



**THE UNITED STATES MARSHALS SERVICE
INTERGOVERNMENTAL SERVICE AGREEMENT
FOR DETENTION SERVICES WITH THE
CUMBERLAND COUNTY JAIL
PORTLAND, MAINE**

U.S. Department of Justice
Office of the Inspector General
Audit Division
Philadelphia Regional Audit Office

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EXECUTIVE SUMMARY

The United States Marshals Service (USMS) assumes custody of individuals arrested by all federal agencies and is responsible for housing and transporting prisoners from the time they are brought into federal custody until they are either acquitted or sentenced. Each day, the USMS houses approximately 53,000 detainees. Typically, the USMS detains about 75 percent of its prisoners in state and local detention facilities; the remainder are housed in Federal Bureau of Prisons facilities. Title 18, United States Code § 4013 (a), authorizes the Attorney General to make payments from the Federal Prisoner Detention Appropriation for the necessary clothing, medical care, guard services, housing, care, and security of prisoners held in the custody of the USMS pursuant to federal law, under agreements with state or local units of government. To meet its detention requirements and to acquire jail space, the USMS executes Intergovernmental Service Agreements (IGA) with approximately 1,300 state and local governments.

An IGA is a formal written agreement between the USMS and a state or local government to house federal prisoners at a fixed per diem rate, or jail day rate. The USMS bases the jail day rates it pays to house federal prisoners on the actual and allowable costs for the same level of service provided to state or local prisoners in a specific facility. The USMS requires the governmental unit to: (1) establish and maintain accounting systems and financial records that accurately account for the funds awarded, (2) comply with federal financial management standards, and (3) notify the USMS of any significant changes to its facilities. To request a jail day rate or an increase in an existing jail day rate, the USMS requires local governments to complete and submit a Form USM-243, *Cost Sheet for Detention Services* to the local USMS office. The local office forwards the cost sheet to the USMS Prisoner Services Division for review, evaluation, and approval.

To assist state and local governments with the completion of the Form USM-243, the USMS publishes the *Cost Sheet for Detention Services – Form USM-243 Instructions*. The cost sheet instructions establish guidelines for determining: (1) if the direct and indirect costs are allowable and allocable to the IGA, (2) how prisoner population data is entered into the cost sheet, and (3) what adjustments to allowable federal expenditures may be necessary based on the local operating costs of the facility.

The Office of the Inspector General (OIG), Audit Division, completed this audit of the IGA between the USMS and the Cumberland County Jail (CCJ), located in Cumberland County, Maine. Under the terms of the primary IGA, effective in 1997, the CCJ provided housing, safekeeping, and subsistence for adult male and female federal prisoners and was reimbursed at a daily per diem, or jail day rate for each federal prisoner incarcerated in the county's jail.¹ The original IGA provided a jail day rate of \$81.97, and was modified three times to increase the jail day rate as follows: (1) in January 1999 to \$82.96, (2) in June 2003 to \$92.83, and (3) in July 2003 to \$103.96. The current IGA is effective until June 30, 2006.²

The objectives of our audit were to determine if: (1) the jail day rate was current, complete, and accurate, (2) the costs used to support the detention and care of federal inmates were allowable, allocable, and reasonable under OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (OMB A-87), and (3) the total dollars billed to the USMS were accurate.

Our audit period covered 2 years, the period from January 1, 2003, through December 31, 2004. The CCJ billed the USMS a total of \$6,412,702 to house federal prisoners during these 2 years. Based on our analysis of the jail day rates and supporting costs for this period, we found that the jail day rates paid to the CCJ from January 2003 through June 2003 are supported. However, we found that the jail day rate in effect from July 2003 through December 2004 was not fully supported. Because the CCJ experienced a significant increase in its inmate population between FY 2002 and FY 2004 (26.2 percent), the jail day rate from July 2003 to December 2004 was overstated. We concluded the USMS overpaid the CCJ by \$202,354 during the 2 years we audited (\$137,683 in FY 2003 and \$64,671 in FY 2004). Because the USMS bases the jail day rates it pays on the annual number of jail days divided into the annual operating costs of the jail, the sharp increase in the inmate population during the 2 years we audited caused a significant decrease in the CCJ's jail day rates. We describe our

¹ A jail day is the equivalent of one person incarcerated for one day and begins on the date of arrival but does not include the date of departure. The total number of jail days per year is divided into the annual operating cost of the jail to determine the jail day rate.

