



## Chesterfield County, Virginia Internal Audit

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**GREG L. AKERS**  
Director

**DATE:** February 23, 2018

**TO:** Joseph P. Casey, Ph.D.  
Chesterfield County Administrator

**FROM:** Greg L. Akers  
Director of Internal Audit

**SUBJECT:** Electronic Monitoring Contract Procurement Special Project

### CONCLUSION

Internal Audit conducted this project for an anonymous allegation received in November 2017 that Purchasing violated procurement policy for the Monitoring Services – Community Corrections Services contract by not selecting the lowest bidder and by approving a \$77.00 award amount instead of the winning \$25.35 bid. Our evaluation concluded Purchasing followed all applicable procurement law and policies and that the contract was awarded to the lowest responsive and responsible bidder at the low bid amount. We also identified opportunities for future contract administration improvements as described in our report. This report is limited to a review of controls, management oversight, and current policies and procedures as they relate to the procurement process for the Electronic Monitoring contract and the vendor invoicing of Community Corrections Services clients on electronic monitoring.

### BACKGROUND

Community Corrections Services initiated a procurement for a single electronic monitoring service provider in June 2016 to improve consistency and streamline internal monitoring procedures for Pre-Trial Services' clients. Prior to this procurement, Community Corrections Services clients assigned by the court to electronic monitoring were required to select their own provider and Community Corrections Services had to correspond with multiple vendors. Electronic monitoring service types include Global Positioning System (GPS), Continuous Alcohol Monitoring (CAM), and Home Electronic Monitoring (HEM). Community Corrections Services receives data from the vendors for monitored clients. Vendors attach the electronic monitors as clients are released from custody and then bill clients directly for the required monitoring services.

Purchasing issued an Invitation for Bid (IFB) for combined monitoring services with a basis of award that totaled one-time fees and daily costs for GPS, CAM, and HEM. Virginia Electronic Monitoring Systems, LLC (VEMS) was lowest of the 5 grand total bids received and was awarded the contract. A bidder appealed stating that the VEMS low bid could result in higher costs to clients than other bidders depending on length of monitoring. Purchasing denied the appeal, explaining how the IFB award basis was chosen and that it met procurement standards.

## **OBJECTIVES, SCOPE & METHODOLOGY**

### **Objectives:**

- Evaluate allegations regarding the procurement process for electronic monitoring services for Community Corrections Services.
- Identify opportunities for improvement in contract management and future procurements.
- Report results to County Administrator and other management.

### **Scope:**

Our investigation primarily covered the procurement compliance for County contract #17-1666 [Monitoring Services – Community Corrections Services] with County Administrative Policy, Purchasing 12-11: Competitive Sealed Bidding. We also considered Community Corrections Services internal controls for electronic monitoring, including vendor-client invoicing through December 2017.

### **Methodology:**

Our methodology included:

- Evaluating the electronic monitoring contract procurement process.
- Understanding internal control process for clients beginning electronic monitoring.
- Reviewing a sample of vendor records for:
  - Agreement to report of Community Corrections Services clients subject to electronic monitoring.
  - Agreement to fee schedule listed in contract.
  - Additional fees charged to clients.
  - Invoice date ranges.

We conducted this special project as a performance audit in accordance with generally accepted government auditing standards, except the risk and internal control assessment was more targeted to the specific allegations versus a comprehensive evaluation of the department or program. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Chris Meade, Senior Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

## **FINDINGS**

The anonymous complaint alleged that Purchasing changed the winning \$25.35 low bid from VEMS for the contract award to \$77.00. There is an internal Bid Award/Approval Documentation memo in the IFB file dated June 22, 2017 listing the award amount as \$77.00. Purchasing acknowledges that the \$77.00 amount was a typographical error on their internal memo, and subsequently added a memo to the file to that effect. We confirmed the pricing schedule listed in the signed contract agrees to the original low bid grand total of \$25.35.

Without a prior contract in place, Community Corrections Services did not have certain data readily available for developing the IFB. Purchasing cancelled two IFBs after determining additional information was necessary. The third and final IFB separately accounted for potential installation/maintenance fees and provided a snapshot of current client volume.

The lowest bid was determined by adding together the one-time installation/maintenance fee and the daily monitoring cost for GPS, CAM, and HEM. The anonymous complaint alleged that a larger total bid with a higher one-time and lower per day fee could result in lower client costs depending on monitoring duration. A weighted basis of award could better align with actual client costs. However, Community Corrections Services did not have historical client volume by monitoring type and duration data readily available to allow Purchasing to use a weighted basis of award in this IFB. We confirmed the award basis used met procurement standards and allowed vendors to tailor their bids accordingly. We noted that Purchasing had already identified need to gather contract usage data to develop a weighted or scenario-based basis of award for any future bids for these services.

We evaluated vendor compliance with contract terms for charges and discounts. A client report provided by vendor from August 2017 to January 2018 listed 126 total clients. There have been 66 GPS, 60 CAM, and 0 HEM clients since the contract started. 61 clients have completed monitoring with average of 48 day monitored (median 45 days). We tested 10 client invoices from VEMS and noted charges matched contract rates. None of the 10 clients tested received an income adjusted fee discount. We inquired with vendor and only one client is receiving a reduced rate. VEMS also charged clients a 3% convenience fee that chose to pay their bill electronically. The client-vendor agreement allows for late payment fees as well. Some clients are charged on a 30-day billing cycle, while others are charged for services through their next court date, which could be several months. Additional fees and billing cycle requirements are not described in the contract.

