



Office of the Inspector General
U.S. Department of Justice



**Audit of the Federal Bureau of Prisons
Residential Reentry Center
Contract No. DJB200244
Awarded to Centre, Inc.
Fargo, North Dakota**

**AUDIT OF THE FEDERAL BUREAU OF PRISONS
RESIDENTIAL REENTRY CENTER CONTRACT NO. DJB200244
AWARDED TO CENTRE, INC.
FARGO, NORTH DAKOTA**

EXECUTIVE SUMMARY*

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of the Federal Bureau of Prisons' (BOP) Contract No. DJB200244, awarded to Centre, Inc., (Centre) to operate and manage a Residential Reentry Center (RRC) located in Fargo, North Dakota (Fargo RRC). RRCs provide inmates with a structured, supervised environment, along with support in job placement, counseling, and other self-improvement services to facilitate successful reentry into the community after incarceration. The Fargo RRC contract has an estimated value of over \$12.3 million for 2 base years and three 1-year option periods. Actual contract costs through November 30, 2016, were \$1.96 million.

The objective of this audit was to assess BOP's administration of, and Centre's performance and compliance with the terms, conditions, laws, and regulations applicable to this contract. To accomplish this objective, we assessed BOP's contract administration and oversight of the Fargo RRC operations and the contractor's performance in the following areas: general RRC operating procedures, programs and services, resident accountability, staffing, billing accuracy, and subsistence collection.

Based on our audit, we found that BOP did not effectively monitor Centre's compliance with the Statement of Work (SOW) for the Fargo RRC. Specifically, while we found that BOP's full monitoring procedures contained in its Community Corrections Manual (CCM) were sufficient to assess the RRC's compliance with the SOW, we noted that BOP's Residential Reentry Management (RRM) field office did not use the CCM procedures to monitor the Fargo RRC. Further, none of BOP's monitoring reports identified the deficiencies we found during our audit. We also found that BOP did not consistently comply with the CCM requirements for granting subsistence reductions and waivers, resulting in unrecognized potential cost savings of \$26,114 over the first 15 months of the contract period. Finally, we found that BOP did not consistently pay the RRC invoices on time in compliance with prompt payment requirements in the Federal Acquisition Regulation, resulting in unnecessary interest payments to Centre totaling \$1,408.

In addition to our findings on BOP's monitoring and management of the contract, we identified deficiencies with the quality of Centre's inmate programming and compliance with the SOW. Specifically, we found that 28 percent of the Fargo

* Redactions were made to the full version of this report for privacy reasons. The redactions are contained only in Appendix 3, the auditee's response, and are of individuals' names.

RRC inmate program plans that we tested did not establish goals for addressing each inmate's top risk areas. Also, the SOW requires Centre to provide Transition Skills programming for inmates to address common issues inmates encounter during their transition back into the community. However, we found that the Fargo RRC's Transition Skills program did not comply with the SOW requirements to conduct the program in a group setting for 9 weeks.

We also examined the Fargo RRC's operating policies and procedures, monthly invoices, and a sample of staff and inmate files. Based on our review, we did not identify any concerns related to inmate employment approvals and verifications, and inmate drug testing. However, we found that the Fargo RRC did not consistently comply with BOP SOW requirements related to inmate progress reviews, release plans, terminal reports, pass verifications, facility searches and subsistence collection. Further, we identified \$28,712 in questioned costs because the Fargo RRC did not always collect required inmate subsistence payments, report subsistence collected on invoices submitted to BOP, or administer inmate discipline for non-payment.

Our report contains 14 recommendations to BOP, which are detailed in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix 1 and our Schedule of Dollar-Related Findings appears in Appendix 2. We discussed the results of our audit with BOP and Fargo RRC officials and have included their comments in the report, as applicable.

In addition, we requested a written response to our draft audit report from Centre and BOP, which are appended to this report in Appendices 3 and 4, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix 5 of this report.

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**AUDIT OF THE FEDERAL BUREAU OF PRISONS
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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG), Audit Division, has completed an audit of the Federal Bureau of Prisons' (BOP) Contract No. DJB200244, awarded to Centre, Inc. (Centre). The purpose of the contract is to operate and manage the Residential Reentry Center (RRC) located in Fargo, North Dakota (Fargo RRC). BOP awarded a requirements contract for the Fargo RRC on May 22, 2015, with an estimated award amount of over \$12.3 million for 2 base years and three 1-year option periods, as shown in Table 1. Actual contract costs through November 30, 2016, were \$1.96 million.

**Table 1
Contract Period and Cost**

| CONTRACT PERIOD | FROM | TO | ESTIMATED MAN-DAYS (in-house) | ESTIMATED MAN-DAYS (home confinement) | ESTIMATED COST |
|------------------------|-------------|-----------|--------------------------------------|--|-----------------------|
| Base Period | 09/01/15 | 08/31/17 | 36,550 | 8,772 | \$12,313,311 |
| Option Year 1 | 09/01/17 | 08/31/18 | 19,345 | 5,110 | |
| Option Year 2 | 09/01/18 | 08/31/19 | 20,440 | 5,840 | |
| Option Year 3 | 09/01/19 | 08/31/20 | 21,594 | 6,588 | |

Source: BOP contract No. DJB200244

Background

BOP utilizes contracts with RRCs, also known as halfway houses, to transition inmates into communities prior to their release from incarceration. Inmates participating in release programming at RRCs remain in federal custody while serving the remainder of their sentences. At the same time, the inmates are allowed to work, visit with family members, and engage in a limited range of activities. According to BOP, RRCs provide a structured, supervised environment, along with support in job placement, counseling, and other services to facilitate successful reentry into the community after incarceration.

BOP's Reentry Services Division located in BOP's headquarters, as well as 24 Residential Reentry Management (RRM) field offices located within 3 RRM Sectors, are responsible for monitoring its RRC contractors. BOP policy for RRC management is contained in its Community Corrections Manual (CCM). Generally, the RRCs operate under BOP's Statement of Work (SOW) for RRC operations.

The Fargo RRC provides services at two locations under the same contract, allowing the contractor to segregate its inmate population by gender. The male

facility has a capacity for 87 inmates, while the female facility can house up to 72 inmates. BOP pays the contractor two different per diem rates depending on whether the inmate resides at the RRC or is in home confinement, which is the price per inmate, per day based on the actual inmate count at both Fargo RRC facilities and the number of inmates in home confinement.

OIG Audit Approach

The objective of our audit was to assess BOP's administration of, and Centre's performance and compliance with the terms, conditions, laws, and regulations applicable to this contract. We tested compliance with what we considered to be the most important conditions of the contract. Unless otherwise stated in this report, the criteria we audited against are contained in the BOP CCM and SOW for RRC operations.

The results of our audit were based on interviews with essential personnel and documentation provided to us by both BOP and the Fargo RRC. Our audit included reviewing BOP's contract file, monitoring reports, inmate files at the Fargo RRC, as well as testing accounting and billing records from the effective date of the contract, September 1, 2015, through November 30, 2016. Appendix 1 contains additional information on this audit's objective, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

As discussed in this report, we found that BOP did not effectively monitor Centre's compliance with the SOW at the Fargo RRC, did not consistently comply with the BOP CCM requirements for granting subsistence reductions and waivers, and did not consistently pay RRC invoices on time, resulting in unrecognized potential cost savings of \$26,114 and unnecessary interest payments totaling \$1,408. We also found that Centre did not consistently comply with SOW requirements for the Fargo RRC related to inmate progress reviews, release plans, terminal reports, pass verifications, facility searches, inmate programming, and subsistence payments and waivers. Most significantly, we found BOP's monitoring failed to identify issues related to the Fargo RRC's compliance with SOW requirements. We also found that the Fargo RRC did not always collect required inmate subsistence payments, report collected subsistence on invoices submitted to BOP, or administer inmate discipline for non-payment – resulting in questioned costs totaling \$28,712. Based on our audit results, we make 14 recommendations to improve the management and oversight of the contract.

BOP RRC Contract Management

On May 22, 2015, BOP awarded a requirements contract to Centre to provide community-based residential correctional services at the Fargo RRC.¹ These services include employment, residence development, and other self-improvement opportunities to assist federal inmates during the transition from prison to the community.

We found that BOP complied with Federal Acquisition Regulations pertaining to the solicitation and award of Contract No. DJB200244. The contract was properly negotiated, the proposed cost was compared to an independent government cost estimate, and BOP officials thoroughly documented the rationale for awarding the contract to Centre, in its source selection decision, which is required despite the fact that Centre was the only bidder who responded to the solicitation. However, we identified deficiencies related to BOP's monitoring of the contractor's compliance with the SOW, subsistence waivers and reductions, and timeliness of invoice payments.