² The IGA also includes limited funding for guard services to support federal prisoners treated at local hospitals. We discuss this funding in Appendix I.

methodology for determining the impact of the increase in the number of jail days on the jail day rate later in this report.

We discussed the results of our audit with a CCJ official, who generally agreed with our findings and recommendations.

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INTRODUCTION

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The USMS awarded the Cumberland County Jail (CCJ) in Portland, Maine, IGA Number J-A36-M-006 on January 8, 1997. According to the IGA,

prisoners were to be housed in the CCJ at a rate of \$81.97 with an estimated annual payment of \$1,675,467. The USMS and the CCJ modified the original IGA three times as noted in the following table.

**Intergovernmental Service Agreements Between the
United States Marshals Service and the Cumberland County Jail**

Agreement	Agreement Number ³	Effective Date	End Date	Jail Day Rate	Estimated Annual Payment
Primary	J-A36-M-006	1/8/97	12/31/98	\$ 81.97	\$1,675,467
Modification 1	36-99-088	1/1/99	5/31/03	\$ 82.96	\$1,695,702
Modification 2	36-99-088	6/1/03	6/30/03	\$ 92.82	\$1,897,241
Modification 3	36-99-088	7/1/03	6/30/06	\$103.97	\$2,125,147

Source: USMS records

We limited the scope of our audit to the two most recent complete fiscal years (FY), FY 2003 and FY 2004.

Cumberland County Jail

Cumberland County, Maine, includes the county seat, the City of Portland. The county's population of 265,612 represents 20 percent of the state's population. The CCJ, a part of the County Sheriff's department, became the first corrections institution in the state to receive national accreditation, and in 2002 the State of Maine's Department of Corrections increased the total long-term capacity of the CCJ to 539 inmates as a result of the expansion of jail facilities. The CCJ can house up to 58 additional inmates in its Community Corrections Center, a minimum-security pre-release facility designed to assist inmates with their re-entry into society.⁴

³ Although the agreement number changed with the first modification, portions of the primary agreement remain in effect until June 30, 2006.

⁴ The CCJ does not house federal prisoners in its Community Corrections Center.

FINDINGS AND RECOMMENDATIONS

We determined that while the jail day rates used by CCJ were supported for the period from January to June 2003, the rate was not fully supported for the period of July 2003 through December 2004. As a result, the USMS overpaid CCJ \$202,354 for housing federal inmates. The jail day rate was not fully supported for this period due to increases in the prisoner population at the jail. As the prison population increased over 26 percent, the costs per prisoner decreased, including the cost per federal detainee.

Jail Day Rates

In reviewing the jail day rates for FYs 2003 and 2004, we found that the jail day rates in effect between January 1, 2003, and June 30, 2003, were supported. Based on our calculations, the FY 2003 audited jail day rate of \$95.44 supports the jail day rates in effect between January 1, 2003 and June 30, 2003 (\$82.96 and \$92.83). However, our audited jail day rate does not support the rate for the remaining period we reviewed, July 1, 2003, through December 31, 2004 (\$103.96). We summarized the methodology used to calculate our audited jail day rates in the following table.

Audited Jail Day Rates

	FY 2003	FY 2004
Total Expenses	\$14,845,980	\$16,570,697
<i>Less: Audit Exceptions</i>	(\$506,277)	(\$515,644)
<i>Less: Offsetting Revenues</i>	(\$22,473)	(\$5,831)
<i>Equals: Allowable costs</i>	\$14,317,230	\$16,049,222
<i>Divided by: Total Jail Days</i>	150,015	157,014
<i>Equals: Audited Jail Day Rate</i>	\$95.44	\$102.22

Source: CCJ accounting records and jail day count records

The CCJ prepared its cost sheet using FY 2002 accounting and inmate population data. Although the results for our audit demonstrate the CCJ's jail day rate increased between FY 2003 and FY 2004, the rates we calculated for both fiscal years do not support the current jail day rate of \$103.96. The jail day rates we calculated are lower because, between FY 2002 and FY 2004, the total jail days increased at a significantly higher rate than allowable costs. Because the total jail days increased at a higher rate than allowable costs, the audited jail rate decreased. The following

table illustrates the relationship between the increase in allowable costs and total jail days.

