



Transmitted via e-mail

February 24, 2012

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

Dear Ms. Harman:

**Final Report—Central Valley Modified Community Correctional Facility Close-Out Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its close-out audit of the Central Valley Modified Community Correctional Facility, contract R96.133, for the period July 1, 2010 through October 12, 2011.

The enclosed report is for your information and use. Because there were no audit observations or issues requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of The GEO Group, Inc. If you have any questions regarding this report, please contact Jennifer Whitaker, Manager, or John Rogers, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Lydia Romero, Chief Deputy Warden, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Ms. Joan Smith, Associate Warden, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Mr. Robert Logan, Staff Services Manager I, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Mr. Johnny Choate, Facility Administrator, The GEO Group, Inc.  
Mr. Chuck Hill, Director, Business Management, The GEO Group, Inc.  
Ms. Cheryl Nelson, Director, Contract Compliance, The GEO Group, Inc.  
Mr. Ronald A. Brack, Vice President, Controller, The GEO Group, Inc.  
Mr. Brian Evans, Senior Vice President, Chief Financial Officer, The GEO Group, Inc.  
Mr. Jeffrey Chavez, Business Manager, The GEO Group, Inc.

# Audit Report

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Central Valley Modified Community

Correctional Facility

Contract R96.133

For the Period July 1, 2010

through October 12, 2011

Prepared By:

Office of State Audits and Evaluations

Department of Finance

## **MEMBERS OF THE TEAM**

Jennifer Whitaker  
Manager

John Rogers, CPA  
Supervisor

### Staff

Jeremy Jackson  
Renato Lim, CIA  
Issa Ndiaye

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

You can contact our office at:

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# BACKGROUND, SCOPE, AND METHODOLOGY

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## BACKGROUND

The California Department of Corrections and Rehabilitation (Corrections) 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 Community Correctional Facilities Administration within Corrections is responsible for the on-site administration of the Program.

Penal Code section 6256 authorizes Corrections 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. Corrections contracted with The GEO Group, Inc. (GEO), for the operation of the Central Valley Modified Community Correctional Facility (Facility). On September 12, 2011, Corrections provided GEO the required 60 day notice of intent to terminate contract R96.133 under which the Facility is administered. Accordingly, the contract was terminated and the Facility closed effective October 12, 2011.

Contract R96.133 requires the Facility 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 who are under the jurisdiction of Corrections.
- *Inmate Trust Fund*—A fund that accounts for moneys belonging to inmates through work performed or money received from family or friends.

## SCOPE

In accordance with an interagency agreement with Corrections, the Department of Finance, Office of State Audits and Evaluations (Finance) conducted a close-out audit of contract R96.133 between Corrections and GEO for the period July 1, 2010<sup>1</sup> through October 12, 2011. Our review focused on the ending balance for IWF. The audit objectives were to:

- Determine whether the fund's financial reports accurately represent revenues received and expenditures incurred.
- Review the activities and contract compliance of the fund.
- Determine the ending fund balance.

We also performed a review of the ITF, limited to identifying any inmate trust accounts dormant within six months prior to the Facility closing.

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<sup>1</sup> Date of Finance's last audit.

## **METHODOLOGY**

To determine whether the ending IWF balance was accurate, complete, and proper, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of fund-related internal controls.
- Examined the contract files, the contract agreement, and applicable policies and procedures.
- Verified that the Facility maintained the fund in accordance with contract requirements.
- Reviewed the accounting records, vendor invoices, and related vendor contracts.
- Selected a sample of expenditures to determine if costs were allowable, supported, and properly recorded.
- Performed procedures to determine if reported revenues were supported, complete, and accurate.
- Identified and assessed the propriety of any fund transfers.

We performed the following limited procedures to identify any dormant accounts in the ITF:

- Interviewed key personnel.
- Reviewed trust account balances to identify whether dormant inmate accounts existed within six months of the Facility closing.

The results of the audit are based on our review of documentation and other information made available to us. The audit was conducted from December 2011 through February 2012.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The ending balance for the Inmate Welfare Fund is presented in Table 1.

**Table 1: Inmate Welfare Fund Close-Out Balance**

<b>Inmate Welfare Fund For the Period July 1, 2010 through October 12, 2011</b>	
Beginning Fund Balance as of July 1, 2010	\$84,414
Add: Revenues	61,958
Less: Expenditures	(67,577)
Ending Fund Balance as of October 12, 2011	\$78,795

**Inmate Trust Fund**

The review of the Inmate Trust Fund was limited to identifying any dormant inmate trust accounts outstanding within the last six months prior to the Facility closing. The ending balance as reported by Facility management is presented here for illustration purposes only. The reported amounts were not audited and, therefore, should not be relied upon for accuracy and completeness. During our audit, we did not find any dormant accounts.

**Table 2: Schedule of Inmate Trust Fund (Unaudited)**

<b>Inmate Trust Fund For the Period July 1, 2010 through October 12, 2011</b>	
	<b>Reported</b>
Beginning Fund Balance as July 1, 2010	\$77,099
Deposits	397,529
Disbursements	(475,516)
Ending Fund Balance as of October 12, 2011	\$ (888)