



Transmitted via e-mail

November 17, 2014

Ms. Dalinda Harman, Chief
Contract Beds Unit
California Department of Corrections and Rehabilitation
10961 Sun Center Drive
Rancho Cordova, CA 95670

Dear Ms. Harman:

Final Report—Golden State Modified Community Correctional Facility Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its fiscal compliance audit of the Golden State Modified Community Correctional Facility (Facility) managed by the GEO Group, Inc., for the period July 1, 2010 through October 31, 2013.

The enclosed report is for your information and use. The Facility's response to the report observations is incorporated into this final report. The Facility agreed with our observations and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

We appreciate the assistance and cooperation of the Facility. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Brian Coates, Correctional Administrator, Business Services, Contract Beds Unit, California Department of Corrections and Rehabilitation
Mr. Timothy Henne, Facility Captain, Contract Beds Unit, California Department of Corrections and Rehabilitation
Mr. Bryan Beyer, Director, Internal Oversight and Research, California Department of Corrections and Rehabilitation
Ms. Lori Zamora, Deputy Director, Office of Audits and Court Compliance, California Department of Corrections and Rehabilitation
Ms. Sheila Williamson, Staff Services Manager I, Contract Beds Unit, California Department of Corrections and Rehabilitation
Ms. Sarah Shepherd, Staff Services Manager I, Contract Beds Unit, California Department of Corrections and Rehabilitation
Ms. Tricia Gold, Associate Governmental Program Analyst, Business Services, Contract Beds Unit, California Department of Corrections and Rehabilitation
Ms. Linda Wong, External Audits Manager, Office of Audits and Court Compliance, California Department of Corrections and Rehabilitation
Mr. Brian Evans, Vice President, Chief Financial Officer, The GEO Group, Inc.
Mr. Chuck Hill, Director of Business Management, The GEO Group, Inc.
Mr. Eldridge Pressley, Facility Administrator, Golden State Modified Community Correctional Facility

Audit Report

Golden State Modified
Community Correctional Facility
Contract R96.134
For the Period July 1, 2010
through October 31, 2013

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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Final reports are available on our website at <http://www.dof.ca.gov>

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TABLE OF CONTENTS

Executive Summary	iv
Background, Scope and Methodology.....	1
Results.....	4
Appendix A—Schedule of Reported and Audited Revenue and Expenditures	
Fiscal Year 2010-11	8
Fiscal Year 2011-12	9
Fiscal Year 2012-13	10
July 1, 2013 through October 31, 2013.....	11
Appendix B—Inmate Welfare Fund Balances	12
Appendix C—Inmate Telephone Revenue Fund Balances.....	13
Response.....	14

EXECUTIVE SUMMARY

The California Department of Corrections and Rehabilitation (CDCR) contracted with The GEO Group, Inc. (GEO), to operate the Golden State Modified Community Correctional Facility (Facility). GEO is responsible for providing inmate housing, sustenance, and coordinating inmate activities within the Facility. Under the direction of on-site CDCR staff, GEO also assists with inmate custody and Facility security. The Facility is located in McFarland, California, and is designed to accommodate an average daily population of 600 male inmates.

CDCR requested the Department of Finance, Office of State Audits and Evaluations (Finance), to perform a fiscal compliance audit of contract R96.134 for the period July 1, 2010 through October 31, 2013.

Results:

GEO did not fully comply with all contract requirements. Specifically, the following observations requiring corrective action were identified:

- GEO could not provide certain critical documents. As a result, compliance with certain contract requirements and accuracy of some costs could not be verified.
- Administrative Overhead and Other Operating costs of \$1,571,481 were disallowed due to a lack of supporting documents, or otherwise unallowable costs per the contract agreement.
- GEO reported Facility expenditures that significantly deviated from the contracted line item budgets without a Budget Revision approved by CDCR.
- Due to unrecorded sales revenue, the Inmate Welfare Fund balance was understated by \$13,675.

The observations and recommendations included within this report are intended to assist management in improving its Modified Community Correctional Facility program operations.

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

The California Department of Corrections and Rehabilitation (CDCR) administers the Community Correctional Facility Program (Program). The Program is intended to ease overcrowding in state institutions, reduce the need for building new state correctional institutions, and provide a financial benefit for the local community in which the facility is located. The Contract Beds Unit within CDCR is responsible for the on-site administration of the Program.

