about 30 separate instances for approximately $8,000.

In April 2016, the former employee pleaded guilty and received a sentence of five years of probation and restitution in the amount of $8,000.

As a part of our audit procedures, we reviewed LMS' accounting procedures regarding these funds. We found that LMS relied on inadequate and outdated procedures, there was a lack of segregation of duties, and LMS provided inadequate financial management and oversight. The absence of effective written procedures for the responsible handling of offender subsistence payments and a lack of detailed reviews and monitoring of LMS billings and accompanying subsistence documentation likely prevented LMS officials from discovering the fraud earlier. In addition, a single employee was responsible for receiving, processing, depositing, and reporting offenders' subsistence payments without adequate management oversight.

As a result of the investigation that disclosed the fraud, the BOP suspended payments to LMS under the contract and the BOP was in the process of reconciling LMS monthly billings at the time of our audit.

As part of our audit, we intended to review a select sample of billings and subsistence payments in order to determine whether LMS accurately billed the BOP for the number of offenders served for the selected months and collected the required amount of subsistence from offenders. However, we could not rely on any of the billing and subsistence documentation, submitted between September 2013 and March 2015 based on our understanding of the documentation being modified as described above. Moreover, because monthly payments to LMS had been suspended as a result of the investigation and to allow the BOP to complete their comprehensive review, we focused on the internal controls in place during our work.

We interviewed LMS officials and were told that they have implemented new procedures for billing and subsistence, however, we were also told that the new procedures had not been formalized into written guidance and that LMS officials were in the process of creating such guidance.

As a result, we recommend that the BOP ensure LMS develops and implements adequate policies and procedures that include segregation of duties and continuous oversight of its billing and subsistence program.

Contract Solicitation and Award of Contract

On May 9, 2013, the BOP awarded a competitive contract to LMS to provide community-based residential correctional services in Philadelphia, Pennsylvania. These services include residential housing, employment-related offender development, and other self-improvement opportunities to assist federal offenders during the transition from prison to the community.

The solicitation and pre-award process used to acquire offender residential reentry services, and the subsequent awarding of the contract to LMS, was in accordance with the Federal Acquisition Regulations (FAR). The request for bids was advertised on FedBizOpps.gov as required, and we believe BOP officials properly evaluated bids in accordance with the FAR.

BOP Monitoring

As part of its mission to protect society by confining offenders in the controlled environments of prisons and community-based facilities that are safe, humane, cost-efficient, and appropriately secure, the BOP conducts regular inspections of the facilities to ensure compliance with applicable laws, regulations, policies, contract requirements, and to ensure that fraud, waste, abuse, mismanagement, and illegal acts are prevented, detected, and reported. These monitoring visits include pre-occupancy, full monitoring, and unannounced interim monitoring inspections.

After a contract is awarded, the BOP conducts a preoccupancy visit at the facility. During this visit, the BOP determines the contractor's ability to begin performance by inspecting, at a minimum, all emergency plans and life/safety

requirements for compliance to the SOW in place with the facility. A full monitoring visit is a comprehensive inspection and review of all aspects of the contractor's operation and facility, and the first full monitoring ordinarily occurs 60-90 days from the date a facility begins operations and recurs annually. Finally, an interim monitoring review is an unannounced on-site examination of deficiencies noted in a prior monitoring.

We reviewed the pre-occupancy inspection, three full monitoring reports and six interim reports which occurred during the contract period. We also interviewed the BOP RRM and Contract Oversight Specialist, responsible for oversight of the LMS contract.

We found that all BOP monitoring inspections occurred as required and that the BOP provided annual accountability training to LMS staff as required. Overall, we determined that the BOP provided adequate monitoring and oversight of the contract.

The BOP RRM identified staff integrity and offender accountability as main issues at the LMS facilities. According to the RRM, we were told there have been numerous referrals to BOP's Office of Internal Affairs (OIA), including the issue discussed above related to LMS billing and offender subsistence. The RRM said that accountability of offenders has been repeatedly an issue identified throughout all full and interim monitoring visits.

As noted in Table 3 below, there were eight deficiencies repeatedly identified, at least three or more times. Inadequate offender accountability was identified as a deficiency 9 times and resulted in the BOP reducing LMS's monthly contract reimbursement by 7.5 percent starting with the March 2015 billing. According to BOP officials, the reduction was based on LMS's repeated failure to comply with the contractual provisions that require LMS to properly maintain a comprehensive offender accountability program which ensures every offender is accounted for while in the facility or on home detention.

