

**Audit of Facility Services
Report Number A-1718DJJ-002
April 2, 2018**

By

**Office of the Inspector General
Bureau of Internal Audit**

Robert A. Munson
Inspector General

Michael Yu, CIA, CIG
Director of Auditing

Roosevelt Brooks, CPA, CIA
Auditor-In-Charge

Christina K. Daly, Secretary

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**STATE OF FLORIDA
DEPARTMENT OF JUVENILE JUSTICE**

MEMORANDUM

DATE: April 2, 2018
TO: Christina K. Daly, Secretary
FROM: Robert A. Munson, Inspector General *RM*
SUBJECT: Final Report - Audit No. A-1718DJJ-002, Audit of

Attached is our final report, *Audit of Facility Services*, prepared by the Bureau of Internal Audit. We will conduct a follow-up to determine the status of the corrective action taken to address the reported finding.

We would like to thank Facility Services, a component of the Bureau of General Services, for the assistance extended to our staff during the audit process. Please feel free to contact Michael Yu, Audit Director, at 850-717-2468, if you have any questions.

RM/rb/my

Attachment

Cc: Timothy Niermann, Deputy Secretary
Fred Schuknecht, Chief of Staff
Roger Kesling, Bureau Chief of General Services
Eric Miller, Chief Inspector General, Executive Office of the Governor
Sherrill F. Norman, CPA, Auditor General
Kathy DuBose, Director, Legislative Auditing Committee

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Rick Scott, Governor

Christina K. Daly Secretary

The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.

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**Office of the Inspector General
Bureau of Internal Audit
Audit of Facility Services
Audit No. A-1718DJJ-002**

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EXECUTIVE SUMMARY

The Office of the Inspector General, Bureau of Internal Audit has completed an Audit of Facility Services, a component of the Bureau of General Services, for the period of July 1, 2015 through June 30, 2017, and related activities through the end of fieldwork. The audit focused on repairs and maintenance at facilities that house youth under the Department of Juvenile Justice's (Department) care. The overall objectives of this audit were to provide management with reasonable assurances that the Department:

- has internal controls and processes in place to maintain safe and healthy facilities for youth and staff;
- has internal controls in place to ensure the efficiency and effectiveness of repairs and maintenance of facilities and management of resources;
- complies with applicable laws, administrative rules, contracts, policies and procedures pertaining to the oversight of Department-owned, leased, and contracted provider facilities; and
- maintains adequate records to support legislative budget requests for fixed capital outlay funds.

Our audit disclosed, in general, the Department has internal controls, policies and procedures, and processes in place that provide reasonable assurances regarding repairs and maintenance of facilities and oversight of fixed capital outlay funds. However, we noted an area for improvement.

We applied audit procedures to fifty (50) repairs and maintenance projects totaling approximately \$9,894,092. Our review noted three projects that did not comply with criteria contained in Agreements with Construction Managers pertaining to restrictions on construction costs. The Agreement states the following: *Each Activation¹ issued pursuant to this Agreement shall have costs to owner not to exceed \$500,000.*

FACILITIES	PROJECTS	ACTIVATION/AMOUNT	DESCRIPTION OF WORK	COMMENTS
Highlands Youth Academy	80322801070	\$ 1,196,800.53	Renovation of Dorms 19 and 20	Initial Activation Amount Exceeded \$500,000; Expenditures Exceeded \$500,000.
Orange Youth Academy	80324806104	\$ 499,821.00	Modular Facilities Classroom and Administrative Offices	Initial Activation Amount \$499,821; Expenditures \$510,077.
West Palm Beach RJDC	80325011093	\$ 516,002.00	Re-Roof Work	Initial Activation Amount Exceeded \$500,000; Expenditures Less Than \$500,000.

We recommend that the Department comply with criteria contained in Agreements with contractors pertaining to restrictions on construction costs.

¹A written notice that serves as the acceptance of the Construction Manager's maximum price and notice to proceed with the project.

