



An Audit Report on

Contracting at the Juvenile Justice Department

July 2019
Report No. 19-043



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Overall Conclusion

Because of significant weaknesses in its contracting processes, the Juvenile Justice Department (Department) did not follow the proper procurement procedures for the two contracts audited.

Texas Conference of Urban Counties (Urban Counties) Contract

The Department did not allow enough time for planning for its contract with the Texas Conference of Urban Counties (Urban Counties) for Juvenile Case Management System (JCMS) operations and maintenance. As a result, it selected the incorrect procurement method, did not appropriately perform a cost estimate, and did not perform an adequate risk assessment to determine appropriate monitoring.

TrueCore Behavioral Solutions (TrueCore) Contract

The Department made the decision to create and issue a new contract to the same vendor (TrueCore) without following the procurement process steps such as planning, method determination, evaluation, and award. The new contract expires August 31, 2019, with two optional 2-year renewals that could potentially extend it through August 31, 2023; that would be 2 years longer than the duration of the original contract, which would have ended in 2021 if all extension options had been used. Although changes were made to improve the contract, they could have been made with amendments, as the changes were to procedures and how services were delivered, not to the services provided.

Oversight

The Department performed monitoring for the two contracts; however, it should strengthen its contract oversight processes to ensure that Urban Counties complies

Background

Auditors selected two Juvenile Justice Department (Department) contracts to audit for this report:

- Texas Conference of Urban Counties (Urban Counties) contract. The **Department's contract with Urban Counties** was for the maintenance, and operation of its Juvenile Case Management System (JCMS). JCMS is a comprehensive, Web-based information and case management system used by all 254 counties for data collection, reporting, and management needs of local juvenile probation departments in Texas. The contract began January 1, 2017, and with all potential renewals exercised, it would end December 31, 2019, at a total of \$3,606,250. As of February 2019, the Department had made contract payments to Urban Counties totaling \$3,028,250.
- TrueCore Behavioral Solutions (TrueCore) contract. **The Department's** contract with TrueCore began September 1, 2017, and is for the provision of secure residential program services in Brownwood. Some services provided are on-site education, high school equivalency preparation and testing, mental health treatment, and counseling. The contract amount was based on daily attendance. As of February 2019, the Department had made contract payments to TrueCore totaling \$2,437,177.

Sources: The contracts audited, the Uniform Statewide Accounting System, and other information from the Department and the vendors.

This audit was conducted in accordance with Texas Government Code, Section 321.0132.

For more information regarding this report, please contact Cesar Saldivar, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

with service level agreements for JCMS and that all findings from its monitoring activities for TrueCore are addressed. In addition, the Department did not always ensure that it paid TrueCore in a timely manner and included all applicable interest.

Contract Formation

The Department’s contracts with Urban Counties and TrueCore contained most essential clauses according to the *State of Texas Contract Management Guide*. In addition, the Department processed contract amendments as required by its contract policies and procedures.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	The Department Did Not Use the Appropriate Procurement Method for the Texas Conference of Urban Counties Contract Due to Weaknesses in the Planning Process	Priority
1-B	The Department Reissued the TrueCore Contract Without Competitively Rebidding	High
2-A	The Department Performed Some Monitoring for Its Contract With Urban Counties; However, It Should Strengthen Its Monitoring Processes to Include Reviews of Service Level Requirements	Medium
2-B	The Department Performed Monitoring Activities for Its Contract With TrueCore; However, It Should Ensure That All Identified Issues Are Communicated to TrueCore as Required, and It Should Strengthen Payment Process Controls	Medium
3	While Both Contracts Had Most Required Clauses, the Department Should Ensure That All Requirements Are Included	Medium

^a A subchapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the audited **entity’s ability to effectively administer the program(s)/function(s) audited**. **Immediate action is required to address the** noted concern and reduce risks to the audited entity.

A subchapter is rated High if the issues identified present risks or effects that if not addressed could substantially affect the audited **entity’s ability to effectively administer the program(s)/function(s) audited**. **Prompt** action is essential to address the noted concern and reduce risks to the audited entity.

A subchapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited **entity’s ability to effectively** administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A subchapter is rated Low **if the audit identified strengths that support the audited entity’s ability to administer the** program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited **entity’s ability to effectively administer the program(s)/function(s) audited**.