Penal Code section 6256 authorizes CDCR to enter into contracts with appropriate public and private entities to provide housing, sustenance, supervision, inmate work incentive programs, education, vocational training, pre-release program assessment planning, and other services, as stipulated. CDCR contracted with The GEO Group, Inc. (GEO), for operation of the Golden State Modified Community Correctional Facility (Facility).

The Facility is required to account for its funds separately from its general operations. Below is a description of each fund held by the Facility:

- *Inmate Welfare Fund*—A fund operated for the benefit and welfare of inmates under the jurisdiction of CDCR.
- *Inmate Trust Fund*—A fund that accounts for moneys belonging to inmates through work performed or money received from family or friends.
- *Inmate Telephone Revenue Fund*—Special program funds received for inmate telephone services designated for specific activities, as outlined in the contract. This fund was discontinued in July 2010.

As stipulated by contract R96.134, the Facility's funding is a combination of flat rate expenditure reimbursement and per diem funding. The combined funding for the periods audited is presented below.

Contract Funds by Fiscal Year

Contract R96.134	
Fiscal Year	Amount
2010-11	\$13,139,580
2011-12	13,164,072
2012-13	13,317,936
2013-14	13,139,580
Total	\$52,761,168

SCOPE

In accordance with a request from CDCR, the Department of Finance, Office of State Audits and Evaluations, conducted a fiscal compliance audit of contract R96.134 between GEO and CDCR for the period July 1, 2010 through October 31, 2013. The audit objectives were to:

- Determine whether the Facility's cost reports accurately represent revenue received and expenditures incurred.
- Determine the Facility's compliance with the contract's fiscal and reporting requirements.
- Determine the propriety of the Inmate Welfare Fund's and the Inmate Telephone Revenue Fund's transactions and verify compliance with contract provisions.
- Determine the ending balance of the Inmate Welfare Fund and the Inmate Telephone Revenue Fund as of October 31, 2013.

Because our objectives did not include performing a financial statement audit, we do not express an opinion on the financial information presented in the appendices. The appendices include schedules of financial related information presented for additional information and analysis. Further, our review of the Facility's internal control and compliance was not to provide assurance on the Facility's internal control as a whole, or to provide an opinion on compliance. Accordingly, we do not provide such assurance.

METHODOLOGY

To determine whether the Facility's cost reports were accurate and in compliance with the contract's fiscal and reporting requirements, we performed the following:

- Interviewed key personnel and reviewed supporting documentation to assess the effectiveness of contract related internal controls.
- Assessed the reliability of the Kronos timekeeping data by interviewing key personnel, observing system inputs, and reviewing a sample of the Facility's internal payroll verification audit packets.
- Reviewed the contract agreement and amendments, CDCR's Department Operations Manual, and the Financial Management Handbook for Private Community Correctional Facilities, January 1995.
- Traced information reported on the cost reports to the Facility's general ledger and subsidiary ledgers.
- Traced a sample of receipts and disbursements to supporting documentation to determine if they complied with contract requirements.

To determine the propriety of the Inmate Welfare Fund and the Inmate Telephone Revenue Fund transactions and compliance with the contract, and to report the funds' ending balances, we performed the following:

- Interviewed key personnel and reviewed supporting documents to assess the effectiveness of contract related internal controls for the Inmate Welfare Fund.
- Reviewed the general ledgers and/or subsidiary ledgers of each fund.
- Traced a sample of receipts and disbursements to supporting documentation to determine if they complied with contract requirements.
- Reviewed bank reconciliations to determine ending fund balances.
- Verified the Facility maintained the funds in accordance with contract requirements.

We conducted this audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

The audit results are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering contract funds.

The Golden State Modified Community Correctional Facility (Facility) did not fully comply with all fiscal contract requirements as discussed below. Appendix A displays the Schedules of Reported and Audited Revenue and Expenditures. Appendices B and C detail the Inmate Welfare Fund and Inmate Telephone Revenue Fund balances. Implementation of the recommendations below will assist the Facility in complying with the fiscal contract requirements.