We also evaluated Community Corrections Services controls for electronic monitoring of Pre-Trial Services' clients. Community Corrections Services does not have a documented process to:

- Notify clients of contracted monitoring rates charged by vendor.
- Notify clients of the availability of income based fee adjustments.
- Review installation/maintenance fees, daily rates, billing dates, and additional fees charged to clients by vendor for contract compliance.

### **RECOMMENDATION(S):**

We recommend that Community Corrections Services:

1. Accumulate data on client volume by monitor type and duration, which could be used to develop a weighted or scenario-based basis of award.
2. Evaluate accumulated data and coordinate with Purchasing on when to next rebid this service using a weighted or scenario-based basis of award.
3. Consider identifying allowable fees charged by vendor (convenience, late, etc) and billing cycle requirements in next contract procurement.
4. Establish a procedure to provide clients with vendor's contracted monitoring rates and availability of income based fee adjustments.
5. Periodically review vendor charges to clients for contract compliance.

**MANAGEMENT'S RESPONSE(S):**

1. *Concur. Jennifer Dennis, Pretrial Services Supervisor is responsible for implementing 3/1/18. Ask the vendor to add completion dates to the reports that he sends.*
2. *Concur. Jennifer Dennis, Pretrial Services Supervisor and Melissa Chasteen, Senior Contract Officer are responsible for implementing 7/1/18. Contract to be re-bid at renewal point.*
3. *Concur. Melissa Chasteen, Senior Contract Officer is responsible for implementing 7/1/18, at contract re-bid .*
4. *Concur. Jennifer Dennis, Pretrial Services Supervisor is responsible for implementing 3/1/18. Develop a document to be given to clients at intake that identifies the costs and the availability of income based adjustments.*
5. *Concur. Jennifer Dennis, Pretrial Services Supervisor is responsible for implementing 3/1/18. Ask vendor for random invoices each month to ensure vendor compliance.*

**CLOSING**

We appreciate the cooperation and assistance received from Purchasing and Community Corrections Services staff throughout this special project.

cc: Sarah Snead, Deputy County Administrator for Human Services  
Andrew Molloy, Director of Community Corrections Services  
Allan Carmody, Finance Director  
Keith Gagnon, Director of Purchasing  
James F. Lane, Ed.D., School Superintendent  
Audit and Finance Committee

# Highlights

Internal Audit Report to the Board of Supervisors/School Board

## Why We Did This Review

Internal Audit conducted this investigation based on an anonymous allegation that Purchasing violated procurement policy for the Monitoring Services – Community Corrections Services contract by not selecting the lowest bidder and by approving a \$77.00 award amount instead of the winning \$25.35 bid.

Our objectives were to:

- Evaluate allegations regarding the procurement process for electronic monitoring services for Community Corrections Services.
- Identify opportunities for improvement in contract management and future procurements.
- Report results to County Administrator and other management.

## What We Recommend

- Accumulate data on client volume to develop a weighted or scenario-based basis of award.
- Evaluate accumulated data and coordinate with Purchasing on when to next rebid using alternate basis of award.
- Establish a procedure to provide clients with vendor's contracted rates.
- Periodically review vendor charges to clients for contract compliance.



# Electronic Monitoring Contract Procurement Special Project

## What We Found

### Background

Community Corrections Services initiated a procurement for a single electronic monitoring service provider in June 2016. Electronic monitoring service types include Global Positioning System (GPS), Continuous Alcohol Monitoring (CAM), and Home Electronic Monitoring (HEM). Vendors attach the electronic monitors as clients are released from custody and then bill clients directly for the required monitoring services.

Purchasing issued an Invitation for Bid (IFB) for combined monitoring services with a basis of award that totaled one-time fees and daily costs for GPS, CAM, and HEM. Virginia Electronic Monitoring Systems, LLC (VEMS) was lowest of the 5 grand total bids received and was awarded the contract.

The anonymous complaint alleged:

- Purchasing changed the winning \$25.35 low bid from VEMS for the contract award to \$77.00.
- A larger total bid with a higher one-time and lower per day fee could result in lower client costs depending on monitoring duration.

### Summary of Findings

An internal Bid Award/Approval Documentation memo in the IFB file listed the award amount as \$77.00, which was a typographical error. We confirmed the pricing schedule listed in the signed contract agrees to the original low bid grand total of \$25.35.

The lowest bid was determined by adding together the one-time installation/maintenance fee and the daily monitoring cost for GPS, CAM, and HEM. A weighted basis of award could better align with actual client costs. However, Community Corrections Services did not have historical client volume by monitoring type and duration data readily available to allow Purchasing to use a weighted basis of award in this IFB. We confirmed the award basis used met procurement standards and allowed vendors to tailor their bids accordingly.

We evaluated vendor compliance with contract terms for charges and discounts. A client report provided by vendor listed 126 total clients. We tested 10 client invoices and noted charges matched contract rates.

Community Corrections Services does not have a documented process to notify clients of contracted monitoring rates and periodically review vendor charges for contract compliance.

Management concurred with 5 of 5 recommendations to be implemented by July 1, 2018.

We appreciate the cooperation received from Purchasing and Community Corrections Services staff throughout this special project.