Auditors communicated other, less significant issues separately in writing to Department management.

Summary of Management's Response

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The Department agreed with the recommendations in this report.

Key Points Related to the Urban Counties Contract

As a result of not properly planning the procurement for its Juvenile Case Management System (JCMS) operation and maintenance services, the Department did not use the appropriate procurement method for its contract with Urban Counties. In addition, the Department:

- Inappropriately procured those services as a proprietary purchase with Urban Counties.
- Did not properly plan a subsequent competitive request for offer (RFO), which was canceled after scoring the five responses received, asserting that the scoring did not accurately reflect the technical requirements.
- Extended the proprietary contract with Urban Counties, which had submitted a proposal to that competitive RFO and did not receive the highest score. As of May 2019, the proprietary contract was still in effect.
- Did not perform a detailed cost estimate as required and relied on the cost **estimate in Urban Counties' proposal.**
- Performed some risk assessment activities in planning its competitive solicitation; however, it did not verify that information technology risks were addressed.

Audit Objective and Scope

The objective of this audit was to determine whether the Department has administered certain contract management functions in accordance with applicable requirements.

The scope of this audit covered the Department's planning, procurement, vendor selection, contract formation, and oversight related to:

- The contract with TrueCore for the provision of secure residential program services in Brownwood. The contract was effective September 1, 2017. **Auditors reviewed the Department's** activities related to the contract through March 2019.
- The contract with the Urban Counties for the provision of JCMS software operation, maintenance, and enhancement. The Department began planning for that contract in November 2016, and the contract was effective

January 1, 2017. Auditors reviewed **the Department's activities** related to the contract through April 2019.

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Detailed Results

Chapter 1

The Department Did Not Adequately Plan and Procure Its Contracts With the Texas Conference of Urban Counties and TrueCore

Because of significant weaknesses in its contracting processes, the Juvenile Justice Department (Department) did not follow the proper procurement procedures for either contract. Specifically:

- For its contract with the Texas Conference of Urban Counties (Urban Counties) for Juvenile Case Management System (JCMS) operations and maintenance, the Department did not allow enough time for planning. As a result, it selected the incorrect procurement method, did not appropriately perform a cost estimate, and did not perform an adequate risk assessment to determine appropriate monitoring.
- The Department made the decision to create and issue a new contract to TrueCore Behavioral Solutions (TrueCore), which was the existing vendor, without following the procurement process steps such as planning, method determination, evaluation, and award. Although changes were made to improve the contract, they could have been made with amendments, as the changes were to procedures and how services were delivered, not to the services provided.

As a result of the weaknesses in its procurement of the two contracts audited, the Department did not comply with State procurements designed to protect the integrity of the process, and it may not have achieved best value for the State.

The Department Did Not Use the Appropriate Procurement Method for the Texas Conference of Urban Counties Contract Due to Weaknesses in the Planning Process

Chapter 1-A
Rating:
Priority¹

As a result of not properly planning the procurement for JCMS services, the Department did not use the appropriate procurement method for its contract with Urban Counties. Specifically:

- The Department inappropriately procured those services in January 2017 as a proprietary purchase with Urban Counties. A proprietary purchase is for products or services that have distinctive characteristics for which only one vendor can provide (see text box).
- The Department did not properly plan a subsequent competitive request for offer (RFO), which it canceled after scoring the five responses received, asserting that the scoring did not accurately reflect the technical requirements.
- It then extended the proprietary contract with Urban Counties, which had submitted a proposal to that competitive RFO and did not receive the highest score. As of May 2019, the proprietary contract was still in effect, and a new contract based on a competitive solicitation has not been executed.

Proprietary Purchases

A proprietary purchase occurs when the specifications or conditions of the proposed purchase are proprietary to one vendor and do not permit an equivalent product or service to be supplied. The term proprietary refers to a product or service that has a distinctive feature or characteristic which is not shared or provided by competing or similar products or services.

When a specification for a proposed purchase is drafted so narrowly that there is only one viable product or one vendor eligible for contract award, the agency must document the rationale for the restrictive solicitation.