**Annual Percentage Increase in Key Jail Day Rate Factors
FY 2002 to FY 2004**

Jail Day Rate Factor	Reported By CCJ FY 2002 ⁵	OIG Audit FY 2003	OIG Audit FY 2004	Percent Change	
				FY02 FY03	FY02 FY04
Allowable costs	\$12,940,430	\$14,317,230	\$16,049,922	10.6	24.0
Total Jail Days	124,465	150,015	157,014	20.5	26.2
Jail Day Rate	\$103.97	\$95.44	\$102.22	(8.2)	(1.7)

Source: CCJ accounting records and jail day count records

Although allowable costs increased 24 percent from FY 2002 to FY 2004, during the same period the total number of jail days reported by the CCJ increased by over 26 percent. The table above shows the difference in growth rates was most significant between FY 2002 and FY 2003. Our audit work demonstrated allowable cost increases of only 10.6 percent between FY 2002 and FY 2003 (\$14,317,230 divided by \$12,940,430). Over the same period, total jail days increased over 20 percent (150,015 divided by 124,465). As a result of these differences in growth rates, the jail day rate decreased over 8 percent from FY 2002 to FY 2003 (\$95.44 divided by \$103.97). The following year the audited jail day rate increased from \$95.44 in FY 2003 to \$102.22 in FY 2004. Between FY 2003 and FY 2004, the increase in total jail days began to moderate. The table above depicts an increase in the total jail days from 150,015 in FY 2003 to 157,014 in FY 2004, a 4.7 percent increase (during the same period allowable costs increased from \$14,317,230 to \$16,049,222 – a 12.1 percent increase). However, the FY 2004 audited jail day rate was \$102.22 compared to the \$103.96 jail day rate established July 1, 2003.

According to IGA agreements, including the IGA signed by CCJ officials, recipients of IGA funds are required to notify the USMS of significant variations in inmate population. The USMS defines a significant variation in inmate population as an increase or decrease of 10 percent or more. We found no evidence to indicate the CCJ notified the USMS of the significant variation in its inmate population as the IGA requires.

The CCJ did not notify the USMS of the significant increase in its inmate population, which may have resulted in an adjustment made by the

⁵ The CCJ's FY 2002 cost sheet reflects adjustments made by a USMS program review team in July 2003.

USMS to the approved jail day rate. Because no such adjustment was made, we found that the USMS overpaid the CCJ by \$202,354. This amount was determined by calculating the difference between the total billed amount based on the jail day rate within the IGA and the allowable rate we found during our audit. This is summarized in the following table.

Calculation of Overpayment

FY	Days Billed	Current		Audited		Over Payment
		Jail Day Rate	Total Billable	Jail Day Rate	Total Allowable	
2003	16,141 ⁶	\$103.97	\$1,678,180	\$95.44	\$1,540,497	\$137,683
2004	36,955	\$103.97	\$3,842,211	\$102.22	\$3,777,540	\$64,671
Total	-	-	\$5,520,391	-	\$5,318,037	\$202,354

Source: CCJ billing records

Operating Costs

We examined the accounting records and other documentation provided by the CCJ to support the allowable operating cost component of the jail day rate. OMB A-87 and the USMS cost sheet instructions provide guidance as to which operating costs are allowable and allocable to the IGA. Generally, operating costs recognized as ordinary and necessary are allocable to the federal award. Allowable operating costs must be: (1) authorized under state or local laws and regulations, (2) in accordance with generally accepted accounting principles, and (3) adequately documented.

Operating costs must also benefit federal prisoners to be allowable. For example, because the CCJ provides a work-release program in which federal prisoners do not participate, the costs for the program are not included in determining the allowable operating costs for the IGA. We identified as audit exceptions costs that did not meet the established criteria and deducted these costs from the allowable operating costs of the jail. We also deducted revenue from the operating costs of the prison, as established in guidance for IGAs. The following table summarizes our analysis of the CCJ's FY 2003 operating costs by major cost category, as well as the audit exceptions we identified. An analysis of the FY 2004 costs and audit exceptions follows the FY 2003 analysis.