Observation 1: Critical Documents Not Provided

Compliance with certain contract requirements and accuracy of some costs could not be verified because The GEO Group, Inc. (GEO), could not provide the critical documents listed below. This weakness was previously reported in the prior audit dated February 2, 2012. The critical documents not provided include the following:

- GEO administrative cost allocation formulas for fiscal years 2010-11, 2011-12, and 2012-13 to support the Administrative Overhead costs allocated.
- Annual cost reports, including the cost allocation plans, for all fiscal years under review to support reported costs.
- Complete agreement between GEO and its medical services subcontractor to determine compliance with contracted rates for services received.
- Inmate intake and release forms to support the occupancy rates claimed.

The Financial Management Handbook for Private Community Correctional Facilities, January 1995 (Handbook), section IV, requires that all general ledger accounting records be supported by original source documents. Additionally, the agreement between GEO and the California Department of Corrections and Rehabilitation (CDCR) provides for access to all documents and records during an audit.

Recommendation:

Ensure all documents and records are retained in a manner that allows timely access during an audit.

Observation 2: Disallowed Administrative Overhead and Operating Expenses

Administrative Overhead and Operating Expenses totaling \$1,571,481 were disallowed as shown in Table 1:

Table 1: Disallowed Expenses

Category	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	7/1/2013 through 10/31/2013	Total Disallowed
Administrative Overhead	\$667,725	\$648,512	\$24,768	\$178,826	\$1,519,831
Operating Expenses	14,530	7,000	16,230	13,890	51,650
Total	\$682,255	\$655,512	\$40,998	\$192,716	\$1,571,481

Administrative Overhead

Administrative Overhead costs totaling \$1,519,831 were disallowed as follows:

- \$1,495,063—The Facility could not provide critical cost allocation documents listed in Observation 1 to support Administrative Overhead costs reported for fiscal periods 2010-11, 2011-12, and July 1, 2013 through October 31, 2013.
- \$24,768—The Facility used an incorrect cost pool to allocate costs. Further, the cost pool that should have been allocated included unallowable costs such as a jet lease, entertainment, and employee welfare.

Operating Expenses

Other Operating Expenses, a component of Operating Expenses, totaling \$51,650 were disallowed as follows:

- \$30,778—The Facility reported expenditures that exceeded the amounts recorded in the general ledger.
- \$20,872—These costs represent unallowable employee welfare costs, amounts not supported by invoices, and costs incurred during a prior period.

The Handbook, Appendix A, identifies entertainment costs (costs of amusement, social activities and incidental costs) as unallowable costs. Employee welfare activities, which included Christmas parties, are considered an entertainment cost. Additionally, section IV requires that all general ledger accounting records be supported by original source documents.

Recommendation:

Ensure the expenditures reported are adequately supported by documentation and are allowable in accordance with the contract.

Observation 3: Reported Expenditures Did Not Comply With Approved Budget

GEO reported Facility expenditures that significantly deviated from the contracted line item budgets without a Budget Revision approved by CDCR. Line items that exceed the budget represent expenditure levels not approved by CDCR. Additionally, because the contracted per

diem rate was determined by budget estimates, a risk exists that unexpended budgeted funds could represent an inflated per diem rate. This weakness was previously reported in a prior audit dated February 2, 2012.

Table 2 lists the significant line item deviations by fiscal year. The quarterly period July 1, 2013 through October 31, 2013 was not included below because the budget was prepared on an annual basis.

The Handbook, section A, requires that a transfer of funds from one category to another that exceeds \$10,000 or 10 percent, whichever is greater, must receive prior approval from CDCR.

Table 2: Budget versus Reported Cost by Category

Fiscal Year 2010-11				
Category	Budget	Reported	Over/(Under)	Percentage
Staff Salaries and Benefits	\$ 5,329,611	\$ 5,707,790	\$ 378,179	7%
Food	488,713	422,588	(66,125)	(14%)
Transportation	44,067	10,445	(33,622)	(76%)
Consultant/Contracted Services	75,000	-	(75,000)	(100%)
Operating Expenses	1,079,445	1,124,359	44,914	4%
Property Tax	448,833	307,582	(141,251)	(31%)
General Liability Insurance	132,720	195,171	62,451	47%
Administrative Overhead	536,477	667,725	131,248	24%
Fiscal Year 2011-12				
Category	Budget	Reported	Over/(Under)	Percentage
Staff Salaries and Benefits	\$ 5,344,213	\$ 6,229,549	\$ 885,336	17%
Food	490,051	422,502	(67,549)	(14%)
Transportation	44,187	28,308	(15,879)	(36%)
Consultant/Contracted Services	75,205	-	(75,205)	(100%)
Property Tax	450,063	304,588	(145,475)	(32%)
General Liability Insurance	133,084	181,167	48,083	36%
Administrative Overhead	537,947	648,512	110,565	21%
Fiscal Year 2012-13				
Category	Budget	Reported	Over/(Under)	Percentage
Staff Salaries/Benefits & Taxes	\$ 5,406,744	\$ 6,279,721	\$ 872,977	16%
Food	488,713	458,774	(29,939)	(6%)
Transportation	44,067	84,813	40,746	92%
Property Tax	372,506	321,078	(51,428)	(14%)
Insurance	132,720	182,447	49,727	37%
Administrative Overhead	536,477	601,393	64,916	12%
Facility Lease/Use Expenses	4,378,356	4,200,000	(178,356)	(4%)