RRC Monitoring

According to the SOW, BOP is required to conduct regular monitoring of all RRC contractors 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 inspections, unannounced interim monitoring inspections, and full monitoring inspections.

¹ A requirements contract may be appropriate for acquiring services when the government anticipates recurring requirements but cannot predetermine the precise quantities of services that designated government activities will need during the contract period.

The CCM contains monitoring schedules for RRCs, as well as monitoring instruments for conducting full and interim inspections of RRC contractors. According to the CCM, the monitoring instruments are designed to assist BOP staff in making thorough program evaluations based on contract requirements as detailed in the contracts' SOW. Interim monitoring inspections are not intended to be as comprehensive as a full monitoring inspection. The interim monitoring instrument is limited to fire safety, sanitation, inmate accountability, inmate employment, and escapes, which is not sufficient to ensure that the RRC is in compliance with the SOW. The full monitoring inspections are intended to provide a thorough, comprehensive review of the RRC's operation and require a close examination of every facet of the contract requirements. As such, the full monitoring instrument requires the RRM to look at all contract requirements including: (1) RRC administration and personnel, (2) compliance with inmate intake and exit requirements, (3) inmate programming and program planning, (4) inmate employment and subsistence payments, (5) drug testing and treatment, (6) inmate accountability and discipline, and (7) maintaining inmate records and reports. In our judgment, the full monitoring instrument, if used properly, is sufficient to assess RRC contractor compliance with key aspects of the SOW; however, it does not assess the quality of services provided by the RRC.

The OIG recently issued an audit report on BOP's management of inmate placements in RRCs, which found that, while the monitoring instruments address compliance with the contractual SOW, BOP does not assess the quality of programs offered by its RRCs.² The OIG audit also found that BOP did not require the RRC contractor or BOP to monitor, collect, retain, or report any statistics pertaining to the RRC or home confinement program performance, or success or failure rates. As a result, the OIG recommended that BOP create an RRC contractor quality monitoring instrument that assesses the quality and effectiveness of its RRCs and home confinement programs. The OIG also recommended that BOP develop performance measures that assess the efficacy of its RRC and home confinement programming. Therefore, we are not offering any recommendations related to assessing the quality of RRC contractor performance. However, we assessed the quality of BOP's monitoring of the Fargo RRC as it related to compliance with SOW requirements.

The RRM office in Minneapolis, Minnesota conducted one full and three interim monitoring inspections of the Fargo RRC between September 1, 2015, and October 30, 2016. We reviewed the four monitoring reports and found that the RRM office identified two deficiencies related to staff clearance and training. The Fargo RRC took steps to correct all deficiencies identified by BOP. However, while we found that the full monitoring instrument was sufficient to ensure that the RRC was in compliance with the SOW, we noted that the RRM office did not use the full monitoring instrument. Further, none of BOP's monitoring reports identified the

² U.S. Department of Justice Office of the Inspector General, *Audit of the Federal Bureau of Prisons' Management of Inmate Placements In Residential Reentry Centers and Home Confinement*, Audit Report 17-01 (November 2016).

deficiencies we found during our audit, indicating that the RRM was not effectively monitoring the Centre's compliance with the SOW requirements for the Fargo RRC. As a result, we recommend that BOP ensure the RRM effectively utilizes the full monitoring instrument to closely examine every facet of the Fargo RRC's compliance with essential SOW requirements.³

Subsistence Waivers and Modifications

To promote financial responsibility, BOP requires employed inmates to make subsistence payments to the RRC each pay day. RRCs are responsible for collecting the full subsistence payments and must reduce the monthly billings to BOP by the amount of subsistence payments collected. Most inmates are required to pay 25 percent of their gross income. However, in cases of extreme hardship, the RRC may request the RRM to waive or reduce inmate subsistence payments. According to the CCM, the RRM (with concurrence by the Regional Management Team) may approve the RRC request to waive or modify subsistence payments on a case-by-case basis after examining the inmate's justification for the modification, and a listing of all debts and assets. The CCM defines extreme hardship as a situation when the inmate has made every effort to establish a suitable release plan, but, due to circumstances beyond their control, has been unable to prior to release. Examples of such situations include homelessness, unemployment due to physical or mental health reasons, unexpected or emergency critical health care needs, or no community resources.

We reviewed all subsistence waivers and modifications approved during the contract period and found that RRM staff did not consistently comply with CCM requirements for granting subsistence waivers and reductions. Between September 1, 2015, and November 30, 2016, the RRM granted 54 subsistence waivers or reductions to at the Fargo RRC, which equates to over 30 percent of its employed inmate population. We examined each of the approved requests to determine if BOP staff exercised proper judgment in granting the subsistence waivers and reductions in accordance and CCM requirements.

As discussed later in this report, we found that the Fargo RRC did not adequately consider the inmates' debts, assets, employment status, and spending history before submitting written subsistence waiver and reduction requests to the RRM, as required by the SOW. We also found that 44 of the 54 (81 percent) subsistence waivers or reductions granted by the RRM were based on a questionable determination that the inmate faced "extreme hardship." For example, the RRM granted one inmate a full waiver after he reported having a \$500 per month car loan payment, which in our judgment is not a necessary expense resulting in extreme financial hardship. Another inmate had over \$1,000 left every

³ For the most recent full monitoring inspection conducted prior to our audit on November 4, 2016, the RRM did not issue the letter of results until November 21, 2016, which was 3 days after we concluded our audit fieldwork at the Fargo RRC and communicated our preliminary findings to the Contract Oversight Specialist. As a result, the RRM included the issues we discussed at the conclusion of our audit fieldwork in its letter of results.

month after considering his monthly income and expenses, but was still granted a 15-percent subsistence reduction. Many inmates included food expenses in their budgets, including \$50 per month for coffee and \$55 per month for other beverages, despite the fact that the RRC is responsible for providing them with three meals per day. Several inmates understated their monthly gross income, making it appear they could not pay subsistence. Many other inmates reported spending over \$100 per month on cigarettes.

In our opinion, these inmates did not face extreme hardship and should not have been granted subsistence waivers or reductions. In total, we estimated that the questionable waivers reduced the amount of subsistence that should have been collected by \$26,114, which represents 16 percent of the \$165,527 in total subsistence collections reported by the Fargo RRC between September 1, 2015, and November 30, 2016. Therefore, we recommend that BOP ensure its RRM examines all current and future waiver requests to determine if the inmate truly faces extreme financial hardship. We also recommend that BOP ensure its RRM requires the Fargo RRC to provide documentation supporting the inmate's income and expenses (e.g., pay stubs, bank statements, bills, receipts, etc.) for all requests for subsistence waivers or reductions.

Prorated Subsistence Collection Waiver

According to the SOW, if an inmate resides in the RRC for any additional days beyond their last pay day, they must pay prorated subsistence on the gross income earned prior to their release. However, on February 25, 2015, prior to the start of the current Fargo RRC contract, BOP's RRM Branch, Central Sector Administrator issued a memorandum authorizing each "RRC to waive pro-rated subsistence collections" for all RRC inmates under his jurisdiction. As a result, the Fargo RRC stopped collecting prorated subsistence after the memorandum was issued.

As previously stated, the RRM may waive or modify subsistence payments in cases of extreme hardship after examining the inmate's justification and financial records. The prorated subsistence collection waiver cites this policy as the basis for waiving the SOW requirement to collect prorated subsistence. The memorandum also states that the basis for granting the waiver is to foster the success of RRC residents. However, it is evident that BOP did not assess the financial standing of each of the affected inmates, as required by the CCM, prior to issuing the memorandum. Further, the RRM branch cannot waive SOW requirements unless a contract modification is issued formally removing the RRC's requirement to collect prorated subsistence. We discussed this issue with the Assistant Administrator for BOP Reentry Services Division, who stated that, based on BOP policy in the CCM, the Reentry Services Division disagreed with the Central Sector Administrator's interpretation of the subsistence policy and directed him to rescind the waiver prior to our audit. Subsequent to our discussion with the BOP Reentry Services Division, the current Central Sector Administrator issued a memorandum dated January 30, 2017, rescinding the prorated subsistence collection waiver, signifying that it should never have been granted.

Invoice Payments

Federal Acquisition Regulation Subpart 32.9 requires BOP to pay all proper invoices within 30 days of receipt, or pay an interest penalty. We found that BOP paid 10 of the 16 invoices we reviewed, on average 18 days late, resulting in unnecessary interest payments totaling \$1,408 to Centre over a 15-month timeframe. If BOP continues to pay invoices late, it may incur thousands more in unnecessary interest penalties over the remaining contract period. Therefore, we recommend that BOP ensure all proper invoices received from the Fargo RRC are paid within 30 days of receipt.