⁶ For FY 2003, the days billed reflects only the period for which we could not support the jail day rate, from July 1, 2003, through December 31, 2003. For FY 2004, the days billed includes the days billed for the entire fiscal year.

Analysis of Incurred Costs for FY 2003

Cost Category	Costs & Offsetting Revenues	Less Audit Exceptions	Allowable Costs
Salary & Fringe Benefits	\$8,630,430	(\$254,035)	\$8,376,395
Jail Medical Program	\$2,071,362	(\$154,372)	\$1,916,990
Contact Services	\$19,269	-	\$19,269
Other Direct Operating Costs	\$1,891,388	(\$97,870)	\$1,793,518
Indirect Costs ⁷	\$1,056,464	-	\$1,056,464
Bond Interest	\$801,744	-	\$801,744
Equip./Bldg. Depreciation	\$375,323	-	\$375,323
Sub-Total	\$14,845,980	(\$506,277)	\$14,339,703
Less: Offsetting Revenues	(\$22,473)	-	(\$22,473)
Total	\$14,814,157	(\$506,277)	\$14,317,230

Source: CCJ accounting records

For FY 2003, we found audit exceptions totaling \$506,277 of the costs incurred by the CCJ. The exceptions represent 3.4 percent of the CCJ's actual costs, less offsetting revenues. Because the CCJ includes a work-release program that does not include federal prisoners, \$254,035 in salary and fringe benefit costs associated with the work-release program were disallowed. We also disallowed \$154,372 in medical program costs included by the CCJ because the USMS paid the costs for federal prisoner medical treatment outside the jail. Finally, we disallowed direct operating costs of \$97,870 because the costs were associated with the work-release program and idle facilities we identified at the jail.⁸

In addition to the \$506,277 we deducted from allowable costs, we also deducted \$22,473 in revenue because the funds represent offsetting revenue that came from a State Criminal Alien Assistance Program (SCAAP) grant received by the jail.

⁷ We used the CCJ's approved indirect cost plan approved by the USMS.

⁸ Idle facilities refer to the unused facilities that are excess to the governmental unit's needs.

Analysis of Incurred Costs for FY 2004

Cost Category	Costs & Offsetting Revenues	Less Audit Exceptions	Allowable Costs
Salary & Fringe Benefits	\$9,772,472	(\$250,677)	\$9,521,795
Jail Medical Program	\$2,285,958	(\$161,298)	\$2,124,660
Contact Services	\$34,950	-	\$34,950
Other Direct Operating Costs	\$2,211,710	(\$103,669)	\$2,108,041
Indirect Costs ⁹	\$1,160,384	-	\$1,160,384
Bond Interest	\$729,900	-	\$729,900
Equip./Bldg. Depreciation	\$375,323	-	\$375,323
Sub-Total	\$16,570,697	(\$515,644)	\$16,055,053
Less: Offsetting Revenues	(\$5,831)	-	(\$5,831)
Total	\$16,564,866	(\$515,644)	\$16,049,222

Source: CCJ accounting records

For FY 2004, we found audit exceptions totaling \$515,644 of the costs incurred by the CCJ. The exceptions represent 3.1 percent of the CCJ's actual costs less offsetting revenues. The costs of the work-release program that does not include federal detainees was again disallowed, totaling \$250,677 in salary and fringe benefit costs for the program. The medical costs the USMS paid for federal prisoner treatments outside the jail were also disallowed, totaling \$161,298. Finally, the direct operating costs of \$103,669 associated with the work-release program and idle space we identified at the jail were also disallowed.

In addition to the \$515,644 deducted in disallowable costs, \$5,831 was also deducted, again as offsetting revenue from the State Criminal Alien (SCAAP) grant was received by the jail in FY 2004.