Table 3

LMS Repeat Deficiencies

Deficiency Description	Reported Frequency
Random telephonic or in-person spot checks are not consistently conducted or documented throughout the day by LMS staff to ensure offenders are at their place of employment.	9
Contractor not completing Individualized Program Plans or conducting program planning meetings per the SOW.	6
Contractor did not always collect 25 percent of inmate's weekly gross income/issue incident reports for non-compliance/offender did not receive incident report for non-compliance.	5
Contractor not conducting or documenting PRT meetings in offender's case file.	4
The unemployed offenders' case notes revealed there is little or no documentation indicating the Social Services Coordinator is providing offenders with employment assistance in accordance with the SOW.	4
An audit of the medication and medication logs revealed the medication counts were inaccurate. Specifically, the number of pills on the medication logs did not match the number of pills in the bottle.	3
Unauthorized unescorted commitment & transfer identification cards and transfer orders - not properly executed and returned to the residential reentry office within one calendar day of the offender's arrival.	3
Offenders requiring after care drug testing not tested 4 times a month.	3

Source: BOP Monitoring Reports

We discussed the issue with LMS officials who explained that progress is being made to fully address each of the recurring deficiencies identified by the BOP, but also cautioned that some of the challenges that are discussed earlier in this report remain and can impede progress and potentially undermine corrective action plans.

In addition to the reasons LMS facility management officials already cited that contributed to the deficiencies we identified, we were given some other causal factors that likely contributed in their view. Specifically, LMS officials said that they were not involved in the technical proposal largely because they were not yet hired and working for LMS at the time the bid response package was sent to BOP. Additionally, paid consultants worked with LMS's President to draft the proposal. They remarked that the proposal was in some respects not always in line with the realities of operating the facility and with the absence of facility management input into the proposal it created challenges that could have been avoided. Moreover,

these officials also commented that the waiver of the 120 day start-up requirement and staffing constraints contributed to the challenges that remain at this time and the deficiencies our audit disclosed, and that the BOP reported on in its ongoing monitoring efforts. In their discussions with us, we were told by facility management that corporate officials in waiving the start-up period requirement focused more on the readiness of the facility and the infrastructure in place, rather than giving at least equal weighing to staffing needs and overall staff readiness as well as ensuring that documented and fully implemented policies and procedures that aligned with the BOP contract were in place and working properly. We recommend BOP work with LMS senior corporate management to ensure it takes a more active oversight role in monitoring compliance with the BOP contract terms and conditions and in developing and implementing appropriate RRC policies.

Conclusion

Overall, we found that LMS did not always comply with the Statement of Work requirements and its own supplemental internal policies for Contract Number DJB200143. We identified internal control deficiencies related to inmate recordkeeping, accountability, and financial management and oversight. Additionally, we determined that many of LMS's written policies and procedures had not been updated since before it was awarded the current BOP contract. During our review of offender case files, we identified several deficiencies related to initial intake, IRPs, employment verification of offenders, and drug testing. Additionally, terminal reports were not always submitted timely and release plans were not submitted for any offenders. Many of these same issues were repeatedly cited by the BOP in its ongoing monitoring efforts.

Recommendations

We recommend BOP work with LMS to ensure:

1. LMS updates its operations manual, in order to be in compliance with its contractual requirements and those polices are memorialized in a current operations manual.

2. LMS updates its policies and procedures to be in compliance with all intake requirements.

3. LMS updates its policies and procedures for Individualized Reentry Plans and program planning meetings and ensure they are completed in a timely manner, specifically address the needs of each offender, and that documentation is adequately maintained in offender case files.

4. LMS updates its policies and procedures into formal written guidance that can be relied on by its staff.

5. Offender employment is verified during the first 7 calendar days and at least monthly thereafter and documentation is adequately maintained in offender case files.

6. LMS updates its policies and procedures to ensure LMS employees consistently conducts and documents telephonic and in-person contact with offenders and their employer.

7. Drug testing is conducted as required and documentation is adequately maintained in offender case files.

8. Offender release plans are submitted to the USPO and are timely, and that terminal reports are submitted to the BOP timely.

9. LMS updates its sign-in/out procedures to ensure documentation is completed and maintained and that these procedures are memorialized in a written policy.