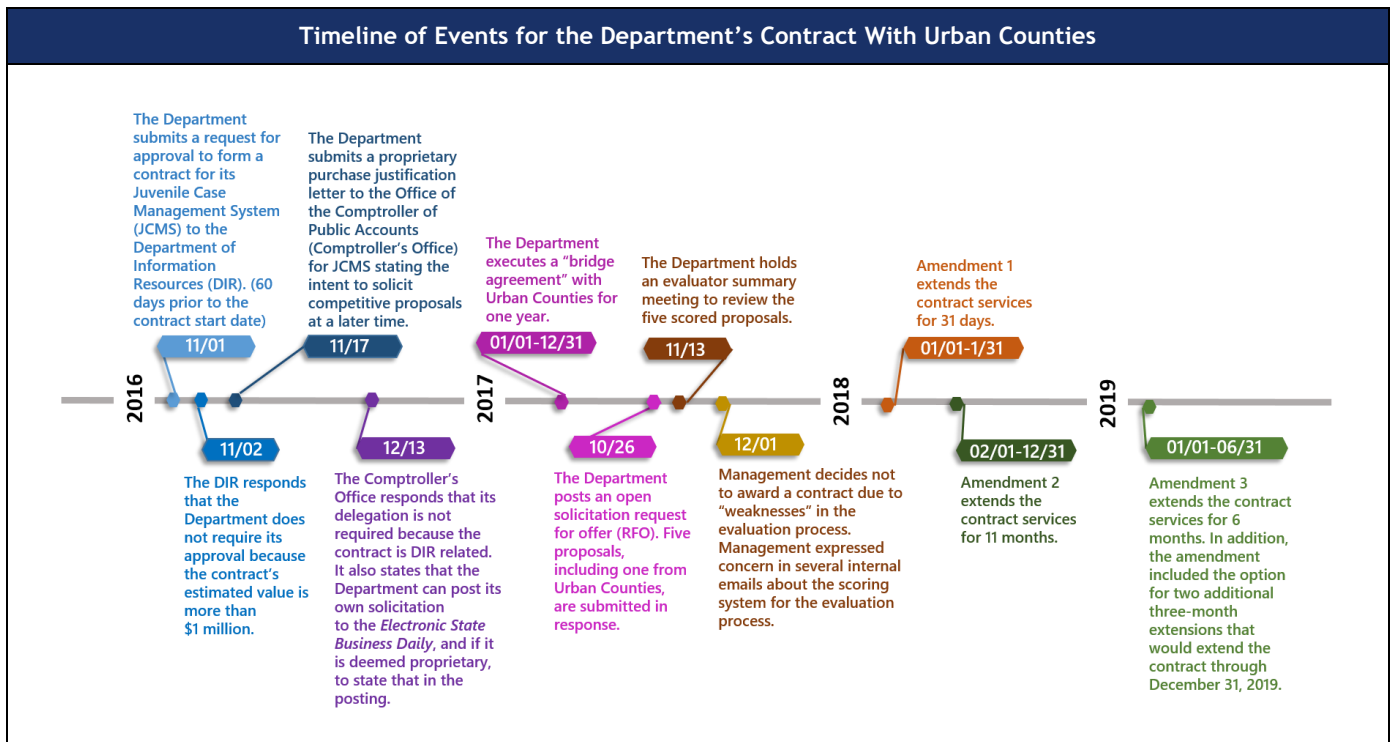
Source: *The State of Texas Procurement and Contract Management Guide*, v. 1. 1.

As a result of the lack of sufficient planning and using the incorrect procurement method, the Department limited competition, increasing the risk that it and the State did not receive best value.

Figure 1 on the next page shows a timeline of the Department's procurement of the Urban Counties contract.

¹ The risk related to the issues discussed in Chapter 1-A is rated as Priority because the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

Figure 1



Source: The State Auditor's Office created this figure based on information from the Department.

The Department did not sufficiently plan its procurement for JCMS operation and maintenance services.

By beginning planning for its procurement for ongoing operation and maintenance services for JCMS 60 days prior to the expiration of an existing contract with Urban Counties, the Department did not allow appropriate time to procure a contract. The *State of Texas Contract Management Guide* suggests that the preparation of the solicitation should begin 180 days prior to a contract start date.