**Audit of Facility Services
Audit #A-1718DJJ-002**

INTRODUCTION

The Office of the Inspector General, Bureau of Internal Audit has completed an Audit of Facility Services, a component of the Bureau of General Services, for the period of July 1, 2015 through June 30, 2017, and related activities through the end of fieldwork. This audit was initiated based on our Fiscal Year 2017-2018 Audit Plan and conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

Background

Facility Services provides many types of building services to Department-owned and leased facilities. The actual work is performed by private contractors. Facility Services has nine full time employees including a Licensed Architect.

Facility Services:

- oversees maintenance, repairs, and renovations of Department-owned facilities and associated equipment;
- manages the design and construction of Department projects statewide;
- manages statewide emergency construction work for initial and permanent stages of disaster recovery for all Department-owned structures;
- oversees the Department's compliance with the State Fire Marshall and Department of Environmental Protection regulations;
- assists Department staff in the preparation of fixed capital outlay budgets for new construction and renovation projects; and
- inspects and collect data concerning the condition of Department buildings.

The above services help to provide youth under the Department's care, staff, and citizens with a safe and healthy environment that is conducive to the Department accomplishing its mission.

The Department has policies and procedures in place that provide detailed guidance to assist Facility Services in carrying out its duties and responsibilities. Facility Services utilizes activation letters and work orders to address issues pertaining to repairs and maintenance at Department-owned facilities. The Department is appropriated fixed capital outlay funds on a yearly basis to address repairs and maintenance at Department-owned facilities.

Pursuant to Department policies and procedures, Fixed Capital Outlay is defined as following: *The appropriation category used to fund real property (land, buildings, including appurtenances, fixtures and fixed equipment, structures, etc.) including additions, replacements, major repairs, and renovations to real property which materially extend its useful life or materially improve or change its functional use, and including furniture and equipment necessary to furnish and operate a new or improved facility, when appropriated by the Legislature in the fixed capital outlay appropriation category.*

As shown in the table below, for Fiscal Years 2015-16, 2016-17, and 2017-18, the legislature appropriated to the Department's fixed capital outlay funds totaling \$20,986,094 of which \$14,567,362, that could be utilized to improve and maintain Department-owned buildings and infrastructure.

Table 1
Fixed Capital Outlay Funds Appropriated
(Fiscal Years)

PURPOSE	2015-16	2016-17	2017-18	TOTALS
Maintenance and Repair/State Owned Buildings	4,201,627	6,165,735	4,200,000	14,567,362
Seminole County Juvenile Detention			1,000,000	1,000,000
Lease Purchase/Debt Service	1,806,244	1,806,244	1,806,244	5,418,732
TOTALS	\$6,007,871	\$7,971,979	\$7,006,244	\$20,986,094

Based on the auditor's review of information obtained from the Offices of Residential and Detention Services, the Department has oversight over forty-five (45) residential Facilities, thirty-eight (38) are state-owned; and twenty-one (21) Detention Facilities. Many of these facilities are more than thirty (30) years old; for example, fifteenth Detention Facilities are thirty years or older. There is an increased need for repairs and maintenance because of the age and use of these buildings.

The Department has been resourceful in utilizing other Department resources and renovating facilities rather than purchasing new facilities. Also, at Department-owned residential facilities, the Department requires service providers to maintain a major maintenance fund to pay for repairs outlined in its contracts with providers.

In general, these contracts require providers to obtain the Department's approval before funds can be disbursed from the maintenance fund. Based on contracts reviewed by the auditor, the dollar amount required to be placed in this account is insufficient to address many of the repairs required at these facilities.

There is \$11.6 million included in the Governor's Fiscal Year 2018-19 budget to provide necessary repairs and maintenance of detention, probation, and residential facilities. If funded, this would be a significant increase in fixed capital outlay funds to address needed repairs and maintenance at Department-owned facilities.

Objectives, Scope, and Methodology

The overall objectives of this audit were to provide management with reasonable assurances that the Department:

- has internal controls and processes in place to maintain safe and healthy facilities for youth and staff;
- has internal controls in place to ensure the efficiency and effectiveness of repairs and maintenance of facilities, and management of resources;
- complies with applicable laws, administrative rules, contracts, policies and procedures pertaining to the oversight of Department-owned, leased, and contracted provider facilities; and
- maintains adequate records to support legislative budget requests for fixed capital outlay funds.