10. LMS updates its policies and procedures for searches and contraband to be in compliance with SOW requirements.

11. LMS implements policies and procedures to ensure all potential employees are cleared to work with federal offenders before they are hired.

12. LMS implements policies and procedures for its employees working with federal offenders, and provides required training prior to allowing its employees to work with federal offenders.

13. LMS implements policies and procedures that include segregation of duties and continuous oversight of its billing and subsistence program.

14. LMS senior corporate management takes a more active oversight role in monitoring compliance with the BOP contract terms and conditions and in developing and implementing appropriate RRC policies.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether services have been administered according to contractual and government requirements. Specifically, we assessed LMS's performance against the Statement of Work (SOW) for RRC operations that accompanies the contract in the following areas: (1) BOP monitoring activities, (2) LMS policies and procedures, (3) LMS personnel, (4) LMS accountability, (5) LMS programs and activities, (6) billings, and 7) BOP contract solicitation and award.

We conducted this contract audit 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 objective. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objective.

The contract we audited was an indefinite-delivery, indefinite-quantity contract awarded to LMS on May 9, 2013, with an estimated award amount of over $16.9 million for the base year and four 1-year options ending August 31, 2018. In conducting our audit, we used sample testing while testing contract contractual requirements according to the BOP approved Statement of Work (SOW). In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the contract reviewed. This non-statistical sample design does not allow for the projection of the test results to the universes from which the samples were selected.

Specifically, we performed sample testing on offender case files and RRC employee files from September 2013 through October 2015. We used a judgmental sampling design to determine whether SOW requirements were met for the files reviewed. We selected a sample of 59 resident inmate case files, as well as 20 employee personnel files that were at the RRC during the contract period for Contract Number. DJB200143.

In addition, we tested compliance with what we considered to be the most important conditions of the contract and the accompanying SOW. We determined that the Liberty Management Services' records were not all sufficiently reliable to meet the objectives of this audit. Specifically, because of the issues surrounding the misappropriation of subsistence payments by an LMS employee, we did not verify RRC billings and invoice payment records against BOP records to assess the accuracy of billings. Additionally, we did not test the reliability of the RRC financial management or procurement system as a whole.

LIBERTY MANAGEMENT SERVICES, INC. RESPONSE TO THE DRAFT AUDIT REPORT

L·M·S

LIBERTY MANAGEMENT SERVICES, INC.

September 21, 2016

Thomas O. Puerzer
Regional Audit Manager Philadelphia
Regional Audit Office
Office of the Inspector General U.S.
Department of Justice
701 Market Street, Suite 201
Philadelphia, PA 19106

Dear Mr. Puerzer:

Liberty Management Services will not be filing a formal response to the Office of Inspector General's audit report of the Federal Bureau of Prisons (BOP) Contract Number DJB200143.

Sincerely,

Mark Nicoletti D.P.

Mark Nicoletti, President

Joseph Ferrier, CFO

100 Ross Road, Suite 200
King of Prussia, Pennsylvania 19406
(610) 265-6700
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FEDERAL BUREAU OF PRISONS RESPONSE TO THE DRAFT AUDIT REPORT

U.S. Department of Justice

Federal Bureau of Prisons

Office of the Director

Washington, D.C. 20534

September 20, 2016

MEMORANDUM FOR THOMAS O. PUERZER
REGIONAL AUDIT MANAGER
OFFICE OF INSPECTOR GENERAL
AUDIT DIVISION

Thomas R. Kane

FROM: Thomas R. Kane, Acting Director

SUBJECT: Response to the Office of Inspector General's (OIG) FORMAL Draft Report: Audit of the Federal Bureau of Prisons' Residential Reentry Center under Contract Number DJB200143 Awarded to Liberty Management Services, Inc., Philadelphia, Pennsylvania

The Bureau of Prisons (BOP) appreciates the opportunity to respond to the open recommendations from the formal draft report entitled Audit of the Federal Bureau of Prison's Residential Reentry Center under Contract Number DJB200143 Awarded to Liberty Management Services, Inc., Philadelphia, Pennsylvania.

The BOP has made a determination not to exercise any further option year periods on this contract due to on-going contract non-performance. The current contract performance ended on August 31, 2016, and the BOP notified the contractor that it will not be exercising further option periods under this contract.