In a November 2016 proprietary purchase justification letter to the Office of the Comptroller of Public Accounts (Comptroller's Office), the Department stated that it intended to issue a competitive solicitation, but there was not enough time to complete one before the existing contract with Urban Counties expired. Allowing the existing contract to expire without a new contract in place could have increased the risk that JCMS services could be disrupted. The Comptroller's Office responded that its delegation was not required because the contract was for a procurement related to the Department of Information Resources, and based on the estimated dollar amount of the new contract, the Department was required to post it to the *Electronic State Business Daily*. That letter also stated that should the

Department deem the procurement proprietary, to provide that information in the solicitation.

In January 2017, the Department inappropriately procured and then executed a proprietary contract with the Urban Counties for JCMS operations and maintenance service. The Department termed the new contract a “bridge agreement” for January 1, 2017, through December 31, 2017, at a cost of \$1,252,250; the contract did not have a definite end date because it could be extended if both parties agreed to do so in writing. However, the Department did not sufficiently document an explanation as to why the purchase would be proprietary in accordance with State contracting requirements. The Department referred only to a lack of time as its justification for why it should be a proprietary purchase and stated that it intended to solicit competitive proposals for those services in the future. Texas Government Code, Section 2155.067, requires that the written justification must (1) explain the need for the specifications and (2) state the reason competing products are not satisfactory.

By selecting a proprietary purchase method for services that it had described in the justification letter as competitive, the Department potentially discouraged qualified vendors that could provide the same services at a cost benefit to the State.

The Department developed a competitive solicitation; however, it did not award a contract based on that solicitation because it asserted that it had not appropriately developed the scoring methodology.

On October 26, 2017, which was two months prior to the end of the bridge agreement, the Department posted an open solicitation RFO for JCMS maintenance and operations services. Five proposals were submitted in response, and the Department asserted that on November 13, 2017, Department staff met to evaluate and score the proposals.

However, on December 1, 2017, the Department’s former Chief Information Officer and General Counsel submitted an email to the former Director of Business Operations and Contracts with the decision not to award a contract for that RFO. They expressed concerns in several internal emails about the scoring methodology used in the evaluation process. For example, in one email, the general counsel stated that “the weight of the scoring should have more accurately reflected the significance of the necessary technical expertise.” In addition, the general counsel asserted that “the evaluators were not as clear on the scoring process as necessary.” Those individuals were not employed at the Department at the time of the audit; therefore, they could not provide additional information about that decision.

Urban Counties was among the five submitted proposals. Since the Department decided not to award a competitively procured contract, the Department has entered into three consecutive contract amendments to extend the proprietary contract with Urban Counties.

As of February 2019, the Department had made payments to Urban Counties in the amount of \$3,028,250 for the services. With all potential renewals exercised, the proprietary contract value would be \$3,606,250.

Without ensuring that the scoring methodology was appropriate, the Department continued with a proprietary contract that may not be providing the best value.

The Department did not perform a detailed cost estimate as required for the JCMS maintenance and operations services contract.

The Department relied on Urban Counties' proposal submitted in October 2016 for the estimated cost of the contract. As a result, it did not ensure that it provided the best value to the State for the procurement because it could not provide documentation that the proposal aligned with any Department estimated costs for the contract. The final amount for the proprietary contract was the same as the estimated cost in that proposal (see Background text box in the Overall Conclusion for more information on the total contract amount).

The *State of Texas Contract Management Guide*² states that the cost estimate should assist agencies in determining which procurement method to use and the range of services to include in the statement of work. By relying on vendor-provided estimates to make determinations about how to procure and what to include in its contract, the Department did not ensure that costs were appropriate.

While the Department performed some risk assessment activities in planning its competitive solicitation, it did not verify that information technology risks were addressed as required.

The Department completed two risk assessments, an application-specific risk assessment (for JCMS) in accordance with Texas Administrative Code, Chapter 202, and a contract risk assessment as required by the *State of Texas Contract Management Guide*². However, the Department did not have documentation showing that it verified whether the application-specific controls identified were implemented by Urban Counties, and it did not

² This guide was in effect during the planning of the contract with Urban Counties. In June 2018, this guide was updated and released as the *State of Texas Procurement and Contract Management Guide*; it was last updated in August 2018.

ensure that information technology risks regarding the contract were identified.

