

Transcript: “Podcast: OIG Review Team Discusses Report on BOP Contract to Operate the Reeves County Detention Center, Pecos, Texas”

[Tonya Morrison] Welcome to the Department of Justice, Office of the Inspector General, Audit Division’s inaugural podcast. My name is Tonya Morrison and I am a Program Manager with the OIG Audit Division’s Office of Operations. Today we are discussing the OIG’s recent audit of the Federal Bureau of Prisons’ contract with Reeves County, Texas to operate the Reeves County Detention Center, which houses criminal aliens. This audit made 18 recommendations to the Federal Bureau of Prisons, also called BOP. The audit team was led by Dave Sheeren, Regional Audit Manager of the OIG’s Denver Regional Audit Office and Auditor-in-Charge, Nate Noll. The team also included Edward Doyle and Joseph Calise of the Denver Audit Office, and Danielle Huntley from Audit HQ in Washington, D.C.

We’re here today with Dave and Nate to discuss the audit and why its findings are so important. So, welcome.

[Dave Sheeren & Nate Noll] Thank you, Tonya.

[Tonya Morrison] Dave, can you tell us why this contract was selected for an OIG audit and what the audit’s objectives were?

[Dave Sheeren] Sure. Over the past 10 years, there has been significant growth in the Department’s contract spending, which has more than doubled from 3.4 billion dollars in FY 2003, to 7.3 billion dollars in FY 2013. This is a significant change because historically, the Department has been more of a granting agency, than a contracting agency. As the OIG, we are evolving our oversight to include more contract-related audits and reviews.

The BOP spends, by far, the most on contracts of any Justice Department component. The Reeves County contract caught our attention because its estimated value of 493 million dollars made it one of the highest dollar contracts in the Department. Also, unlike other BOP contract prisons, this facility is owned and operated by a County Government that subcontracts detention management to a private company.

The objective of this audit was to assess BOP and contractor compliance with contract terms and conditions regarding billings and payments, staffing requirements, and contract oversight and monitoring.

[Tonya Morrison] Nate, can you give us some background on this contract and the Reeves County Detention Center, and talk a bit about why this was such a unique audit?

[Nate Noll] Sure Tonya. The Reeves County Detention Complex is located in Pecos, Texas, and is made up of 3 facilities that are operated under two separate contracts. Our audit focused on the contract used to operate two of these facilities, which are low-security compounds that house up to 2,407 inmates. This contract is part of a broad series of solicitations that the BOP refers to as “Criminal Alien Requirement” contracts. Today, the BOP operates 13 of these Criminal Alien Requirement contract facilities. They typically are operated by private prison contractors and house low-security, non-U.S. citizen male inmates.

The contract we audited is unique because of the multiple parties involved. Reeves County is the prime, or main, contractor and employs most of the facility's line staff. Reeves County then subcontracted with the GEO Group, a Florida-based private prison corporation, to handle management of the institution, and with Correct Care Solutions, a Tennessee-based company that provides healthcare services to inmates.

[Tonya Morrison] Can you highlight some of the more significant findings from the audit report?

[Nate Noll] Sure. Perhaps the most significant finding was that Reeves County and Correct Care Solutions, the healthcare services subcontractor, failed to comply with the Service Contract Act. That led us to identify 3 million dollars that we questioned as unallowable, unsupported, or should be put to better use.

[Tonya Morrison] Dave, can you explain for those who may not know, how does the OIG determine what qualifies as an unallowable or unsupported cost or funds that should be put to better use?

[Dave Sheeren] In general, an unallowable cost results due to a violation of a provision of a law, contract, or other agreement that specifies how money should be spent. For example, our audit questioned as unallowable, 2 million dollars due to violations of Service Contract Act-related laws and regulations.

On the other hand, an "unsupported" questioned cost occurs when, at the time of the audit, costs were not supported by adequate documentation. In our audit, we questioned about 75,000 dollars because Correct Care Solutions requested and received BOP reimbursement for fringe benefits that the OIG could not validate because we were not provided adequate payroll documentation.