Please find the Bureau's response to the recommendations below:

We recommend BOP work with LMS to ensure:

Recommendation 1: LMS updates its operations manual, in order to be in compliance with its contractual requirements and those polices are memorialized in a current operations manual.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the Statement of Work (SOW). This should also be reflected in their internal policies and procedures.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 2: LMS updates its policies and procedures to be in compliance with all intake requirements.

Response: The BOP agrees with the recommendation. The contractor is required to remain complaint with intake procedures per the SOW. This should also be reflected in their internal policies and procedures.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 3: LMS updates its policies and procedures for Individualized Reentry Plans and program planning meetings and ensure they are completed in a timely manner, specifically address the needs of each offender, and that documentation is adequately maintained in offender case files.

Response: The BOP agrees with the recommendation. The contractor is required to keep updated policies and procedures based on the SOW. Additionally, the contractor is required to address the specific needs of each offender and maintain those documents in the case files.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 4: LMS updates its policies and procedures into formal written guidance that can be relied on by its staff.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the SOW. This should also be reflected in their internal policies and procedures.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 5: Offender employment is verified during the first 7 calendar days and at least monthly thereafter and documentation is adequately maintained in offender case files.

Response: The BOP agrees with the recommendation. The contractor is required to assist the offender with employment and maintain documentation in the case file.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 6: LMS updates its policies and procedures to ensure LMS employees consistently conducts and documents telephonic and in-person contact with offenders and their employer.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the SOW. This includes utilizing effective accountability procedures that are clearly written in internal policies and procedures.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 7: Drug testing is conducted as required and documentation is adequately maintained in offender case files.

Response: The BOP agrees with the recommendation. The contractor is required to provide proper drug testing procedures based on the SOW and maintain the information in the case file.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 8: Offender release plans are submitted to the USPO and are timely, and that terminal reports are submitted to the BOP timely.

Response: The BOP agrees with the recommendation. The contractor is required to develop and maintain timely communication with our federal partners.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 9: LMS updates its sign-in/out procedures to ensure documentation is completed and maintained and that these procedures are memorialized in a written policy.

Response: The BOP agrees with the recommendation. The contractor is required to maintain accountability procedures per the SOW. This should be clearly written in the contractor's local policy and procedure.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 10: LMS updates its policies and procedures for searches and contraband to be in compliance with SOW requirements.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the SOW. This should also be reflected in their internal policies and procedures.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 11: LMS implements policies and procedures to ensure all potential employees are cleared to work with federal offenders before they are hired.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the SOW. This includes proper background and screening

procedures when hiring. This should also be reflected in their internal policies and procedures.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 12: LMS implements policies and procedures for its employees working with federal offenders, and provides required training prior to allowing its employees to work with federal offenders.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the SOW. This includes appropriate training of all staff.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 13: LMS implements policies and procedures that include segregation of duties and continuous oversight of its billing and subsistence program.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the SOW. This includes clear oversight of the collection and reporting of subsistence.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

Recommendation 14: LMS senior corporate management takes a more active oversight role in monitoring compliance with the BOP contract terms and conditions and in developing and implementing appropriate RRC policies.

Response: The BOP agrees with the recommendation. The contractor is required to ensure compliance with contractual requirements as required by the SOW. This includes the development, oversight, and maintenance of internal policies and procedures.

However, due to the discontinuation of the contractual relationship between BOP and LMS, BOP lacks authority to effect the recommended changes, and BOP requests this recommendation be closed.

If you have any questions regarding this response, please contact Steve Mora, Assistant Director, Program Review Division, at (202) 353-2302.

OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND CLOSURE OF THE REPORT

The OIG provided a draft of this audit report to Liberty Management Services, Inc. (LMS) and the Federal Bureau of Prisons (BOP) for review and comment. LMS provided written notice, included in Appendix 2, that it would not be filing a formal response to our report. BOP's response is included as Appendix 3.

In its response, BOP concurred with all 14 of our recommendations and stated a determination was made not to exercise any further option year periods on the contract with LMS due to on-going contract non-performance. BOP also stated that the current contract performance ended on August 31, 2016, and therefore BOP does not have the authority to effect the recommended changes with LMS.

We verified documentation that BOP terminated its contractual relationship with LMS as of August 31, 2016. We agree that based on the lack of any existing contractual relationship with LMS, BOP cannot ensure the implementation of our recommendations. As a result, we consider all 14 recommendations in this report closed.

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