The Department completed the application-specific risk assessment on September 1, 2017, and identified 42 application controls. The Department stated in that risk assessment that Urban Counties was responsible for managing all but one of those controls. However, there was no documentation that the Department verified whether those controls were implemented.

Although the Department completed a contract risk assessment as required, it did not include (1) information technology-specific risks such as security or (2) the risk that the vendor did not implement the application-specific controls noted above. The risk assessment contains a section for contract-specific risk factors but these were not identified. Therefore, the Department would not have included those risks in its monitoring functions as required by the *State of Texas Contract Management Guide*³. By not identifying information technology risks, the Department cannot ensure that it is appropriately monitoring for implementation.

Recommendations

The Department should:

- Strengthen its planning process to ensure that it:
 - ♦ Selects the appropriate procurement method.
 - ♦ Ensures sufficient time to plan and execute future procurements.
- Ensure that it performs cost estimates as required by the *State of Texas Procurement and Contract Management Guide*.
- Improve its risk assessment process to incorporate contract-specific risks and other reviews and assessments from functional areas within the Department.

Management's Response

The Texas Juvenile Justice Department agrees with the recommendations.

The selected procurement method, while not appropriate, was selected at the time to ensure that a vital service provided by the agency was uninterrupted.

³ This guide was in effect during the planning of the contract with Urban Counties. In June 2018, this guide was updated and released as the *State of Texas Procurement and Contract Management Guide*; it was last updated in August 2018.

The service has since been solicited and a best value contract with a new vendor is currently being executed. TJJD is currently in the process of enhancing and standardizing its procurement process and ensuring that it reflects State of Texas Procurement and Contract Management Guide requirements.

Responsible Party: Contracts Supervisor

Implementation Date: December 31, 2019

Chapter 1-B
Rating:
High ⁴

Chapter 1-B

The Department Reissued the TrueCore Contract Without Competitively Rebidding

The Department made the decision to create and issue a new contract to the same vendor (TrueCore) without following the procurement process steps such as planning, method determination, evaluation, and award. Although changes were made to improve the contract, they could have been made with amendments, as the changes were to procedures and how services were delivered, not to the services provided.

Original Contract With TrueCore

The Department entered into the original contract for secure residential services with TrueCore on July 15, 2013, with an expiration date of August 31, 2017. That original contract, as outlined in the request for proposal used to solicit vendor bids as published on the *Electronic State Business Daily* (ESBD)⁵, contained two optional 2-year renewals, which could have extended it through August 31, 2021.

Prior to the original end date of August 31, 2017, the Department conducted an internal audit of services at TrueCore. Department management asserted that as a result of that audit, all of its secure residential services contracts were reissued to incorporate certain procedural changes that were identified.

New Contract Issued to TrueCore Without Rebidding

The Department proceeded to issue a new contract effective September 1, 2017, with TrueCore instead of issuing an amendment to address procedures

⁴ The risk related to the issues discussed in Chapter 1-B is rated as High because the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

⁵ This is the online search engine maintained by the Office of the Comptroller of Public Accounts that lists state contracts valued at more than \$25,000. It is designed to help ensure fair and equitable treatment for those who participate in the procurement process.

and how services were delivered based on recommendations from an internal audit. The new contract with TrueCore gives the Department the option to extend the contract past the original contract duration without a competitive rebid. The new contract expires August 31, 2019, with two optional 2-year renewals that could potentially extend it through August 31, 2023; that would be two years longer than the duration of the original contract, which would have ended in 2021 if all extension options had been used.

The *Contract Management Guide*⁶ states that if a change to a contract is needed, the change has to be within the scope, or range, of what was provided in the solicitation to allow for fair competition. The change to the publicly advertised contract duration posted on the ESD indicates that it was not consistent with the original contract. Therefore, the Department should have followed the procurement process outlined in the *Contract Management Guide* such as planning, method determination, and evaluation and award. In addition, not ensuring that the appropriate procurement process was followed provided an advantage to TrueCore because the current contract duration is longer than what was publicly advertised in the original request for proposal.

Further, by not competitively rebidding the contract, the Department did not ensure that all *State of Texas Procurement and Contract Management Guide*⁷ requirements were met, including documentation that:

- A cost estimate was performed.
- The proper procurement method was selected.
- The vendor was appropriately evaluated and scored.