Finally, when we say "funds put to better use," this means we identified money that could be used more efficiently, if management took actions to implement and complete our audit recommendations. Our audit found errors in the BOP's monthly invoices that, if not corrected, could in the future result in approximately 950,000 dollars in improper contractor payments.

[Tonya Morrison] Nate, you mentioned the Service Contract Act in your previous answer, what exactly does the Service Contract Act require, and how did the parties involved fail to comply?

[Nate Noll] Essentially the Act requires that employees working on federal service contracts worth over \$2,500 not be paid less than the minimum wages and fringe benefits required by law. So for example, in 2014, Reeves County was required by law to pay its correctional officers the minimum required hourly wages and fringe benefits. Now if a year later, in 2015, if the minimum fringe benefit requirement increased and Reeves County had to pay additional fringe benefits to its correctional officers to comply with the law, Reeves County could be entitled to obtain reimbursement from the BOP.

Our audit found that Reeves County was providing its employees a compliant amount of fringe benefits; however, it had improperly requested and received BOP reimbursement of 2 million dollars in fringe benefits.

And, as Dave alluded to earlier, we recommended in our report that the BOP reduce the contract's monthly price to prevent further future improper charges, totaling around 950,000 dollars.

[Tonya Morrison] This audit also examined the staffing of the Reeves County Detention Center. Would you summarize some of those results?

[Nate Noll] Sure. The Reeves County Detention Center had significant staffing issues, especially in health services. The contract requires that health services staffing not fall below 85% of the facility's staffing plan. However, from December 2010 to December 2013, Correct Care Solutions was understaffed in 34 of 37 months.

Due to this understaffing, the BOP took monetary deductions from the contractor's monthly invoice. However, when the BOP calculated those deductions, they used the minimum wage and-benefit rates required by law, instead of the actual wages and benefits being paid to health services staff that were based on market values. We considered this problematic. It created a potential financial incentive for the contractor to accept less costly deductions for understaffing, instead of actually filling those positions at the higher priced market rates.

[Tonya Morrison] Dave, what was the BOP's response to these recommendations?

[Dave Sheeren] In the report, we presented 18 recommendations to address either dollar-related findings or management improvements. The BOP agreed with 17 of the recommendations. The BOP disagreed with one recommendation related to developing policies for administration of the J-Unit.

[Tonya Morrison] Interesting. Nate, can you elaborate on what the J-Unit is and what the audit team found?

[Nate Noll] Sure Tonya. In October 2013, there was an inmate riot at the Reeves County Detention Center, during which inmates refused to comply with facility staff orders and would not work or leave their dorms. The institution subsequently went on lockdown. In an effort to remove the suspected leaders, instigators, or participants of the demonstration from the general population, detention center officials converted a general population housing unit, referred to as J-Unit, into a, quote, "modified monitoring unit." In other words, the new purpose of J-Unit was to isolate inmates whose behavior was creating institutional security problems.

We determined that, while J-Unit was not as prohibitive as a "Special Housing Unit," J-Unit inmates had more restricted movement and less access to services than inmates in the general population. We found that the Reeves County Detention Center lacked policies and procedures to ensure inmates received due process as to how and why they were selected for placement into J-Unit.

[Tonya Morrison] Dave, do the findings in this report have any effect on other BOP contracts and will the OIG Audit Division look to conduct similar audits in the future?

[Dave Sheeren] We believe there is potential impact on other BOP Contracts. For example, BOP needs to evaluate how the Service Contract Act was applied on other detention contracts. If there are cases where the Act was applied in the same manner as Reeves County, there could be significant cost savings opportunities. Many of our other recommendations involve improvements in oversight that would also apply across the board to detention contracts.

[Tonya Morrison] Well thank you, Dave and Nate, for joining me on Audit Division's first podcast, and many thanks to you and your team for your work on this report.

I'm Tonya Morrison, and thanks for listening. For more information on this audit and other OIG reports, visit our website at [justice.gov/OIG](https://www.justice.gov/OIG).