Recommendation:

Obtain CDCR's prior approval for transfer of funds between expenditure categories and retain the approved Budget Revision documents.

Observation 4: Unrecorded Inmate Welfare Fund Revenue

Due to unrecorded sales revenue, the Inmate Welfare Fund balance was understated by \$13,675. Specifically, the Inmate Welfare Fund sold ice cream in the Facility's canteen, but recognized only the sales commission (markup) portion of transaction, not the full sales price, as revenue in the fund. The unrecorded revenue was credited to another fund.

The Handbook, section IV, states the fund must follow fund accounting practices which requires recording all revenues and expenditures related to the inmate welfare activities in the Inmate Welfare Fund.

Recommendations:

- A. Record the sales revenue of \$13,675 in the Inmate Welfare Fund.
- B. Ensure all expenditures and revenues related to the Inmate Welfare Fund activities are properly recorded in the Inmate Welfare Fund.

APPENDIX A

SCHEDULE OF REPORTED AND
AUDITED REVENUE AND EXPENDITURES

Golden State Modified Community Correctional Facility Contract R96.134 Schedule of Reported and Audited Revenue and Expenditures For the Period July 1, 2010 through June 30, 2011				
Category	Contract Budget	Reported	Questioned¹	Audited
Revenue	\$ 13,139,580	\$ 12,936,896		\$ 12,936,896
Expenditures:				
Staff Salaries and Benefits	5,329,611	5,707,789		5,707,789
Food	488,713	422,588		422,588
Transportation	44,067	10,445		10,445
Consulting/Contracted Services	75,000	0		0
Operating Expenses	1,079,445	1,124,360	\$ (14,530)	1,109,830
Property Tax	448,833	307,582		307,582
General Liability Insurance	132,720	195,171		195,171
Administrative Overhead	536,477	667,725	(667,725)	0
Facility Lease/Use	4,200,000	4,200,000		4,200,000
Total Expenditures	12,334,866	12,635,660	\$ (682,255)	11,953,405
Profit/(Loss)	\$ 804,714	\$ 301,236		\$ 983,491
Corporate Fee ²	\$ 804,714	\$ 301,236		\$ 804,714

¹ See Observations and Recommendations for additional information.

² The Corporate Fee is presented separately because it represents a portion of the Facility's profit(loss).

APPENDIX A (continued)

SCHEDULE OF REPORTED AND
AUDITED REVENUE AND EXPENDITURES

Golden State Modified Community Correctional Facility Contract R96.134 Schedule of Reported and Audited Revenue and Expenditures For the Period July 1, 2011 through June 30, 2012				
Category	Contract Budget	Reported	Questioned³	Audited
Revenue	\$ 13,164,072	\$ 12,796,483		\$ 12,796,483
Expenditures:				
Staff Salaries and Benefits	5,344,213	6,229,549		6,229,549
Food	490,051	422,502		422,502
Transportation	44,187	28,308		28,308
Consulting/Contracted Services	75,205	0		0
Operating Expenses	1,082,402	1,085,940	\$ (7,000)	1,078,940
Property Tax	450,063	304,588		304,588
General Liability Insurance	133,084	181,167		181,167
Administrative Overhead	537,947	648,512	(648,512)	0
Facility Lease/Use	4,200,000	4,200,000		4,200,000
Total Expenditures	12,357,152	13,100,566	\$ (655,512)	12,445,054
Profit/(Loss)	\$ 806,920	\$ (304,083)		\$ 351,429
Corporate Fee ⁴	\$ 806,920	\$ (304,083)		\$ 351,429

³ See Observations and Recommendations for additional information.

