

July 6, 2011

Mr. Matthew Wirtner
C/O BI Incorporated
125 N. Wilkes Barre Blvd. STE 2
Wilkes Barre, PA 18702

Dear Mr. Wirtzer:

The audit of BI, Inc. was conducted for the time period January 1, 2010 to December 31, 2010. Response comments from you are attached. I wish to address issues that arose from the exit meeting and your response letter:

Although BI, Inc. is contracted to provide staffing levels for the CTC, it is BI's responsibility to manage personnel issues that may arise. Further, BI, Inc. did not provide an adequate explanation or justification for submitting expenses to the County associated with flying an employee from California to temporarily staff the Dutchess County CTC.

It is not in the powers of the Comptroller's Office to enact Departmental policy or construct contract terms. The fact that the contract between BI, Inc. and the Department of Probation and Community Corrections does not specifically define certain contract terms reflects the deficiency in the construction of the contract not a deficiency in the Comptroller's Office. While BI, Inc. appears to be disturbed by my Office's refusal to pay for these unjustified expenses simply because the contract does not prohibit payment; they have correctly agreed to repay these funds evidencing their fiscal integrity. I agree that there should be additional definitions and written communication with the County to address various scenarios to alleviate any improper payments.

BI, Inc. charges an additional administrative fee that totals \$154,000/year. This fee is over and above the staffing salaries and all other operating costs charged to the County. This fee should be broken down and defined to gain a better understanding of the services BI, Inc. provides to the County. I also recommend that the Dutchess County Department of Probation and Community Corrections work in concert with the Dutchess County Attorney's office to better define contract wording in order to limit the County's exposure to unjustified/duplicative claims.

This report is sent to you in compliance with section 20.02 of the county charter. If there are any questions, please feel free to contact this office.

James L. Coughlan

AUDIT REPORT
BI INCORPORATED
January 1, 2010 – December 31, 2010

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Background/Organization

BI Incorporated (BI) provides offender monitoring. The Dutchess County Probation Department contracted with BI to provide the Day Reporting Program. This evidenced based treatment program is designed as an Alternative to Incarceration. Individuals are court ordered to participate in this program which is supervised by the Dutchess County Probation Department. In addition, the county contracted with BI for an electronic home monitoring system. Additional information regarding BI is located on their website: www.bi.com.

Audit Scope, Methodology and Objective

The audit was performed for the period January 1, 2010 – December 31, 2010. The Probation Department had three contracts with BI totaling \$691,524.00 as follows:

Contract #10-0204	Day Reporting Program	1/1/10-6/30/10	\$324,000.00
Contract #10-0372	Day Reporting Program	7/1/10-12/31/10	290,874.00
Contract #10-0008	Electronic Home Monitoring System	1/1/10-12/31/10	<u>76,650.00</u>
		Total Funding	\$691,524.00

The Day Reporting program is expenditure driven and the electronic monitoring is a lump sum contract paid monthly. BI's administrative and fiscal offices are located in Colorado which limited our review of the agency's internal controls and original documentation.

Our review included :

- Day Reporting program expenditures: Salary, Employee Training and Travel, Client Transportation, Client needs and materials, Client Meals, Inventory and Rent.
- Electronic Home Monitoring System: Contract provisions

Summary of Findings

The Day Reporting program records were found in good order. Claims totaling \$6,022.98 are disallowed as they are administrative in nature and provided in the agency's administrative fee of \$153,999.98 paid by Probation.

Detailed Findings

Day Reporting Contract Review

Contract #10-0204- was written in the amount of \$324,000.00 for the period January 1, 2010 – June 30, 2010 and **Contract #10-0372-** was written in the amount of \$290,874.00 for the period July 1, 2010 – December 31, 2010. The county is currently exercising its renewal option with the vendor which was included in Contract #10-0372 which provided "four (4) one (1) year extensions beginning on January 1, 2011 at Dutchess County's option."

A line-item budget was not provided with the January 2010 - June 30, 2010 contract. A line item budget was provided with the July 1, 2010 - December 31, 2010 contract. BI claimed and was paid a total of \$569,581.98 as follows:

Category	Total Claimed	Contract #10-0204 1/1-6/30/10 Claims	Contract #10-0372 7/1-12/31/10 Claims
Salaries	\$200,040.73	\$97,992.79	\$102,047.94
Fringe	62,012.62	30,377.76	31,634.86
Rent	59,244.00	29,622.00	29,622.00
Utilities & Facility	9,828.15	4,973.37	4,854.78
Client Transportation/Vehicle	11,921.90	4,616.96	7,304.94
Client Needs & Materials	14,690.98	10,752.08	3,938.90
Employee Training & Travel	16,579.25	14,252.39	2,326.86
Supplies	5,207.95	2,840.40	2,367.55
Equipment Rental	3,320.14	2,132.94	1,187.20
Non-Expendable Equipment	0		
Client Meals	6,627.71		6,627.71
Telecommunications	10,364.00	4,962.32	5,401.68
Case Management	15,744.57	11,007.65	4,736.92
*Administrative Costs	<u>153,999.98</u>	<u>77,000.00</u>	<u>76,999.98</u>
Total	<u>\$569,581.98</u>	<u>\$290,530.66</u>	<u>\$279,051.32</u>

Note: Administrative Costs * As described in BI's proposal form, administrative costs include but are not limited to human resources, accounting, information systems, corporate and regional management, program compliance reviews/audits and contract management.