RRC Contractor Performance

To assess Centre's compliance with the BOP SOW for RRC operations related to inmate programs and services, accountability, and subsistence collection, we selected a sample of 25 inmates who were placed in the Fargo RRC under BOP Contract No. DJB200244.

Inmate Individualized Program Plans

During an inmate's first 2 weeks at the RRC, the RRC must complete an Individualized Program Plan (IPP) that addresses all of the inmate's needs and includes a timetable for achievement of these goals. Additionally, IPPs must be regularly updated, clearly indicating the inmate's progress in meeting their program goals. During an inmate's first 6 weeks at an RRC, staff must conduct weekly program planning meetings with each inmate focusing on reentry issues and discussing the inmate's progress. Subsequent to the inmate's first 6 weeks at the RRC these meetings are conducted bi-weekly until the inmate is released. We found that the Fargo RRC prepared IPPs for all 25 inmates in our sample.

After an inmate's arrival at the Fargo RRC, case managers are required to conduct an assessment to determine specific areas of concern related to the inmate's ability to successfully reenter society and predict their risk of recidivism. The results of these assessments are used to establish goals in the inmate's IPP. We found that for 7 of 25 individuals in our sample, the RRC did not establish goals addressing each inmate's top risk areas. Without proper goals, the Fargo RRC cannot ensure the inmate's time at the RRC is used effectively to address their areas of greatest need and risk. Therefore, we recommend that BOP ensure that the Fargo RRC develops IPPs that include goals addressing each inmate's top risk areas.

We also found that for 17 of the 25 inmates in our sample, the RRC staff did not consistently conduct timely program planning meetings and document the inmate's progress in the IPPs. Specifically, we identified 17 required weekly meetings during the inmate's first 6 weeks and 19 required bi-weekly meetings after the first 6 weeks that were either not conducted or not properly documented. By not conducting timely program planning meetings, the Fargo RRC cannot ensure the inmate is making progress towards achieving their individual goals. Therefore,

we recommend that BOP ensure that the Fargo RRC conducts timely program planning meetings and updates inmate IPPs accordingly.

Inmate Release

RRCs are required to submit a proposed release plan to the U.S. Probation Office for investigation and approval at least 6 weeks prior to the inmate's release date.⁴ Each release plan must include the inmate's verified residence, employment information, medication needs, and any follow-up appointments for medical, mental health, or substance abuse treatment. We found that the Fargo RRC properly prepared release plans for all 15 inmates who required a plan. However, the Fargo RRC submitted nine of the release plans to the U.S. Probation Office between 1 to 5 weeks late. By submitting release plans late, the U.S. Probation Office is not given sufficient time to investigate the suitability of the inmate's residence prior to their release. Therefore, we recommend that BOP ensure that the Fargo RRC submits release plans for all required inmates to the U.S. Probation Office in a timely manner.

The RRC must also complete a terminal report within 5 working days of an inmate's release. In addition to the inmate's basic information, terminal reports document the inmate's program participation, employment information, and disciplinary actions received during their time at the RRC. We found that the Fargo RRC properly prepared terminal reports for all 22 inmates in our sample who were released from the RRC prior to the start of our audit. However eight of the terminal reports were not dated, which prevented us from determining whether they were completed timely. Additionally, the terminal reports for 6 inmates were submitted to BOP between 1 and 27 working days late. Without timely terminal reports, BOP cannot discern: (1) how the inmate adjusted while under the care of the contractor; (2) the inmate's prognosis for future adjustment; (3) the amount of money the inmate has saved; or (4) the inmate's release plans. Therefore, we recommend that BOP ensure that the Fargo RRC submits terminal reports for all inmates to BOP in a timely manner.

Inmate Employment

Capable inmates are expected to be employed within 21 calendar days after their completion of the RRC's orientation program. The RRC must grant written approval for each job an inmate acquires. The RRC must also verify employment by conducting an on-site visit during the first 7 calendar days of employment. Thereafter, at least monthly, the RRC is required to contact the inmate's employment supervisor by phone or site visit to substantiate attendance and discuss any problems that may have arisen.

We found that 24 of the 25 inmates in our sample were employed while at the RRC. On average, these inmates found a job within 12 days after they began

⁴ Release plans are not required for inmates granted Full Term Release with no supervision subsequent to release from the RRC.

their job search. We determined that all 24 inmates obtained written approval prior to beginning a new job, and the RRC conducted all initial employment verifications within 7 days. Additionally, we found that the Fargo RRC properly conducted monthly employment verifications for all 24 inmates in our sample. In fact, we noted that the RRC conducted several employment checks of each inmate every month, which exceeds the SOW requirements.

Inmate Drug Testing

Inmates known to have a history of drug abuse, or who are suspected of illegal drug use, must be tested for illegal substances no less than 4 times per month. We found that, for all 25 inmates in our sample, the Fargo RRC generally conducted random testing for illegal substances in accordance with SOW requirements.

Inmate Security and Accountability

RRCs must be able to locate and verify the whereabouts of inmates at all times. To ensure that the RRCs adequately track inmate movement, the SOW requires that documentation of an inmate's movement in and out of RRCs must include, at a minimum: staff initials, the inmate's full name and register number, type of offender, time out, destination, purpose, authorized return time, time in, and a section for special comments. We examined the sign-out logs for the 23 resident inmates in our sample and generally found them to be complete.⁵

RRCs are permitted to allow certain inmates to be away from the facility overnight through the use of an approved pass. Ordinarily, these passes allow the inmate to stay at their release residence, as long as it is within a 100-mile radius of the RRC. The RRC is required to conduct random checks to determine the inmate's compliance with the conditions of the pass at least twice a day. We examined all 57 overnight passes granted for the 23 inmates in our sample and found that 5 of the passes were missing approval signatures. We also found that the RRC did not properly conduct the required number of random checks for 27 of the 57 passes granted. Additionally, for 14 passes, the RRC did not conduct any of the required random checks.

Without proper pass documentation and checks, the Fargo RRC cannot ensure the inmates are being properly monitored and held accountable while they are away from the RRC. Therefore, we recommend that BOP ensure the Fargo RRC properly signs all approved passes and conducts at least two random checks of all inmate passes for each day that inmate is away from the RRC.

⁵ Two of the 25 inmates in our sample were transferred directly to home confinement and did not utilize sign-out logs.

Contraband Searches

RRCs are required to conduct searches of the facility and the personal belongings of inmates at least once per month. These facility searches must be documented in a log. We selected a 3-month sample of searches conducted at both Fargo RRC facilities during the contract period and found that full facility searches were not conducted for any of the 3 months in our sample. According to Fargo RRC officials, full facility searches are not conducted at one time; instead, each room in both facilities is individually searched randomly at least once per month. However, we found that the Fargo RRC did not search all rooms in both facilities for each month we sampled. The search log did not include staff offices, group meeting rooms, kitchens, storage closets, or corridors. Additionally, Fargo RRC officials stated that certain rooms in its male facility are not searched because they are not used to house BOP inmates. Further, for 86 of the 91 occurrences where contraband was found, the Fargo RRC did not consistently document which inmate possessed the contraband, how the contraband was handled or disposed of, or if any disciplinary action was taken. Without fully-documented searches, including disposal of contraband found and disciplinary actions taken, BOP cannot ensure the Fargo RRC is taking appropriate steps to prevent the introduction of contraband into its facilities. Therefore, we recommend that BOP ensure the Fargo RRC conducts facility searches in accordance with the SOW and fully documents them in the search log.

Escapes

If an inmate fails to return to the facility at their required time, the RRC must attempt to locate the inmate. Once all efforts to locate the inmate fail, the inmate is considered an escapee. The RRC is then required to contact the BOP Regional Reentry Manager to place the inmate on escape status. Once an inmate is placed on escape status, the RRC must prepare an incident report and conduct a disciplinary hearing. We reviewed the documentation related to an escape from the Fargo RRC that occurred in January 2016. We found that the Fargo RRC generally complied with SOW requirements for reporting the escape and initiating disciplinary actions after the escape occurred.

Inmate Programming

The SOW requires all inmates transferring to an RRC, who are not in drug abuse treatment, to participate in the Transition Skills program. The Transition Skills program is a 9-week interactive journaling program, held in a group setting, designed to address common issues inmates encounter during their transition back into the community. Participants work to develop key skills that help them make responsible choices and avoid future incarceration. The RRC is responsible for facilitating Transition Skills group sessions and ensuring offenders complete the program requirements.