Our audit scope included the limited testing of transactions and related records for the period from July 1, 2015 through June 30, 2017, and related activities through the end of fieldwork. This audit focused on operations of Facility Services, with attention on fixed capital outlay funds used for facilities that houses youth under the Department's care.

In addition, audit procedures included on-site review of projects at the following facilities:

Table 2
Onsite Visits to Facilities

FACILITY	PROJECT	ACTIVATION/AMOUNT	DESCRIPTION	LOCATION
Joann Bridges Academy	80334001168	93,141.00	Portable Trailer Relocation & Setup	Greenville
Hillsborough RJDC West	80322904068	479,564.00	Roof replacement	Tampa
Hillsborough West RJDC	80332904039	329,235.49	Kitchen Renovation	Tampa
Hillsborough West RJDC	80332904038	283,813.35	Fencing Renovation	Tampa
Okaloosa RJDC	80334603257	100,582.10	Roof Replacement	Crestview
Okaloosa Youth Academy	80324603235	129,368.00	Replace Light Fixtures	Crestview
Walton Youth Academy	80326604169	191,792.72	HBI Building	De Funiak Springs
Orange Youth Academy	80334806205	343,276.08	Security Door Replacement	Orlando
Orange Youth Academy	80324806104	499,821.00	Modular Facilities Classroom and Administrative Offices	Orlando
Highlands Youth Academy	80322801070	1,196,800.53	Renovation of Dorms 19 and 20	Avon Park
TOTALS		\$3,647,394.27		

To achieve our audit objectives, we reviewed the following documents:

- FDJJ-1390-Financial Management of Fixed Capital Outlay Projects;
- FDJJ-1320-Property Insurance;
- FDJJ-1315-Fixed Capital Outlay Legislative Budget Requests for New Construction and Maintenance/Repair Projects;
- Florida Statutes 985.69-Repair and Maintenance Funding for Juvenile Justice Purposes;
- Florida Statutes 216.0158-Assessment of Facility Needs;
- Florida Statutes 216.0152-Inventory of State-Owned Facilities or State-Occupied Facilities;
- Florida Statutes 216.043-Budgets for Fixed Capital Outlay;
- Chapter 69A-54-Uniform Fire Safety Standards for Correctional Facilities; and
- Chapter 69A-3.011-Fire Prevention-Inspections of State-Owned Buildings and State-Leased Spaces.

As part of our audit procedures, we also communicated with appropriate personnel.

The auditor used judgmental sampling for selecting records for review. Judgmental sampling is a non-probability sampling technique where the auditor selects units to be sampled based on his/her knowledge and professional judgment.

Therefore, projection of the auditor's conclusion based on the selected sample may be different if statistical sampling was used or all items were subject to our audit procedures for the audit period under review.

RESULTS OF AUDIT

Based on our audit scope and limited review of selected records and processes, our audit disclosed, in general, the Department has internal controls, policies and procedures, and processes in place that provide reasonable assurances regarding repairs and maintenance of facilities and oversight of fixed capital outlay funds. However, we noted one area for improvement pertaining to the following:

Three projects were not in compliance with Statewide Continuing Area Contracts pertaining to restrictions on construction costs.

For the period July 2015 through June 30, 2017, we applied audit procedures to fifty (50) repair and maintenance projects totaling approximately \$9,894,092. Our review noted three contract projects that did not comply with criteria contained in Statewide Continuing Area Contracts between the Department and Construction Managers pertaining to restrictions on construction costs.

Of the three projects, two did not comply with dollar restrictions for construction costs exceeding \$500,000 for initial activations.² One project, although compliant with the initial dollar amount for initial activation, construction costs related to the project were \$510,077, which exceeded the \$500,000 limitation. Two of the three projects whose construction costs exceeded \$500,000 were visited on-site; the two projects are located at Highlands Youth Academy and Orange Youth Academy.