Salaries and Fringe Benefits

To determine if the CCJ properly charged salary and fringe benefit costs to the IGA, we reviewed CCJ's salary and benefit accounting records, tested supporting documentation, and found most salary and benefit costs to be allowable and supportable. The salaries of personnel who perform services that do not benefit federal prisoners are not allowable. Because the jail includes a work-release program that does not benefit federal prisoners, we calculated the audit exceptions noted in the following table. We based our calculations on the number of jail employees supporting the work-release program. We determined four employees supported the work-

⁹ The indirect cost base reflects total costs less the exceptions we calculated based on the cost allocation criteria found in OMB A-87.

release program on a full-time basis, and six employees supported the work-release program on a part-time basis. We took exception to the entire salaries and benefits noted for the four full-time employees and deducted a prorated portion of salary and benefits for the six part-time employees.¹⁰ We calculated the fringe benefit exception based on the ratio of fringe benefits to salary we established for FY 2003 and FY 2004, 28.6 and 27.6 percent respectively. We summarized our salary and fringe benefit calculations in the following table.

Salaries and Fringe Benefits

Account Type	FY 2003	FY 2004
Wages and Salaries (FT) - Jail	\$5,269,002	\$6,154,691
Wages and Salaries (PT) – Jail	\$2,590	\$146
Overtime – Jail	\$1,441,051	\$1,501,688
Total Salaries and Overtime	\$6,712,643	\$7,656,525
Less exceptions	(\$197,585)	(\$196,394)
Total Allowable Salaries	\$6,515,058	\$7,460,131
Health Insurance - Jail	\$1,125,634	\$1,222,024
Retirement (MSRS) - Jail	\$47,082	\$67,447
Social Security - Jail	\$529,194	\$599,779
Worker's Compensation - Jail	\$165,153	\$175,160
Deferred Comp. - Jail	\$50,724	\$51,537
Total Fringe Benefits	\$1,917,787	\$2,115,947
Less exceptions	(\$56,450)	(\$54,283)
Total Allowable Fringe Benefits	\$1,861,337	\$2,061,664
Total Allowable Salary & Benefits	\$8,376,395	\$9,521,795

Source: CCJ accounting records

We determined the allowable salary and fringe benefit costs for FY 2003 and FY 2004 totaled \$8,376,395 and \$9,521,795, respectively. For FY 2003, we reduced total salary and fringe benefit expenditures by exceptions totaling \$254,035 (\$197,585 salary and \$56,450 benefits). In FY 2004, we reduced total salary and benefit expenditures by exceptions totaling \$250,677 (\$196,394 salary and \$54,283 benefits). The salaries and

¹⁰ We prorated the salaries based on the number of inmates assigned to the work-release program as a percent of the total inmate population, 8.87 and 8.33 percent for FY 2003 and FY 2004, respectively. The decrease in the percentage of prisoners participating in the work release program also caused a slight decrease in the total salary and benefit exception.

benefit exceptions we identified represent the salaries and benefits paid to the employees who support the work-release program. We included the remaining salary and benefit costs of \$8,376,395 (FY 2003) and \$9,521,795, (FY2004) as allowable incurred costs to calculate the jail day rate.

Jail Medical Program

The IGA establishes standards for the medical care provided to federal inmates. The IGA stipulates that the federal government will pay all costs associated with hospital or health care services provided outside the facility. The CCJ contracts with Correctional Medical Services (CMS) for inmate medical care. The CCJ compiled accounting records that establish the cost for inmate medical services outside the jail. We reviewed accounting records and reduced the jail's total medical costs for services performed outside the facility. A summary of the exceptions we noted to the jail's medical program follows.

Exceptions to the Jail Medical Program

Account Type	FY 2003	FY 2004
Total Medical Expenditures	\$2,071,362	\$2,285,958
Less exceptions		
Outside of Jail Medical Costs	(\$136,601)	(\$132,714)
Pharmacy	(\$17,7710)	(\$28,584)
Total Exceptions	(\$154,372)	(\$161,298)
Allowable Medical Expenditures	\$1,916,990	\$2,124,660

Source: CCJ accounting records

Contract Services

We found evidence of three contracts in both the cost sheet and the CCJ's accounting records.¹¹ Contract services totaled \$19,269 in FY 2003 and \$28,584 in FY2004. The contracts included work performed for new employee evaluations, service contracts for elevators, pest control, security, and interpreter services for non-English speaking inmates. We reviewed the contracts, tested accounting records, and obtained evidence that contractors performed the work specified in the contracts. We considered the contracted services consistent with the custody, care, and safekeeping of federal prisoners. Therefore, we took no exception to the costs included in contract services.