According to Fargo RRC staff, inmates participating in the Transition Skills program work through the journal individually with their case manager. The

program can take between 4 and 11 weeks to complete, based on their level of engagement, diligence in completing their journaling, and ability to demonstrate the skills learned. We found that the Fargo RRC's Transition Skills program does not comply with the SOW requirement to conduct the program in a group setting for 9 weeks. In addition, the Fargo RRC's Transition Skills program does not align with either the Fargo RRC's technical management proposal, in which it agrees to conduct the program in a group setting, or its operations manual, which states that the group program lasts 10 consecutive weeks. Without the ability to participate in a Transition Skills program that fully complies with the SOW, inmates may not receive adequate assistance in addressing issues they may encounter during their transition back into the community. Therefore, we recommend BOP ensure that the Fargo RRC conducts its Transition Skills program in accordance with the contract requirements.

RRC Billings

BOP pays the contractor a per diem rate, which is the price per inmate, per day based on the actual inmate count at the Fargo RRC. We compared the inmate day counts from the RRC billings with those in BOP's SENTRY database for all 16 invoices submitted to BOP for RRC services rendered between September 1, 2015, and November 30, 2016, and found no discrepancies related to the billings.⁶

Medical expenses for inmates are paid by the RRC. The RRC requests reimbursement from BOP during the next monthly billing. Supporting documentation is required to accompany the reimbursement request. We examined all medical reimbursement requests and found they were properly documented.

Inmate Subsistence

As stated previously, the SOW requires RRCs to collect inmate subsistence payments for all employed inmates each pay day and reduce the monthly billings to BOP by the amount of subsistence payments collected (see also Subsistence Waivers and Modifications section). In cases of extreme hardship, the RRC may request the RRM to waive or modify inmate subsistence payments. However, we found that the Fargo RRC did not follow SOW requirements related to requesting inmate subsistence waivers and reductions, collecting inmate subsistence, or reporting inmate subsistence and reducing monthly billings by the amount of subsistence collected.

According to the SOW, the RRC must consider the inmate's debts, assets, employment status, and spending history before submitting a written subsistence waiver or reduction request to the RRM. However, we found that the Fargo RRC did not adequately consider the required factors before submitting waiver requests. Specifically, as discussed previously, 44 of the 54

⁶ Developed in 1978, SENTRY is used to collect, maintain, and report all inmate information that is critical to the safe and orderly operation of the BOP facilities.

(81 percent) of the approved subsistence waivers or reductions submitted by the Fargo RRC to the RRM were based on a questionable determination that the inmate faced “extreme hardship.” Additionally, the subsistence waivers and reductions requested by the Fargo RRC for some inmates understated the inmate’s monthly gross income, making it appear that the inmate could not pay the subsistence, even though the RRC should have known the inmate’s actual gross income. Other waiver and modification requests included unnecessary inmate expenses such as food, coffee, and cigarettes. In our opinion, these inmates did not face extreme hardship and the Fargo RRC should not have requested subsistence waivers or reductions. Therefore, we recommend that BOP ensure the Fargo RRC properly considers the inmate’s debts, assets, employment status, and spending history before submitting subsistence waiver and reduction requests to the RRM. Previously in this report, we also recommended that BOP ensure that the Fargo RRC subsistence waiver and reduction requests include documentation supporting the inmate’s income and expenses (e.g., pay stubs, bank statements, bills, receipts, etc.).

We selected a sample of five monthly invoices to determine if the Fargo RRC properly collected and reported all required inmate subsistence payments for the months reviewed. Based on our sample, we found that for all five invoices, the Fargo RRC did not consistently collect, accurately report, or provide support for all inmate subsistence payments collected.

In addition to the monthly invoices, we separately examined all subsistence records for the 24 inmates in our sample who were employed while at the RRC. We found that the RRC did not consistently collect, accurately calculate, or document subsistence payments for 14 inmates. As a result, we identified \$4,553 in questioned costs, including \$4,313 in uncollected subsistence payments, \$112 in unsupported subsistence payments, and \$128 in unreported subsistence payments.

Based on the findings from our inmate sample, we expanded our analysis to include the remaining 144 inmates who were required to pay subsistence to the Fargo RRC during the contract period. We found that Centre did not consistently collect, accurately calculate, or document subsistence payments for an additional 28 inmates. As a result, we identified an additional \$4,828 in uncollected subsistence payments and \$1,320 in unsupported subsistence collections. Overall we identified \$10,701 in uncollected, unsupported, and unreported subsistence, as shown in Table 2.

Table 2
Individual Inmate Subsistence Findings

| FINDING | NUMBER OF OCCURRENCES | ESTIMATED AMOUNT NOT COLLECTED/REPORTED |
|---|-----------------------|---|
| Subsistence not collected | 67 | \$9,141 |
| Subsistence reported not supported by documentation | 3 | \$1,432 |
| Subsistence collected, but not reported | 1 | \$128 |
| Totals: | 71 | \$10,701 |

Source: Fargo RRC invoices to BOP and individual inmate case files.

We also found that the Fargo RRC did not consistently administer disciplinary actions for inmates who underpaid or failed to pay required subsistence.

Further, as previously mentioned, on February 25, 2015, prior to the start of the current Fargo RRC contract, BOP's RRM Branch, Central Sector Administrator issued a memorandum authorizing each "RRC to waive pro-rated subsistence collections" for all RRC inmates under his jurisdiction. We found that the prorated subsistence collection waiver was not in compliance with the CCM or the SOW. Further, since the current contract was awarded without a modification removing the requirement to collect prorated subsistence, the Fargo RRC was contractually obligated to collect prorated subsistence for the entire contract period. As a result, we identified questioned costs totaling \$18,011 related to prorated subsistence that the Fargo RRC failed to collect during the current contract period.

In total, we found that the Fargo RRC failed to collect, fully support, or report inmate subsistence payments totaling \$28,712. Therefore, we recommend BOP ensure that the Fargo RRC remedies the \$28,712 in total questioned costs related to uncollected or unreported subsistence payments. Additionally, we recommend that BOP ensures that the Fargo RRC improves its processes for collecting and reporting required inmate subsistence by developing and implementing policies and procedures to:

- closely track inmate pay days and gross wages earned to ensure that inmate subsistence payments are collected in a timely manner;
- ensure that inmates are making required subsistence payments in a timely manner and that inmate disciplinary action is properly administered for each instance of non-payment or under payment;
- ensure that all required documentation related to subsistence payments is maintained including copies of pay stubs, money orders, subsistence receipts, and subsistence waiver approvals; and
- ensure that required documentation supporting subsistence receipts is submitted with monthly billings to BOP.

Conclusion

The objective of this audit was to assess BOP's administration of, and Centre's performance and compliance with the terms, conditions, laws, and regulations applicable to this contract. We examined BOP's contract administration and oversight procedures and found that BOP did not effectively monitor the Fargo RRC, consistently comply with the BOP CCM and SOW requirements for granting subsistence reductions and waivers, or consistently pay RRC invoices on time, resulting in unrecognized potential cost savings of \$26,114 and unnecessary interest payments totaling \$1,408. We also reviewed the RRC's operating procedures, invoices, and a sample of staff and inmate files. We found that the Fargo RRC did not always: (1) conduct timely program planning meetings or

update the inmate IPPs; (2) submit release plans to the U.S. Probation Officer timely; (3) submit terminal reports to BOP timely; (4) maintain complete overnight pass documentation; (5) conduct twice-daily pass checks; (6) conduct monthly facility searches or keep complete search records; (7) conduct Transition Skills programming in accordance with the SOW; or (8) collect, fully support, or report inmate subsistence, resulting in \$28,712 in questioned costs. As a result, we make 14 recommendations to remedy questioned costs and improve BOP and the Fargo RRC's management and compliance with contract requirements.

Recommendations

We recommend that BOP:

1. Ensure the RRM effectively utilizes the full monitoring instrument to closely examine every facet of the Fargo RRC's compliance with essential SOW requirements.
2. Ensure its RRM examines all current and future waiver requests to determine if the inmate truly faces extreme financial hardship.
3. Ensure its RRM requires the Fargo RRC to provide documentation supporting the inmate's income and expenses (e.g., pay stubs, bank statements, bills, receipts, etc.) for all requests for subsistence waivers or reductions.
4. Ensure all proper invoices received from the Fargo RRC are paid within 30 days of receipt.

We also recommend that BOP work with Centre to ensure that the Fargo RRC:

5. Develops IPPs that include goals addressing each inmate's top risk areas.
6. Conducts timely program planning meetings and updates the inmate IPPs accordingly.
7. Submits release plans for all required inmates to the U.S. Probation Office in a timely manner.
8. Submits terminal reports for all inmates to BOP in a timely manner.
9. Properly signs all approved passes and conducts at least two random checks of all inmate passes for each day that an inmate is away from the RRC.
10. Conducts facility searches in accordance with the SOW and fully documents them in the search log.
11. Conducts its Transition Skills program in accordance with the contract requirements.