Observation:

- *In the previous audit, monthly claims were not signed off by the local program director. This was corrected. All 2010 claims reviewed had the local program director's sign off.*

The contract(s) provided funding for up to 25 full and 35 part time participants. The program hours were Monday – Friday 9am to 7pm.

BI reported the following:

	Clients admitted	Successful Completion
2008	68	21
2009	68	20
2010	118	44

Review of Selected Expenditures

Personnel - BI claimed a total of \$200,040.73 in salary for the year 2010. Salaries claimed were compared to employee W-2s.

Employee Training and Travel - Employee travel was claimed in the amount of \$16,579.25. Utilizing the 'annual budget' provided in contract #10-0373, the line item cost for employee training and travel was \$13,398. Travel documentation was reviewed for selected expenditures.

Findings:

- Costs disallowed:
 - There are no provisions in the contract to pay extraordinary costs incurred by BI to meet the staffing obligation for the day reporting program. Travel costs reported below are for 3 'temporary staff' from Manassas, VA (time periods 2/7-2/10 and 2/21-25/10); Sacramento, CA (time period 3/7-3/13/10); Luzerne, PA (time period 3/30-4/11/10). Personnel Costs for these individuals were allowed as they were replacing staff that had left.
 - Costs associated with human resources are stated in the proposal form attached to the contract as included in the monthly administrative fee (see page 2). Costs reported are for one person from Boulder, CO for the time period 2/2-2/5/10.

	Airfare	Hotel	Car, rental, gas, miles, tolls	Meals	Total
Temporary Help	\$ 405.80	\$2,137.13	\$1,791.70	\$266.41	\$4,601.04
Human Resource	612.40	510.18	259.22	40.14	1,421.94
Total	<u>\$1,018.20</u>	<u>\$2,647.31</u>	<u>\$2,050.92</u>	<u>\$306.55</u>	<u>\$6,022.98</u>

Client Needs and Materials

Dutchess Community College (DCC) - BI provides a GED educator through a contract with Dutchess Community College. The current contract is for the period August 20, 2010 to August 18, 2011 to provide an instructor to the center at a cost of \$20 per student per semester. In 2010 the expenses reported totaled \$1,120. Attendance records were reviewed for the period May - December 2010. Attendance ranged between 11-18 students. BI reported 8 students receiving their GED diploma in 2010.

Incentives - As part of the evidence-based treatment program, participants receive incentives for attendance and program participation which included special lunches, electronics and gift cards. Internal control procedures were reviewed for gift cards. BI maintains a log of each gift card purchased and distributed. Gift cards were identified by their card number and clients signed when they received a gift card. A total of \$780.00 in gift cards was purchased in 2010.

Client Meals - The contract provides funding for client meals. Lunches ordered from a local vendor for three months were compared to participant attendance records. A total of 591 lunches were ordered at a cost of \$2,304.90. The number of meals ordered did not consistently match the actual number in attendance as some participants received a special meal through the award system. No discrepancies were found.

Client Transportation/Vehicle

Client Transportation - Clients are transported to and from home via one of the two agency vans, train or taxis. BI has two Ford model E350 vans for transporting clients to and from home and to programs such as; community service, counseling and appointments. A total of \$11,921.90 was claimed and paid as follows:

Taxi	\$776.00
Train	490.38
Gas	8,121.52
Repair/other	<u>2,534.00</u>
Total	\$11,921.90

Finding:

- The 'annual' line item cost for Client transportation/vehicle expense was \$9,600 (utilizing the 'annual budget' provided in contract #10-0372).

Recommendation:

- A cost analysis of the van usage and the various transportation modes should be done periodically to ensure cost efficiency.

Inventory

BI maintains inventory of the Day Reporting program assets.

Finding:

Items selected for review included computers, printers and cameras.

Recommendation:

All items were located. The inventory listing was updated with minor adjustments at the time of our review.

Electronic Home Monitoring System

Contract #10-0008 - was written in the amount of \$76,650.00 for the period January 1, 2010 – December 31, 2010 with four (1) year extensions at Dutchess County's option. This contract provided equipment rental and support of an Electronic Home Monitoring System for the DC Probation Department's Electronic Monitoring unit. Equipment includes: a host computer located at the Probation Office, 2 workstations (monitors and keyboards), a printer, 4 portable remote receivers and 140 monitoring units.

A total of \$76,650 was paid on this contract in 2010 which represents the bid amount of \$210 a day for 365 days.

According to data received from probation, averages of 126 units were in use each day in 2010. A total of 535 individuals were reported admitted into the program in 2010.