Not ensuring that Department contracts are competitively bid increases the risks that (1) potential vendors may not have the opportunity to bid and (2) the State may not be getting the best value for contracted services.

⁶ This guide was in effect during the formation of the contract with TrueCore. In June 2018, this guide was updated and released as the *State of Texas Procurement and Contract Management Guide*; it was last updated in August 2018.

⁷ Auditors tested against the *Contract Management Guide, Version 1.16*. In June 2018, this guide was updated and released as the *State of Texas Procurement and Contract Management Guide*; it was last updated in August 2018.

Recommendations

The Department should:

- Determine whether an existing contract can be amended to address any necessary changes prior to creating a new contract.
- Ensure that a new contract does not exceed the duration listed in the associated request for proposal.
- Perform all contract planning and procurement steps as required by the *State of Texas Procurement and Contract Management Guide* for any new contract, including:
 - ♦ Developing a cost estimate.
 - ♦ Selecting the appropriate procurement method.
 - ♦ Ensuring that the proper scoring and evaluation criteria for potential vendors are followed and documented.

Management's Response

The Texas Juvenile Justice Department agrees with the recommendations.

The intention was not to issue a new contract, but to correct internally identified deficiencies in a comprehensive document. The current contract has since been amended to accurately reflect the original contract term and expiration of August 31, 2021. TJJD is currently in the process of enhancing and standardizing its contract development/planning and formation processes and procedures and ensuring that they reflect State of Texas Procurement and Contract Management Guide requirements.

Responsible Party: Contracts Supervisor

Implementation Date: December 31, 2019

The Department Should Strengthen Its Contract Oversight Processes

The Department performed some monitoring activities for its contract with the Texas Conference of Urban Counties and ensured that payments were made in a timely manner, but it did not review that contractor’s compliance with service level requirements.

The Department also performed monitoring for its contract with TrueCore; however, it did not carry forward all monitoring issues identified to the final report for one site visit. In addition, the Department did not ensure that all payments to TrueCore were timely and included all interest owed.

Chapter 2-A

The Department Performed Some Monitoring for Its Contract With Urban Counties; However, It Should Strengthen Its Monitoring Processes to Include Reviews of Service Level Requirements

Chapter 2-A
Rating:
Medium⁸

Monitoring With Weekly Conference Calls. **The Department conducted and documented weekly conference call meetings with the contractor and the counties that use JCMS regarding system changes and issues. Auditors tested minutes from 12 meetings and verified that all 12 meetings were documented and that discussion topics included the status and resolution of work tickets for JCMS.**

Lack of Service Level Requirement Reviews. **While the Department’s contract with the Texas Conference of Urban Counties contained service level agreements, which outline required service availability and incident response times, the Department did not have a process to ensure that the contractor met those service requirements (see text box for information about the contract’s service level definitions and requirements for response). The Department uses a work ticket system that tracks JCMS incident response**

Contract Service Level Definitions and Requirements for Incident Response

Severity Level 1 – Critical Issue: A problem or outage that directly impedes the client’s ability to carry out essential business functions. According to the contract, this type of issue requires the following response times from the contractor:

- 95 percent response within 1 hour.
- 100 percent response within 2 hours.

Severity Level 2 – Urgent Issue: A problem that affects the user’s ability to use a function but does not prevent carrying out essential business functions. According to the contract, this type of issue requires the following response times from the contractor:

- 95 percent response by next business day.
- 100 percent response within 2 business days.

Severity Level 3 – Normal Issue: A problem that, if corrected, would improve system use or functionality; it is considered low priority. According to the contract, this type of issue requires the following response times from the contractor:

- 95 percent response within 5 business days of impact assessment and planning for release.
- 100 percent response within 15 business days.

Source: The Department’s contract with the Texas Conference of Urban Counties.

⁸ The risk related to the issues discussed in Chapter 2-A is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

times and conducted weekly meetings as discussed above. From September 1, 2017, through April 30, 2019, the Department asserted that it processed 804 work tickets. However, because the Department did not have a monitoring plan based on identified risks as discussed in Chapter 1-A, it did not have a process to verify that the contractor was meeting service requirements to monitor performance before payments were made.