12. Properly considers the inmate's debts, assets, employment status, and spending history before submitting subsistence waiver and reduction requests to the RRM.
13. Remedies the \$28,712 in total questioned costs related to uncollected, unsupported, and unreported subsistence payments.
14. Improves its processes for collecting and reporting required inmate subsistence by developing and implementing policies and procedures to:
 - a. closely track inmate pay days and gross wages earned to ensure that inmate subsistence payments are collected in a timely manner;
 - b. ensure that inmates are making required subsistence payments in a timely manner and that inmate disciplinary action is properly administered for each instance of non-payment or under payment;
 - c. ensure that all required documentation related to subsistence payments is maintained including copies of pay stubs, money orders, subsistence receipts, and subsistence waiver approvals; and
 - d. ensure that required documentation supporting subsistence receipts is submitted with monthly billings to BOP.

STATEMENT ON INTERNAL CONTROLS

As required by *Government Auditing Standards*, we tested, as appropriate, internal controls significant within the context of our audit objectives. A deficiency in an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect in a timely manner: (1) impairments to the effectiveness and efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations. Our evaluation of BOP's administration of Contract No. DJB200244 and Centre's compliance with the contract requirements was *not* made for the purpose of providing assurance on these entities' internal control structures as a whole. BOP's and Centre's management are responsible for the establishment and maintenance of internal controls.

As noted in the Findings and Recommendations section of this report, we determined that BOP's monitoring efforts at the Fargo RRC were not adequate to ensure the contractor is performing in accordance with the contract Statement of Work. This was based on our determination that BOP monitoring efforts between September 1, 2015, and October 30, 2016, did not identify the deficiencies in contractor performance we found during our audit.

We also found that Centre's procedures were not adequate to ensure inmates are being held accountable when they are away from the RRC, or to ensure accurate collection and reporting of inmate subsistence. These determinations were based on our findings that the Fargo RRC was not properly documenting and verifying inmate passes, and on our identification of \$28,712 in questioned costs related to subsistence collection and reporting.

Because we are not expressing an opinion on BOP's or Centre's internal control structure as a whole, this statement is intended solely for the information and use of BOP and Centre. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

As required by *Government Auditing Standards* we tested, as appropriate given our audit scope and objective, selected transactions, records, procedures, and practices to obtain reasonable assurance that BOP's and Centre's management complied with federal laws and regulations for which noncompliance, in our judgment, could have a material effect on the results of our audit. BOP's and Centre's management are responsible for ensuring compliance with federal laws and regulations. In planning our audit, we identified the following regulations that concerned the operations of the auditees and that were significant within the context of the audit objective.

- Federal Acquisition Regulation (FAR)
 - FAR Part 15, *Contracting by Negotiation*
 - FAR Subpart 16.5, *Indefinite-Delivery Contracts*
 - FAR Subpart 32.9, *Prompt Payment*
 - FAR Part 43, *Contract Modifications*
 - FAR Subpart 46.4, *Government Contract Quality Assurance*

Our audit included examining, on a test basis, BOP's and Centre's compliance with the aforementioned regulations that could have a material effect on BOP's and Centre's operations. We interviewed auditee personnel, assessed operating procedures, analyzed data, and examined accounting records. As noted in the Findings and Recommendations section of this report, we determined that BOP's monitoring efforts at the Fargo RRC under FAR Subpart 46.4, *Government Contract Quality Assurance*, were not adequate to ensure the contractor is performing in accordance with the contract Statement of Work.

Furthermore, we found that BOP did not consistently pay invoices from the Fargo RRC within 30 days of receipt, as required by FAR Subpart 32.9, *Prompt Payment*. Consequently, BOP incurred \$1,408 in unnecessary interest payments over the first 15 months of the contract period.

APPENDIX 1

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to assess BOP's administration of, and Centre's performance and compliance with the terms, conditions, laws, and regulations applicable to this contract. To accomplish this objective, we assessed BOP's contract administration and oversight of the Fargo RRC operations and the contractor's performance in the following areas: general RRC operating procedures, programs and services, resident accountability, staffing, billing accuracy, and subsistence collection.

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

BOP Contract No. DJB200244 was awarded to Centre to operate and manage the Fargo RRC. The Fargo RRC contract has an estimated value of over \$12.3 million for 2 base years and three 1-year option periods. Actual contract costs through November 30, 2016, were \$1,964,034. Our audit concentrated on the inception of the contract on May 22, 2015, through November 30, 2016.

To accomplish our objective, we tested compliance with what we consider to be the most important conditions of BOP's and the Fargo RRC's activities related to the contract audited. We performed sample-based testing of inmate programming and accountability, as well as RRC staff requirements. In this effort, we employed a judgmental sampling designed to obtain broad exposure to the numerous requirements of the contract we audited. This non-statistical sample design does not allow projection of the test results to the universe from which the sample was selected. In addition, we reviewed all invoices submitted to BOP for RRC services rendered between September 1, 2015 and November 30, 2016, as well as all BOP monitoring reports of the Fargo RRC from September 1, 2015, through November 30, 2016. The criteria we audited against are contained in the SOW for RRC operations and the BOP CCM.

During our audit, we obtained information from BOP SENTRY, and the Fargo RRC's financial management system specific to the contract billings during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems were verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

| QUESTIONED COSTS:⁷ | AMOUNT | PAGE |
|--------------------------------------|-----------------|-------------|
| Subsistence Not Collected | \$9,141 | 12 |
| Subsistence Not Reported | \$128 | 12 |
| Subsistence Not Fully Supported | \$1,432 | 12 |
| Prorated Subsistence Not Collected | \$18,011 | 13 |
| TOTAL QUESTIONED COSTS: | \$28,712 | |

⁷ *Questioned Costs* are expenditures that do not comply with legal, regulatory or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

CENTRE, INC.'S RESPONSE TO THE DRAFT AUDIT REPORT



April 26, 2017

David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln Street, Suite 1500
Denver, Colorado 80203

Dear Mr. Sheeren:

On April 17, 2017, The Department of Justice (DOJ) Office of the Inspector General (OIG) provided Centre Inc. a document titled, "DRAFT AUDIT REPORT – LIMITED OFFICIAL USE". The purpose of this letter is to serve as Centre Inc.'s response to OIG's audit of the Federal Bureau of Prisons' (BOP) contract number DJB200244, awarded to Centre, Inc., for the Residential Reentry Center (RRC) located in Fargo, North Dakota.

The following is Centre Inc.'s response, including plans of corrective action in regards to OIG's recommendations (pages 15-16 and items #5-14 of the report):

*SecurManage is the name of the software/program that Centre Inc. uses for electronic resident case files.

5.) Develop IPPs that include goals addressing each inmate's top risk areas.

Centre Inc.'s current forms and protocol account for and require that IPPs include goals that address inmate's top risk areas. Centre Inc.'s current internal Quality Control Program assesses and tracks compliance for this requirement. Centre Inc. agrees that a 72% staff fidelity to this practice is too low (28 percent of the Fargo RRC inmate program plans did not establish goals for addressing each inmate's top risk areas).

Corrective Action: A Program Review Team (PRT) Compliance Form was created on 4/20/17, which will be completed by the Clinical Program Manager during PRT staff meetings beginning 4/26/17. The purpose of this form is to be used as an auditing tool to ensure required documentation is present in resident files while the resident's progress is being reviewed. As outlined on the form, the Clinical Program Manager will be reviewing IPPs to confirm that the top risk areas have been addressed. If it is discovered that this requirement was not met, the Case Manager will be asked to input all missing documentation within one business day of the PRT meeting.

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Post Office Box 1269
Fargo, ND 58107-1269

(701) 365-4199
FAX (701) 365-4180

100 6th Avenue Southeast
Mandan, ND 58554

(701) 663-8228
FAX (701) 663-0912

123 15th Street North
Fargo, ND 58102

(701) 237-9340
FAX (701) 373-8357

201 4th Street South
Grand Forks, ND 58201

(701) 746-6303
FAX (701) 746-7713

Centre Inc.'s Quality Control Officer will prioritize assessing this SOW requirement for the next 12-month period beginning 5/1/17. All infidelities will be reported to the Program Director and Clinical Program Manager. Future infidelity to this practice will result in re-training for the staff person involved, conducted by the Clinical Program Manager. Infidelity to this practice after re-train will result in negative job performance scores and or re-assignment of duties.

6.) Conducts timely program planning meetings and updates the inmate IPPs accordingly.

Centre Inc.'s current protocol adheres to and accommodates this recommendation. Centre Inc.'s current internal Quality Control Program assesses and tracks compliance for this requirement. Centre Inc. agrees that Case Managers are not always documenting program planning meetings and consistently maintaining documentation of the inmate's progress on the IPPs.