¹¹ The Cost Sheet also included reference to the CMS medical services contract. However, we treated this contract as a jail medical cost and addressed it in the Jail Medical Program section of the report.

Other Direct Operating Costs

Direct Operating Costs must be reasonable and allowable under OMB A-87 guidelines and, according to the cost sheet instructions provided by the USMS, supported by paid invoices and transaction listings or general ledger entries. Costs for separate detention facilities not utilized by federal prisoners, like the CCJ work-release facility, are not allowable. We found paid invoices, transaction listings, or general ledger entries supported the costs we tested, and most costs tested were reasonable and allowable. We calculated audit exceptions based on two factors, idle facilities at the jail, and the space occupied by the jail's work-release facility that represents facilities unavailable to federal prisoners.

Idle Facilities (Unallowable) – are unused or idle facilities that are excess to the government's needs. We toured the jail, interviewed officials, and reviewed square footage documents at the jail. We determined idle square footage to be 6.58 percent of the total jail space. The percentage represents 10,000 feet of idle space we identified, divided by the jail's 152,000 square foot capacity. We applied the 6.58 percent exception to the cost of the jail's utilities and building insurance for both FY 2003 and FY 2004.

Facilities Unavailable to Federal Inmates (Unavailable) – The jail's total costs include the operation of the Community Correction Center, the work-release program operated for some jail inmates. Because federal prisoners do not participate in the work-release program and the USMS disallows all costs relating to facilities not available to federal prisoners, we calculated exceptions. We based our exceptions on the average number of inmates assigned to the work-release program as a percent of the total inmates assigned to the jail. For FY 2003 and FY 2004, we calculated exception percentages of 8.87 and 8.33, respectively. We applied the exceptions to the following other direct operating cost categories: food and kitchen supplies, medical care supplies, bedding and linens, toiletries, and transportation for FY 2003 and FY 2004.

We applied the exceptions to each applicable cost category in FY 2003 and FY 2004 and summarized the results in the following tables.

FY 2003 Other Direct Operating Costs

		Exceptions		
		Unallowable	Unavailable	Total
Cost Category	Total Cost	(6.58%)	(8.87%)	Allowable
Food & Kitchen Supplies	\$512,872	-	(\$45,492)	\$467,380
Inmate Clothing	\$59,988	-	-	\$59,988
Medical Care Supplies	\$2,999	-	(\$266)	\$2,733
Bedding & Linens	\$40,810	-	(\$3,620)	\$37,190
Toiletries	\$16,617	-	(\$1,474)	\$15,143
Recreation and Education	\$203,845	-	-	\$203,845
Utilities	\$454,828	(29,928)	-	\$424,900
Staff Uniforms	\$62,747	-	-	\$62,747
Maintenance of Jail	\$72,272	-	-	\$72,272
Maintenance Supplies	\$50,606	-	-	\$50,606
Office Supplies & Postage	\$116,020	-	-	\$116,020
Telephone & Communications	\$20,478	-	-	\$20,478
Equipment under \$5,000	\$9,195			\$9,195
Insurance	\$227,732	(\$14,985)	-	\$212,747
Transportation	\$23,730	-	(\$2,105)	\$21,625
Equipment Rental	\$10,731	-	-	\$10,731
Security	\$5,262	-	-	\$5,262
Dues	\$656	-	-	\$656
Total	\$1,891,388	\$44,913	\$52,957	\$1,793,518

Source: CCJ accounting records

For FY 2003 we identified exceptions for unallowable space (idle facilities) and unavailable space (work-release facilities) totaling \$44,913 and \$52,957, respectively. The exceptions totaled \$97,870 and represent 5.2 percent of the jail's FY 2003 total other direct operating costs. We reduced the Jail's FY 2003 costs of \$1,891,388 by \$97,870 and allowed \$1,793,518 toward the incurred costs used to calculate the jail day rate.