⁴ The Corporate Fee is presented separately because it represents a portion of the Facility's profit(loss).

APPENDIX A (continued)

SCHEDULE OF REPORTED AND
AUDITED REVENUE AND EXPENDITURES

Golden State Modified Community Correctional Facility Contract R96.134 Schedule of Reported and Audited Revenue and Expenditures For the Period July 1, 2012 through June 30, 2013				
Category	Contract Budget	Reported	Questioned⁵	Audited
Revenue	\$ 13,317,936	\$ 12,963,642		\$ 12,963,642
Expenditures:				
Staff Salaries and Benefits	5,406,744	6,279,722		6,279,722
Food	488,713	458,774		458,774
Transportation	44,067	84,813		84,813
Consulting/Contracted Services	75,000	77,625		77,625
Operating Expenses	1,079,444	1,073,594	\$ (16,230)	1,057,364
Property Tax	372,506	321,078		321,078
General Liability Insurance	132,720	182,447		182,447
Administrative Overhead	536,477	601,393	(24,768)	576,625
Facility Lease/Use	4,378,356	4,200,000		4,200,000
Total Expenditures	12,514,027	13,279,446	\$ (40,998)	13,238,448
Profit/(Loss)	\$ 803,909	\$ (315,804)		\$ (274,806)
Corporate Fee ⁶	\$ 803,909	\$ (315,804)		\$ 0

⁵ See Observations and Recommendations for additional information.

⁶ The Corporate Fee is presented separately because it represents a portion of the Facility's profit(loss).

APPENDIX A (continued)

SCHEDULE OF REPORTED AND
AUDITED REVENUE AND EXPENDITURES

Golden State Modified Community Correctional Facility Contract R96.134 Schedule of Reported and Audited Revenue and Expenditures For the Period July 1, 2013 through October 31, 2013				
Category	Contract Budget⁹	Reported	Questioned⁷	Audited
Revenue	\$ 13,139,580	\$ 4,403,966		\$ 4,403,966
Expenditures:				
Staff Salaries and Benefits	5,471,799	1,857,516		1,857,516
Food	488,713	166,827		166,827
Transportation	44,067	23,325		23,325
Consulting/Contracted Services	75,000	64,827		64,827
Operating Expenses	1,079,445	452,641	\$ (13,890)	438,751
Property Tax	308,130	113,356		113,356
General Liability Insurance	132,720	63,664		63,664
Administrative Overhead	536,477	178,826	(178,826)	0
Facility Lease/Use	4,200,000	1,400,000		1,400,000
Total Expenditures	12,336,351	4,320,982	\$ (192,716)	4,128,266
Profit/(Loss)	\$ 803,229	\$ 82,984		\$ 275,700
Corporate Fee ⁸	\$ 803,229	\$ 82,984		\$ 275,700

⁷ See Observations and Recommendations for additional information.

⁸ The Corporate Fee is presented separately because it represents a portion of the Facility's profit(loss).

⁹ Contract budget is the annual budget for the FY 2013-2014.

APPENDIX B

INMATE WELFARE FUND BALANCES

Golden State Modified Community Correctional Facility Contract R96.134 Inmate Welfare Fund Balances For the Period July 1, 2010 through October 31, 2013				
	July 1, 2010 - June 30, 2011	July 1, 2011 - June 30, 2012	July 1, 2012 - June 30, 2013	July 1, 2013 - October 31, 2013
Beginning Balance	\$ 35,969	\$ 24,833	\$ 29,207	\$ 31,349
Add:				
Deposits	40,986	52,935	52,529	18,791
Subtotal	76,955	77,768	81,736	50,140
Deduct:				
Disbursements	52,122	48,561	50,387	16,619
Ending Balance	\$ 24,833	\$ 29,207	\$ 31,349	\$ 33,521

APPENDIX C

INMATE TELEPHONE REVENUE FUND BALANCES

Golden State Modified Community Correctional Facility Contract R96.134 Inmate Telephone Revenue Fund Balances For the Period July 1, 2010 through June 30, 2012¹		
	July 1, 2010 – June 30, 2011	July 1, 2011 – June 30, 2012
Beginning Balance	\$ 1,586,721	\$ 522
Add:		
Interest	367	0
Subtotal	1,587,088	522
Deduct:		
Disbursements/Withdrawals	1,586,566	522
Ending Balance	\$ 522	\$ 0

¹ The Inmate Telephone Revenue Fund was discontinued in July 2010 and the funds were transferred to CDCR in August 2011.