Corrective Action: Beginning 4/26/17 during PRT staffing, the Clinical Program Manager will use the PRT Compliance Form to ensure required documentation is present in resident's electronic case file within a timely manner. Resident files will be reviewed to confirm Program Planning Meetings have occurred and been documented within the required timeframe, and that IPP goals and strategies have been updated accordingly. If it is discovered that this requirement is not met, the Case Manager will be asked to input all missing documentation within one business day of PRT.

Centre Inc.'s Quality Control Officer will prioritize assessing this SOW requirement for the next 12-month period beginning 5/1/17. All infidelities will be reported to the Program Director and Clinical Program Manager. Future infidelity to this practice will result in re-training for the staff person involved, conducted by the Clinical Program Manager. Infidelity to this practice after re-train will result in negative job performance scores and or re-assignment of duties.

7.) Submits release plans for all required inmates to the U.S. Probation Office in a timely manner.

Centre Inc.'s current protocol adheres to and accommodates this recommendation. Centre Inc.'s current internal Quality Control Program assesses and tracks compliance for this requirement. Centre Inc. agrees that Case Managers can improve fidelity to this SOW expectation.

Corrective Action: Beginning 4/26/17, the Clinical Program Manager will run a report within SecurManage every two weeks to determine which residents have discharges scheduled within the next eight weeks. By doing this, the Clinical Program Manager will determine which residents require the completion of a release plan and inquiries of release plan progress will be made with Case Management staff. Case Managers have been directed to send release plans to the U.S. Probation office regardless of a release

residence being obtained or not. Justifications and/or obstacles for the resident obtaining a release address will be documented in Program Planning notes.

Release plan requirements are also outlined on the PRT Compliance Form and will be reviewed by the Clinical Program Manager weekly during PRT beginning 4/26/17.

Centre Inc.'s Quality Control Officer will prioritize assessing this SOW requirement for the next 12-month period beginning 5/1/17. All infidelities will be reported to the Program Director and Clinical Program Manager. Future infidelity to this practice will result in re-training for the staff person involved, conducted by the Clinical Program Manager. Infidelity to this practice after re-train will result in negative job performance scores and or re-assignment of duties.

8.) Submits terminal reports for all inmates to BOP in a timely manner.

Centre Inc.'s current protocol adheres to and accommodates this recommendation. Centre Inc.'s current internal Quality Control Program assesses and tracks compliance for this requirement. Assuming OIG's identified examples of non-compliance occurred prior to November 2016, Centre would agree with this recommendation.

Response: Beginning in November 2016, the Clinical Program Manager began reviewing R3M each workday with a focus on resident entries and discharges. If the Clinical Program Manager notices that a Terminal Report has not been completed within five business days of a resident's discharge, the Case Manager responsible for the report is given until the end of the day to complete and submit in R3M. Since this practice was implemented, internal audits have found this method to be successful in ensuring terminal reports are completed and submitted in a timely manner.

9.) Properly sign all approved passes and conducts at least two random checks of all inmate passes for each day that an inmate is away from the RRC.

Centre Inc.'s current protocol adheres to and accommodates this recommendation. Centre Inc.'s current internal Quality Control Program assesses and tracks compliance for this requirement. Centre Inc. agrees with OIG's recommendation specific to resident accountability during approved passes and maintaining documentation.

Corrective Action: Beginning 5/1/17, a BOP Approved Pass Spreadsheet will be completed each Monday, on a weekly basis, by the Clinical Program Manager. This document will include the resident name, contact telephone # and complete pass site address for all BOP residents who have approved passes for the specified week. The Clinical Program Manager will ensure all pass approval forms include all required signatures and information prior to placing the information onto the BOP Approved Pass Spreadsheet. The spreadsheet will be distributed to all on-duty Residential program staff. The Residential Specialist II is responsible for ensuring the required pass checks are initiated, completed and documented on each shift. Monday through Friday on a daily basis, the Residential Program Manager will monitor for fidelity to this SOW requirement. Each weekend, the designated On-Call person will be responsible for monitoring fidelity.

Centre Inc.'s Quality Control Officer will prioritize assessing this SOW requirement for the next 12-month period beginning 5/1/17. Any infidelity to this requirement will be reported to the Program Director and Director of Operations. Future infidelity to this practice will result in re-training for the staff person involved, conducted by the Residential Program Manager and or Program Director. Infidelity to this practice after re-train will result in negative job performance scores and or re-assignment of duties.

10.) Conducts facility searches in accordance with the SOW and fully document them in the search log.

Centre Inc.'s current protocol adheres to this SOW requirement. Centre Inc. agrees with OIG's recommendation specific to facility search requirements.

Corrective Action: A "Full Facility Search" task was created on 4/21/17 within SecurManage. This task is currently scheduled to occur one time each calendar month on a random basis and will commence May 2017. This task will notify the Residential Staff that a search of the entire facility is to be completed; including staff control rooms, staff offices, group rooms, and all other areas of the facility including secure areas in which residents do not have access to. The Residential Program Manager is responsible for ensuring this monthly search is completed and documented.

All infidelities will be reported to the Program Director and Director of Operations. Future infidelity to this practice will result in re-training for the staff person(s) involved, conducted by the Residential Program Manager and or Program Director. Infidelity to this practice after re-train will result in negative job performance scores and or re-assignment of duties.

11.) Conducts Transition Skills program in accordance with the contract requirements.

Centre Inc.'s current protocol adheres to this SOW requirement. Centre Inc. agrees with OIG's recommendation specific to the Transition Skills program.

Corrective Action: Beginning 6/01/17, designated staff will begin facilitating Transitional Skills Group in accordance with the SOW. All group notes will be maintained within SecurManage and will be reviewed by the Quality Control Officer on an on-going basis. Any infidelity will be reported to the Program Director and Director of Operations.

12.) Properly considers the inmates debts, assets, employment status, and spending history before submitting subsistence waiver and reduction requests to the RRM.

Centre Inc. agrees with OIG's recommendation specific to subsistence waiver and reduction requests to the RRM.

Corrective Action: On 4-25-17, Centre Inc. added the following statement to the “Case Management, Treatment, and Release” policy and procedure: “The Case Manager will consider the inmate’s debt, assets, employment status, and spending history before submitting a subsistence waiver and reduction request to the RRM. The Case Manager will ensure all required information is included on the Subsistence Reduction Request packet and submit it to the Clinical Program Manager for review. The Clinical Program Manager will then approve or deny the packet. If approved, the packet and all documents are sent to the RRM for consideration.”

By 5/1/17, the Clinical Program Manager will communicate this protocol addition with all BOP resident Case Managers and explain the procedure. The Clinical Program Manager will monitor for future fidelity on an on-gong basis. Future infidelity to this practice will result in re-training for the staff person involved, conducted by the Clinical Program Manager and or Program Director. Infidelity to this practice after re-train will result in negative job performance scores and or re-assignment of duties.

13.) Remedies the \$28,712 in total questioned costs related to uncollected, unsupported and unreported subsistence payments.

Centre Inc.’s current protocol adheres to all SOW requirements specific to federal subsistence. A large portion (\$18,011) of OIG’s identified collection discrepancy resulted from Centre Inc.’s implementation of a directive from the BOP Sector Administrator on February 25, 2015 directing RRC’s to waive pro-rated Subsistence collections. **(See Attachment A)**. On January 30, 2017, the Central Sector issued a Memorandum, rescinding the memorandum dated February 25, 2015. **(See Attachment B)**. Centre Inc. understands the necessity of contract modifications. Our intent when implementing was to comply with a written directive provided by our BOP contract oversight personnel, including the Sector Administrator. Therefore, I am requesting that the BOP waive remedying the \$18,011.

In regards to the Subsistence not collected (\$9,141), Subsistence not Reported (\$128), & the Subsistence Not Fully Supported (\$1,432), **(See Attachment C)**. On the spreadsheet, we indicated whether we agree with OIG findings on each instance and provide our reasoning. Centre Inc. agrees to work with the BOP to remedy the amount determined to be deficient.

14.) Improves its processes for collecting and reporting required inmate subsistence by developing and implementing policies and procedures to:

- a. closely track inmate pay dates and gross wages earned to ensure that inmate subsistence payments are collected in a timely manner;
- b. ensure that inmates are making required subsistence payments in a timely manner and that inmate disciplinary action is properly administered for each instance of non- payment or under payment;

c. ensure that all required documentation related to subsistence payment is maintained including copies of pay stubs, money orders, subsistence receipts, and subsistence waiver approvals;

d. Improves its processes for collecting and reporting required inmate subsistence by developing and implementing policies and procedures to ensure that required documentation supporting receipts is submitted with monthly billings to the BOP.