FY 2004 Other Direct Operating Costs

Cost Category	Total Cost	Exceptions		Total Allowable
		Unallowable (6.58%)	Unavailable (8.33%)	
Food & Kitchen Supplies	\$557,295	-	\$46,423	\$510,872
Inmate Clothing	\$55,604	-	-	\$55,604
Medical Care Supplies	\$593	-	\$49	\$544
Bedding & Linens	\$53,246	-	\$4,435	\$48,811
Toiletries	\$19,457	-	\$1,621	\$17,836
Recreation and Education	\$247,791	-	-	\$247,791
Utilities	\$510,819	\$33,612	-	\$477,207
Staff Uniforms	\$75,040	-	-	\$75,040
Maintenance of Jail	\$79,714	-	-	\$79,714
Maintenance Supplies	\$35,575	-	-	\$35,575
Office Supplies & Postage	\$86,639	-	-	\$86,639
Telephone & Communications	\$22,382	-	-	\$22,382
Equipment under \$5,000	\$9,940	-	-	\$9,940
Insurance	\$227,037	\$14,939	-	\$212,098
Transportation	\$31,096	-	\$2,590	\$28,506
Equipment Rental	\$10,756	-	-	\$10,756
Security	\$187,701	-	-	\$187,701
Dues	\$1,025	-	-	\$1,025
Total	\$2,211,710	\$48,551	\$55,118	\$2,108,041

Source: CCJ accounting records

For FY 2004, we identified exceptions for unallowable space (idle facilities) and unavailable space (work-release facilities) totaling \$48,551 and \$55,118, respectively. The exceptions totaled \$103,669 and represent 4.7 percent of the jail's FY 2003 total other direct operating costs. We reduced the jail's FY 2003 total costs of \$2,211,710 by \$103,669 and allowed \$2,108,041 toward the incurred costs used to calculate the jail day rate.

Indirect Costs

According to OMB A-87, the CCJ is required to have an approved cost plan. The plan must be consistent, fair, and reasonable, and it must directly identify expenses to cost objectives as much as possible. The plan should allocate costs on a basis that clearly demonstrates the method of accumulating indirect costs. We found the CCJ developed an indirect cost plan and the USMS modified and approved it. The plan established overhead

cost rates for the salaries and benefits of the following employee groups: (1) administrative employees employed by the sheriff's office, (2) administrative employees employed by the county, (3) maintenance workers employed by the county, and (4) mechanical workers employed by the county. We tested the indirect cost plan against county employment records and verified costs claimed to accounting records. We concluded the CCJ's indirect cost plan met the OMB A-87 requirement. We included indirect costs of \$1,056,464 (FY 2003) and 1,160,384 (FY 2004) with no exceptions to the calculation of the jail day rate.

Bond Interest

The USMS's cost sheet instructions allow bond interest deductions on building renovations completed after October 1980. Interest payments are allowable, but payments applied against the principle are not permitted. The county issued a bond in 1991 to fund construction at the jail. We obtained the bond amortization schedule from the county's Finance Director, verified costs were not associated with the principle payments, and allowed bond interest costs of \$801,744 (FY2003) and \$729,900 (FY2004) without exception.

Equipment and Building Depreciation

The USMS defines equipment as an article of non-expendable tangible personal property having a useful life of more than 1 year and an acquisition cost that equals the lesser of the capitalization level established by the governmental unit for financial statement purposes or \$5,000. For equipment that supports IGA-related activities, the USMS allows costs through a depreciation or use allowance. If the jail does not have formalized equipment depreciation policies, the USMS uses a use-allowance factor of six and two-thirds percent.

The USMS allows a depreciation cost for all buildings supporting IGA-related activities. If the jail does not have formalized building depreciation policies, the USMS uses a use-allowance factor that is not to exceed two percent.

We verified the equipment and buildings that supported the IGA. We found no evidence of equipment or building depreciation schedules. Therefore, we used the USMS standard factors of six and two thirds percent for equipment (15-year schedule) and two percent for buildings (50-year schedule) to calculate depreciation. We calculated total depreciation costs as follows.

**Annual Equipment and Building Depreciation
Fiscal Years 2003 and 2004**

Equipment	Annual Depreciation
Equipment Supporting the IGA	\$55,205
USMS Depreciation Factor @ .067	(\$55,205 X .067)
Total Equipment Depreciation	\$3,699
Building	
Buildings Supporting the IGA	\$18,581,175 ¹²
USMS Depreciation Factor @ .020	(\$18,581,175 X .020)
Total Building Depreciation	\$371,624
Total Depreciation Allowance	\$375,323

Source: CCJ accounting records and USMS report

Because the depreciation schedule remained constant for both FY 2003 and FY 2004, we allowed depreciation costs of \$375,323 in each year toward the incurred costs used to calculate the jail day rate. We made no exception to depreciation costs.