According to the *State of Texas Procurement and Contract Management Guide*, the purpose of contract monitoring is to ensure that (1) the contractor is meeting all contract obligations and (2) the state entity contracting for services is aware of any developing problems or issues and can address them. Establishing a monitoring process to verify the contractor's compliance with service level agreements can help the Department determine whether performance issues exist and whether corrective action is necessary.

Review and Approval of Payments. As of February 2019, the Department had made six payments totaling \$3,028,250 for the contract audited. Auditors tested all six payments and verified that all were timely and had the required approvals.

Recommendation

The Department should establish monitoring procedures to verify compliance with service level agreements prior to making vendor payments or during the contract renewal process.

Management's Response

The Texas Juvenile Justice Department agrees with the recommendation.

TJJD is currently in the process of identifying internal deficiencies in contract monitoring and developing policies and procedures to address those deficiencies. This includes increasing communication between the contracts department and the TJJD department requiring the service to ensure contract compliance and increasing the number of Certified Texas Contract Managers within TJJD departments to monitor that department's contracts that are more complex.

Responsible Party: Contracts Supervisor

Implementation Date: December 31, 2019

Chapter 2-B

The Department Performed Monitoring Activities for Its Contract With TrueCore; However, It Should Ensure That All Identified Issues Are Communicated to TrueCore as Required, and It Should Strengthen Payment Process Controls

Monitoring Activities. **The Department performed monitoring for its contract with TrueCore (see text box for additional information on the types of monitoring conducted).**

Auditors tested the Department's four monitoring activities of TrueCore: Monitoring and Inspections (M&I) annual site visits; quarterly risk management reviews for site safety and security; annual health services reviews; and monthly case management site visits for fiscal years 2018 and 2019 (as of March 2019).

For three of those monitoring activities, the Department had sufficient documentation that the monitoring activities were performed and that identified issues were corrected. Specifically:

- **For the five quarterly Risk Management Team reviews tested, all 43 of the Department's reported findings had been corrected.**
- **For the two annual health services reviews tested, the Department reported no findings.**
- **For the 19 monthly case management site visits tested, the Department reported no findings.**

For one of its two annual M&I site visits, the Department carried forward a total of 21 (91 percent) of 23 reported findings to its final reports that were issued to TrueCore for fiscal years 2018 and 2019. The remaining 2 (9 percent) findings were not carried forward to the final reports as required by the Department's monitoring procedures. Those findings were (1) not ensuring that the incident report forms indicated that a copy was provided to the youth involved and (2) inadequate youth-to-staff ratios. The Department asserted that the omission of those two findings in the final reports occurred due to an error when transferring items from monitoring tools to the final reports. Not ensuring that all identified issues

The Department's Monitoring Activities for the TrueCore Contract

The Department conducts four types of monitoring activities for TrueCore, its contractor for residential services.

Monitoring and Inspections (M&I) annual site visit – Each year, the **Department's M&I Division conducts a** site visit to assess compliance for various contract requirements.

Examples of the requirements assessed include youth rights, privileges, and education. The results of the review are compiled into a final report that is provided to TrueCore and Department management.

Risk Management Team quarterly inspections – Each quarter, the Department conducts inspections for safety and security based on contract requirements.

Health services annual review – The **Department reviews the contractor's** compliance with medical requirements such as youth health screenings.

Case management monthly site visits – **The Department's** case management personnel conducts monthly site visits to review youth case files and meet with youth regarding case management information.

Source: The Department.

⁹ The risk related to the issues discussed in Chapter 2-B is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

are reported to the contractor increases the risk that those issues may not be resolved.

Payments. While the Department ensured that its payments to TrueCore were approved as required, some payments were late and did not include the interest that accrued as a result of those late payments. The Department had paid TrueCore \$2,437,177 as of February 2019. Auditors tested a sample of three invoices the Department paid to TrueCore with six payments totaling \$492,521, to determine whether all payments had the required approvals and were paid on time.¹⁰

All three invoices were approved as required. However, 3 (50 percent) of the 6 tested payments to TrueCore were paid more than 30 days after the invoice was received, and interest was not paid on two of those payments as required (see text box for more information on interest payment requirements for late payments). The Department asserted that those payment issues occurred because the incorrect invoice receipt date was entered in the accounting system. That error resulted in payment to TrueCore 43 days after the invoice was received, and the Department should have paid interest in the amounts of \$355 and \$10. Making all payments to contractors timely is important because it helps ensure compliance with contract terms and prevents the accrual of interest.