Centre Inc.'s current protocol adheres to all SOW requirements specific to federal subsistence. Centre Inc. agrees with OIG's recommendations specific to the items identified in #14 of the report.

Corrective Action: After each resident's initial employment verification with the employer has been completed, Residential staff will add each resident pay date to SecurMange as a task. SecurMange will then notify on-duty Residential staff of each federal resident's pay date on the pay date. The Residential Specialist II on each shift will ensure BOP client payment is received per SOW guideline. The Residential Specialist II will be responsible for issuing an Incident Report for violation of a prohibited act per SOW when payment is not received, within the timeline.

On-duty Residential staff are responsible for collecting the resident's paystubs and calculating the correct amount of subsistence owed.

Clinical and Residential Program Managers will monitor for computation accuracy and ensure payment/IR deadlines are being met.

Clinical and Residential Program Managers will monitor SecurMange tasks for Pay Date accuracy.

When applicable, the Program Manager Clinical will submit Subsistence Reduction/Waiver requests with a requested effective date that aligns with the resident's pay periods. Furthermore, if approved, a copy of the approval will be attached to the Resident Subsistence collection report with the effective date highlighted.

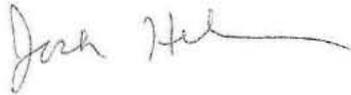
All BOP Case Managers will review subsistence for accuracy and fidelity to SOW requirements during each resident session.

Centre Inc.'s Quality Control Officer and Director of Operations will develop a Quality Control Worksheet designed to assess for and track SOW subsistence fidelity by 5/15/17. This worksheet will encompass and assess for all items identified within #14 a-d in OIG's report as well as all SOW requirements pertaining to subsistence. This worksheet will be completed during all future Quality Control audits conducted by Centre Inc.'s Quality Control Officer. If future fidelity rates are found to be at unsatisfactory levels, the Quality Control Officer, Program Director and Director of Operations will modify this corrective action as necessary.

By 4/28/17, the Clinical and Residential Program Manager will communicate this expectation with all BOP Case Managers and Residential Staff and explain the procedure and purpose. The Program Managers will monitor for future fidelity on an on-going basis. On-call personnel will monitor for fidelity to this practice on weekends. Future infidelity to this practice will result in re-training for the staff person involved conducted by the Program Manager and or Program Director. Infidelity to this practice after re-train will result in negative job performance scores and or re-assignment of duties.

If you have any further questions or need additional information, please contact me at 701-365-4162.

Sincerely,



Josh Helmer
Executive Director

Cc: [REDACTED]

**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

May 4, 2017

MEMORANDUM FOR JASON R. MALMSTROM
ASSISTANT INSPECTOR GENERAL
OFFICE OF THE INSPECTOR GENERAL

FROM: 
Thomas R. Kane, Acting Director
Federal Bureau of Prisons

SUBJECT: Response to the Office of Inspector General's (OIG)
Draft Audit Report: Audit of the Federal Bureau of
Prisons Residential Reentry Center Contract No.
DJB200244 Awarded to Centre, Inc.,
 Fargo, North Dakota

The Bureau of Prisons (BOP) appreciates the opportunity to provide a response to the Office of the Inspector General (OIG)'s above-referenced report. Therefore, please find the BOP's responses to the recommendations below:

Recommendations:

Recommendation 1: Ensure the RRM effectively utilizes the full monitoring instrument to closely examine every facet of the Fargo RRC's compliance with essential SOW requirements.

Initial Response: The BOP agrees with this recommendation. The BOP will ensure the RRM effectively utilizes a monitoring instrument to closely examine every facet of the Fargo RRC's compliance with essential SOW requirements.

Recommendation 2: Ensure its RRM examines all current and future waiver requests to determine if the inmate truly faces extreme financial hardship.

Initial Response: The BOP agrees with this recommendation. The BOP will ensure its RRM examines all current and future waiver requests to determine if the inmate truly faces extreme financial hardship.

Recommendation 3: Ensure its RRM requires the Fargo RRC to provide documentation supporting the inmate's income and expenses (e.g., pay stubs, bank statements, bills, receipts, etc.) for all requests for subsistence waivers or reductions.

Initial Response: The BOP agrees with this recommendation. The BOP will ensure its RRM requires the Fargo RRC to provide documentation supporting the inmate's income and expenses (e.g., pay stubs, bank statements, bills, receipts) for all requests for subsistence waivers or reductions.

Recommendation 4: Ensure all proper invoices received from the Fargo RRC are paid within 30 days of receipt.

Initial Response: The BOP agrees with this recommendation. The BOP will ensure all proper invoices received from the Fargo RRC are paid within 30 days of receipt.

We also recommend that BOP work with Centre to ensure that the Fargo RRC:

Recommendation 5: Develops IPPs that include goals addressing each inmate's top risk areas.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure Centre has developed IPPs that include goals addressing each inmate's top risk areas.

Recommendation 6: Conducts timely program planning meetings and updates the inmate IPPs accordingly.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure that Centre conducts timely program planning meetings and inmate IPPs are updated accordingly.

Recommendation 7: Submits release plans for all required inmates to the U.S. Probation Office in a timely manner.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure Centre submits release plans for all required inmates to the U.S. Probation Office in a timely manner.

Recommendation 8: Submits terminal reports for all inmates to BOP in a timely manner.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure Centre submits terminal reports for all inmates in a timely manner.

Recommendation 9: Properly signs all approved passes and conducts at least two random checks of all inmate passes for each day that an inmate is away from the RRC.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure that Centre documents that all approved passes are properly signed and at least two random checks are conducted by Centre on all inmate passes for each day an inmate is away from the RRC.

Recommendation 10: Conducts facility searches in accordance with the SOW and fully documents them in the search log.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure Centre conducts facility searches in accordance with the SOW and fully documents them in the search log.

Recommendation 11: Conducts its Transition Skills program in accordance with the contract requirements.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure that Centre's Transition Skills program is conducted in accordance with SOW requirements.

Recommendation 12: Properly considers the inmate's debts, assets, employment status, and spending history before submitting subsistence waiver and reduction requests to the RRM.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure Centre verifies that inmate's debts,

assets, employment status, and spending history are properly considered before submitting subsistence waiver and reduction requests.

Recommendation 13: Remedies the \$28,712 in total questioned costs related to uncollected, unsupported, and unreported subsistence payments.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure that Centre remedies the \$28,712 in total questioned costs related to uncollected, unsupported, and unreported subsistence payments.

Recommendation 14: Improves its processes for collecting and reporting required inmate subsistence by developing and implementing policies and procedures to:

- a. closely track inmate pay days and gross wages earned to ensure that inmate subsistence payments are collected in a timely manner;
- b. ensure that inmates are making required subsistence payments in a timely manner and that inmate disciplinary action is properly administered for each instance of non-payment or under payment;
- c. ensure that all required documentation related to subsistence payments is maintained including copies of pay stubs, money orders, subsistence receipts, and subsistence waiver approvals; and
- d. ensure that required documentation supporting subsistence receipts is submitted with monthly billings to BOP.

Initial Response: The BOP agrees with this recommendation. The BOP will work with Centre to ensure that it improves its processes for collecting and reporting required inmate subsistence by developing revised policies and procedures.

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 SUMMARY
OF ACTIONS NECESSARY TO CLOSE THE REPORT**

The Office of the Inspector General (OIG) provided a draft of this audit report to the Federal Bureau of Prisons (BOP) and to Centre, Inc. BOP's response is incorporated in Appendix 3 of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation:

- 1. Effectively utilize the full monitoring instrument to closely examine every facet of the Fargo RRC's compliance with essential SOW requirements.**

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will ensure the RRM effectively utilizes a monitoring instrument to closely examine every facet of the Fargo RRC's compliance with essential SOW requirements.

This recommendation can be closed when we receive documentation supporting that BOP has ensured the RRM effectively utilizes the full monitoring instrument to closely examine every facet of the Fargo RRC's compliance with essential SOW requirements.

- 2. Examine all current and future waiver requests to determine if the inmate truly faces extreme financial hardship.**

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will ensure its RRM examines all current and future waiver requests to determine if the inmate truly faces extreme financial hardship.

This recommendation can be closed when we receive documentation supporting that BOP has ensured its RRM examines all current and future waiver requests to determine if the inmate truly faces extreme financial hardship.

- 3. Require the Fargo RRC to provide documentation supporting the inmate's income and expenses for all requests for subsistence waivers or reductions.**

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will ensure its RRM requires the Fargo RRC to provide documentation supporting the inmate's income and expenses for all requests for subsistence waivers or reductions.