Offsetting Revenue

OMB A-87 requires a credit or offset for transactions that reduce the costs allocable to federal grants. We tested revenue accounts and found the CCJ received offsetting revenue from a federal SCAAP grant. We reduced the costs used to calculate the jail day rate by the amount of the SCAAP grants (\$22,473 in FY 2003 and \$5,831 in FY 2004).

Conclusion

In our judgment, the CCJ complied with most of the terms and conditions of the IGA. However, while the costs used to support the detention and care of federal inmates met the financial management standards we tested, and the total dollars billed to the USMS were accurate, the jail day rate was not current or accurate. We found the CCJ experienced an increase in its inmate population in excess of 10 percent, and CCJ officials did not report the increase to the USMS as the IGA requires. The increase in the inmate population caused a significant increase in the total number of jail days and, as a result, the audited jail day rate we established was significantly lower than the current jail day rate. Therefore, the USMS

¹² We reduced the original cost of the building by a \$2,800,000 federal construction grant received by the jail.

overpaid for the care and housing of federal inmates during the 2 years we audited, resulting in questioned costs of \$202,354.

Recommendations

We recommend that the USMS:

1. Remedy the \$137,683 in questioned costs because the USMS overpaid for the detention of federal prisoners in FY 2003.
2. Remedy the \$64,671 in questioned costs because the USMS overpaid for the detention of federal prisoners in FY 2004.

Auditee Comments

We conducted an exit briefing with a CCJ official. We discussed the objectives of our audit and our findings. The CCJ official agreed with our findings and recommendations regarding the non-current and inaccurate jail day rates for FY 2003 and FY 2004. The official acknowledged the IGA requirement to report changes in inmate population in excess of 10 percent. However, the official said the county overlooked this reporting requirement and did not report the significant changes in the inmate population to the USMS.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit, for the 2 years we tested, were to determine if: (1) the jail day rate was current and accurate, (2) the costs used to support the detention and care of inmates were allowable, allocable, and reasonable under OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and (3) the total dollars billed to the USMS were accurate.

We conducted our audit in accordance with Government Auditing Standards and included such tests as were considered necessary to accomplish our objectives. Our audit concentrated on the two most recent fiscal years completed at the start of our audit, FY 2003 and FY 2004. The IGAs we audited included agreement number J-A36-M-006, effective in January 1997, and the three modifications to the agreement that occurred between calendar years 1999 through 2003.

We did not test internal controls for the CCJ as a whole or specifically for the IGA we audited. The CCJ received an audit as part of a countywide audit conducted by an independent Certified Public Accountant. The accountant published the results of this audit in the Single Audit Reports that accompanied the Comprehensive Annual Financial Report for the year ended December 31, 2004. We reviewed the independent auditor's assessment to determine if the accountant identified control weaknesses or significant noncompliance issues that related to the CCJ. We also reviewed the results of a USMS program review of the CCJ jail day rate conducted in July 2003.

In addition to funding the care and housing of prisoners the IGA included limited funding for transportation and stationary guard services for federal prisoners committed to medical facilities. We tested supporting documentation for guard services.

In conducting our audit, we performed sample testing in five areas. We judgmentally selected sample disbursements totaling \$1,103,339 to verify receipts, disbursements, and purchase orders. We tested three non-medical insurance policies relating to vehicle, liability, and building insurance to verify each policy was operationally necessary and properly allocated to the IGA. We tested pay and personnel records for 15 CCJ employees to verify time worked and the proper allocation of salary and benefits. We selected a sample of five equipment items included as costs allocated to the IGA to verify the equipment was in use and in good working order. For 2 of

the 24 months we tested, we verified the number of jail days reported by the CCJ to supporting documentation maintained by the USMS.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS:	AMOUNT	PAGE
Unallowable costs due to the overpayments made for the detention of federal prisoners in FY 2003 and FY 2004	\$ 202,354	5
TOTAL QUESTIONED COSTS	\$ 202,354	
TOTAL DOLLAR RELATED FINDINGS	\$ 202,354	

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.