Pursuant to terms and conditions of the Agreement between the Department and Construction Managers for the above projects states: *...Individual minor construction services (hereinafter called the "Project") periodically implemented in connection with this Statewide Continuing Area Contract for Minor Projects in the State of Florida, as so selected by the Owner. Each Activation issue pursuant to this Agreement shall have costs to owner not to exceed \$500,000.* Also, our review of RFQ FS-15/18-CM, request for qualifications, states: *...individual projects issued for each region will have an estimated construction costs not exceeding \$500,000...*

² A written notice that serves as the acceptance of the Construction Manager's maximum price and notice to proceed with the project.

Table 3
Projects in Violation of Contract Terms

FACILITIES	PROJECTS	ACTIVATION/AMOUNT	DESCRIPTION OF WORK	COMMENTS
Highlands Youth Academy	80322801070	\$ 1,196,800.53	Renovation of Dorms 19 and 20	Initial Activation Amount Exceeded \$500,000; Expenditures Exceeded \$500,000.
Orange Youth Academy	80324806104	\$ 499,821.00	Modular Facilities Classroom and Administrative Offices	Initial Activation Amount \$499,821; Expenditures \$510,077.
West Palm Beach RJDC	80325011093	\$ 516,002.00	Re-Roof Work	Initial Activation Amount Exceeded \$500,000; Expenditures Less Than \$500,000.

Except for the Department not complying with construction costs restrictions required by Statewide Continuing Area Contracts, it appears contractors complied with the scope of work pertaining to projects visited on-site and management maintained sufficient documentation that supported construction costs.

The \$500,000 restriction on construction costs is criteria set by the Department via its request for qualifications and agreements with Construction Managers. Florida Statutes 255.32, State Construction Management Contracting, allows the Department to enter into continuing contracts for individual construction projects that are greater than \$500,000 but does not exceed \$2 million.

Management indicated that current construction cost restrictions contained in Statewide Continuing Area Contracts were put in place to give potential contractors notice that contracts would be, in general, \$500,000 or less. To address the above issue relating to limitations on construction costs, under current Florida Statutes, management could include the following language in its request for qualifications and agreements with contractors: The construction value of most projects will be less than \$500,000 but projects can be activated up to \$2,000,000 especially for new freestanding buildings or major additions and renovations.

We recommend that the Department comply with criteria contained in Agreements with contractors pertaining to restrictions on construction costs.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Please address inquiries regarding this report to Michael Yu, Audit Director at (850) 717-2468.

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APPENDIX

MANAGEMENT RESPONSE



FLORIDA DEPARTMENT OF JUVENILE JUSTICE

Rick Scott, Governor

Christina K. Daly, Secretary

INTEROFFICE MEMORANDUM

DATE: March 27, 2018

TO: Robert Munson, Inspector General,
Roosevelt Brooks, Auditor

CC: Fred Schuknecht, Chief of Staff
Vickie Harris, Director of Administration
William Gravely, Architect Supervisor

FROM: Roger Kesling, Bureau Chief of General Services

A handwritten signature in black ink, appearing to be "R. Kesling", written over a horizontal line.

SUBJECT: Audit Response – Audit No. A-1718DJJ-002, Audit of Facility Services

After review of the draft audit provided by Mr. Munson it appears that the major deficiency noted on pages 1,6 & 7 of the report indicated that we had projects with cost that exceeded the \$500,000 limit outlined in our Statewide Continuing Area Contracts. That limit was self-imposed and is significantly lower than the \$2,000,000 allowed in the Florida Statute FS 287.55 Acquisition of Professional Services.

While most of our projects have costs under \$500,000, at times there is the need to complete a project that exceeds that amount. To correct this situation, DJJ will include the attached addendum as part of the current agreements which are about to expire on or about August 2018 with each Statewide Continuing Area Contractor. The addendum increases the allowable cost to \$2,000,000.

All future agreements with Statewide Area Contractors will include this new language;

A "continuing contract" is a contract for professional services entered into in accordance with all the procedures of this act between an agency and a Construction Manager (CM) whereby the CM provides professional services to the agency for projects in which the estimated construction cost of each individual project under the contract does not exceed \$2 million.

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