October 17, 2014

Richard R. Sierra
Chief
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RE: Draft Report – Golden State Modified Community Correctional Facility Audit

Dear Mr. Sierra,

We are in receipt and responding to the Draft Report dated September 19, 2014 from the Department of Finance concerning the fiscal compliance audit of the Golden State Modified Community Correctional Facility for the period July 1, 2010 through October 31, 2013. Prior to responding, we would like to thank the Department of Finance for the team sent to perform the audit, as while they were extremely thorough, they were also extremely professional in both their methodology of auditing and their interactions with our staff.

Observation 1: Critical Documents Not Provided

“Compliance with certain contract requirements and accuracy of some costs could not be verified because The GEO Group (GEO), could not provide the critical documents...”

GEO accepts the recommendation that we shall “ensure all documents and records are retained in a manner that allows access during an audit”. To be in compliance with future audits, the Director, Business Management has begun systematically storing all files associated with supporting the information that is not maintained at the facility (certain contracts and overhead files) to have available in one location during future audits. All documentation stored at the facility will be maintained in compliance with GEO’s record retention policy which will insure the availability of documentation for future audits.

Observation 2: Disallowed Administrative Overhead and Operating Expenses

Administrative Overhead and Operating Expenses totaling \$1,571,481 were disallowed...”

As noted in the response to Observation 1, the Director, Business Management will be systematically storing all files related to the audit that are not maintained at the facility. This includes files related to the overhead allocation which were not readily available and subsequently caused the disallowance of the majority of the reported Administrative Overhead amounts. During the course of the audit, in communicating with the auditors, several changes were made to the allowable categories in the cost pool for GEO’s Overhead allocation, as well as in the expense categories reported on the Quarterly and Annual Cost Reports that may be contained on GEO’s general ledger, but are not allowable and reportable costs per the contract.



Observation 3: Reported Expenditures Did Not Comply with Approved Budget

“GEO reported Facility expenditures that significantly deviated from the contracted line item budgets without a Budget Revision approved by CDCR. Line items that exceed the budget represent expenditure levels not approved by CDCR. Additionally, because the contracted per diem rate was determined by budget estimates, a risk exists that unexpended budgeted funds could represent an inflated per diem rate.”

As stated in the Financial Management Handbook, this contract is a fixed unit price contract and “any savings which may result from the Contractor’s efficient operations of the program under a per diem rate system can be retained by the Contractor if the program needs are complied with in accordance with the contract terms”. GEO manages our facility to meet all the contractual operational requirements and makes decisions on expenditures based on our operational needs. These needs change quickly in our business environment and GEO reacts to the differing demands by allocating resources to best operate our facility. As such there are both savings and cost overruns in the budget. During the periods reviewed, GEO spent well over the original budgeted total expenses, resulting in significantly lower (even negative) “Corporate Fees”. However, as per the Department of Finance’s recommendation, GEO will seek to obtain CDCR’s approval when evidence that a program expenditure line item will have a variance that exceeds \$10,000 or 10 percent, whichever is greater.

Observation 4: Unrecorded Inmate Welfare Fund Revenue

“Due to unrecorded sales revenue, the Inmate Welfare Fund balance was understated by \$13,675. Specifically, the Inmate Welfare Fund sold ice cream in the Facility’s canteen, but recognized only the sales commission portion of the transaction, not the full sales price, as revenue in the fund”.

GEO has reimbursed the Inmate Welfare Fund \$13,675 from the Commissary Account where the revenue had been recorded. Check # 1685 was deposited into the Inmate Welfare Fund to correct this error. The process for accounting for the purchases of ice cream to be sold in the commissary, and the recording of sales revenue, has been corrected to properly record the activities in the Commissary and Inmate Welfare Accounts.

GEO values our longstanding partnership with the State of California and appreciates the opportunity to respond to the observations contained in the Draft Report. Undoubtedly, we will continue to strengthen our partnership with California as we continue to provide the highest level of service and commitment, as well as meet our contractual responsibilities, in the best manner possible.

Sincerely,

“Original Signed By”

James C. Hill
Director, Business Management