This recommendation can be closed when we receive documentation supporting that BOP has ensured its RRM requires the Fargo RRC to provide documentation supporting the inmate's income and expenses for all requests for subsistence waivers or reductions.

4. Ensure all proper invoices received from the Fargo RRC are paid within 30 days of receipt.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will ensure all proper invoices received from the Fargo RRC are paid within 30 days of receipt.

This recommendation can be closed when we receive documentation supporting that BOP has ensured all proper invoices received from the Fargo RRC are paid within 30 days of receipt.

5. Ensure that the Fargo RRC develops IPPs that include goals addressing each inmate's top risk areas.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure it develops IPPs that include goals addressing each inmate's top risk areas.

In its response, Centre concurred with our recommendation and stated that the Fargo RRC's Clinical Program Manager will review IPPs to confirm that the inmate's top risk areas have been addressed. If the requirement is not met, Case Managers will be required to input all missing documentation within 1 business day. Additionally, Centre's Quality Control Officer will prioritize assessing this SOW requirement over the next year.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC develops IPPs that include goals addressing each inmate's top risk areas.

6. Ensure that the Fargo RRC conducts timely program planning meetings and updates the inmate IPPs accordingly.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure it conducts timely program planning meetings and inmate IPPs are updated accordingly.

In its response, Centre concurred with our recommendation and stated that the Fargo RRC will review inmate files to confirm program planning meetings have occurred and have been documented within the required timeframe. If the requirement is not met, Case Managers will be required to input all missing documentation within 1 business day. Additionally, Centre's Quality Control Officer will prioritize assessing this SOW requirement over the next year.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC conducts timely program planning meetings and updates the inmate IPPs accordingly.

7. Ensure that the Fargo RRC submits release plans for all required inmates to the U.S. Probation Office in a timely manner.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure it submits release plans for all required inmates to the U.S. Probation Office in a timely manner.

In its response, Centre concurred with our recommendation and stated that the Clinical Program Manager will run a report every 2 weeks to determine which inmates have release dates within the next 8 weeks and require a release plan. The Clinical Program manager will then ask the Case Management staff about the inmate's release plan progress. Case Managers have been directed to send release plans to the U.S. Probation Office regardless of whether a release residence has been obtained, and document the justification in the inmate's case file. Additionally, Centre's Quality Control Officer will prioritize assessing this SOW requirement over the next year.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC submits release plans for all required inmates to the U.S. Probation Office in a timely manner.

8. Ensure that the Fargo RRC submits terminal reports for all inmates to BOP in a timely manner.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure it submits terminal reports for all inmates in a timely manner.

In its response, Centre concurred with our recommendation and stated that, beginning in November of 2016, the Clinical Program Manager began reviewing inmate arrivals and releases each workday to determine if terminal reports are due to BOP. If so, the Case Manager responsible for the report is given until the end of the day to complete and submit it to BOP.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC submits terminal reports for all inmates to BOP in a timely manner.

9. Ensure that the Fargo RRC properly signs all approved passes and conducts at least two random checks of all inmate passes for each day that an inmate is away from the RRC.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure it documents that all approved passes are properly signed and at least two random checks are conducted by Centre on all inmate passes for each day an inmate is away from the RRC.

In its response, Centre concurred with our recommendation and stated that the Clinical Program Manager will ensure all pass approval forms include all required signatures and log pass information into a spreadsheet that will be distributed to all on-duty program staff. The Residential Specialist personnel will be responsible for ensuring required pass checks are initiated, completed and documented during each shift. The Residential Program Manager, or designated on-call staff, will monitor compliance with this requirement. Additionally, Centre's Quality Control Officer will prioritize assessing this SOW requirement over the next year.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC properly signs all approved passes and conducts at least two random checks of all inmate passes for each day that an inmate is away from the RRC.

10. Ensure that the Fargo RRC conducts facility searches in accordance with the SOW and fully documents them in the search log.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure it conducts facility searches in accordance with the SOW and fully documents them in the search log.

In its response, Centre concurred with our recommendation and stated that Residential staff will conduct a full facility search once per month, including staff control rooms, staff offices, group rooms, and all other areas of the facility in which inmates do not have access. The Residential Program Manager is responsible for ensuring this monthly search is completed and documented.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC conducts facility searches in accordance with the SOW and fully documents them in the search log.

11. Ensure that the Fargo RRC conducts its transition skills program in accordance with the contract requirements.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure that Centre's Transition Skills program is conducted in accordance with SOW requirements.

In its response, Centre concurred with our recommendation and stated that designated staff will begin facilitating the Transition Skills program in accordance with the SOW. All group notes will be maintained within the Fargo RRC's case management system and will be reviewed by the Quality Control Officer on an ongoing basis.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC conducts its transition skills program in accordance with the contract requirements.

12. Ensure that the Fargo RRC properly considers the inmate's debts, assets, employment status, and spending history before submitting subsistence waiver and reduction requests to the RRM.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure that it verifies that an inmate's debts, assets, employment status, and spending history are properly considered before submitting subsistence waiver and reduction requests.

In its response, Centre concurred with our recommendation and stated that the Fargo RRC revised its policy to reflect the recommended corrective action. The case manager will ensure all required information is included with each subsistence reduction request and submit it to the Clinical Program Manager for review and approval. Approved requests will be forwarded to the RRM for consideration. The Clinical Program Manager will communicate the revised policy to all Case Managers and monitor compliance with the new procedure on an ongoing basis.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC properly considers the inmate's debts, assets, employment status, and spending history before submitting subsistence waiver and reduction requests to the RRM.

13. Ensure that the Fargo RRC remedies the \$28,712 in total questioned costs related to uncollected, unsupported, and unreported subsistence payments.

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure that it remedies the \$28,712 in total questioned costs related to uncollected, unsupported, and unreported subsistence payments.

In its response, Centre partially agreed with our recommendation. Regarding the questioned costs outlined in Appendix 2, Centre requested that BOP waive the recommendation to remedy \$18,011 in uncollected prorated subsistence because it resulted from Centre's implementation of a directive from the BOP Sector Administrator.

Centre concurred with \$7,532 of the \$9,141 in questioned costs related to subsistence not collected in Appendix 2, but disagreed with the remaining \$1,609, stating among other reasons, that the inmate's release date precluded their responsibility to discipline inmates for not paying subsistence. However, no supporting documentation was provided by Centre related to these questioned costs.

In addition, Centre disagreed with all \$128 in questioned costs related to subsistence not reported in Appendix 2, stating that the subsistence was correctly reported and the inmate received disciplinary action for not paying. However, no supporting documentation was provided by Centre related to these questioned costs.

Furthermore, Centre disagreed with all \$1,432 in questioned costs related to subsistence not fully supported in Appendix 2, stating that the subsistence amounts reported on the invoice were accurate, or in fact, overstated necessitating a refund to Centre. However, no supporting documentation was provided by Centre related to these questioned costs.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC remedies the \$28,712 in total questioned costs related to uncollected, unsupported, and unreported subsistence payments.

14. Ensure that the Fargo RRC improves its processes for collecting and reporting required inmate subsistence by developing and implementing policies and procedures to:

- a. closely track inmate pay days and gross wages earned to ensure that inmate subsistence payments are collected in a timely manner;**

- b. ensure that inmates are making required subsistence payments in a timely manner and that inmate disciplinary action is properly administered for each instance of non-payment or under payment;**
- c. ensure that all required documentation related to subsistence payments is maintained including copies of pay stubs, money orders, subsistence receipts, and subsistence waiver approvals; and**
- d. ensure that required documentation supporting subsistence receipts is submitted with monthly billings to BOP.**

Resolved. BOP concurred with our recommendation. BOP stated in its response that it will work with Centre to ensure that it improves its processes for collecting and reporting required inmate subsistence by developing revised policies and procedures.

In its response, Centre concurred with our recommendation and stated that inmate pay dates will be monitored in the case management system, notifying on-duty staff when employed inmates are paid. The residential specialist on each shift will either ensure subsistence payments are received, or issue appropriate disciplinary action. On-duty residential staff are responsible for collecting inmate pay stubs and calculating the correct subsistence amount owed. Clinical and Residential Program Managers will monitor compliance with these requirements. Additionally, Centre's Quality Control Officer will assess compliance with SOW requirements during all of Centre's future quality control audits. Finally, the Clinical and Residential Program Managers will communicate these expectations to all BOP Case Managers and residential staff and will monitor compliance on an on-going basis.

This recommendation can be closed when we receive documentation supporting that BOP has worked with Centre to ensure that the Fargo RRC improves its processes for collecting and reporting required inmate subsistence by developing and implementing the policies and procedures outlined above.

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