Payments and Interest

According to Texas Government Code, Sections 2251.021-025, a payment by a government entity under a contract executed on or after September 1, 1987, is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

A payment begins to accrue interest on the date the payment becomes overdue.
Source: The Texas Government Code.

Recommendations

The Department should:

- Ensure that all issues identified during site visits are reported.
- Strengthen payment process controls to ensure that payments to contractors are paid by required time frames and, when applicable, interest is paid.

Management's Response

The Texas Juvenile Justice Department agrees with the recommendations.

¹⁰ Auditors sampled three invoices. The Department made a total of six payments for those invoices.

- *The Monitoring and Inspection Division will continue to discuss all identified issues with the contractor while on-site and prior to exiting the program; however, to ensure that all identified issues are carried forward to the final report, the division has also implemented a multi-level review process.*
 - *When preparing the report, the Performance Improvement Specialist will complete a thorough review of each module to ensure that all findings identified within the completed modules are contained within the report. Within this process, the specialist will not only verify the inclusion of the finding but will ensure that each finding of non-compliance has a factual basis supported by the contractual agreement and is appropriately documented.*
 - *Once the report has been prepared and readied for the contractor response, the Lead will complete the next verification process to ensure that each finding of non-compliance from the completed modules is accurately reported and included in the report.*
 - *The final level of review will be completed by the Director of Monitoring and Inspection, and will include a similar verification process to ensure that each identified finding of non-compliance within the completed modules has is supported by the contractual agreement and are included in the report prior to submitted to the contractor. The Director of Monitoring will send an approval to the Performance Specialist signifying report is approved to be sent out.*

*Person Responsible: Director of Monitoring and Inspections
Status: Fully implemented*

- *Management concurs with recommendation and has developed and implemented a post payment audit process. The agency's accounts payable manager generates a monthly random sample of voucher payments for the month prior and audits for accuracy. Any discrepancies are communicated with the team member who entered the payment voucher and are corrected immediately. In addition, training on voucher payment processes and expectations was held on June 26-27. All persons in the agency who processes payment vouchers as well as their supervisors attended the training.*

*Person Responsible: Accounting Manager
Status: Fully implemented*

While Both Contracts Had Most Required Clauses, the Department Should Ensure That All Requirements Are Included

Chapter 3
Rating:
Medium ¹¹

Although the Department's contracts with the Texas Conference of Urban Counties and TrueCore lacked some clauses required by the *State of Texas Contract Management Guide*, the Department processed contract amendments as required by its contract policies and procedures.

Contract Essential Clauses. For each contract audited, the Department included 18 (90 percent) of 20 essential clauses required by the *State of Texas Contract Management Guide*. However, each contract lacked the two remaining clauses: the technology access clause and the force majeure clause, both of which are required by the *State of Texas Contract Management Guide*. Inclusion of the technology access clause helps ensure that the contractor will comply with State accessibility requirements for information technology products and services. The force majeure clause protects the Department and its contractor from liability during events such as natural disasters. Inclusion of all essential clauses helps ensure the protection of the interests of the Department and the youths served.

The Department asserted that the urgency to complete the Texas Conference of Urban Counties contract prior to its expiration contributed to the omission of certain clauses in the contract (see Chapter 1-A for further discussion of the contract planning issues identified). In addition, the Department asserted that an oversight was why the clauses were not included in the TrueCore contract.

Contract Amendments. For both contracts, the Department ensured that all amendments contained documentation of required reviews and approvals. Specifically, auditors tested one amendment for TrueCore and three amendments for Urban Counties.

Recommendation

The Department should include a review of required clauses during its contract planning and formation processes to help ensure that all essential clauses are included.

¹¹ The risk related to the issues discussed in Chapter 3 is rated as Medium because the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Management's Response

The Texas Juvenile Justice Department agrees with the recommendation.

TJJD acknowledges errors made and has taken steps to prevent such errors in the future. Such steps include enhancing and standardizing processes and procedures regarding contract planning and formation (including review of required/essential clauses) and more clearly defining staff roles and requirements in those processes and procedures.

Responsible Party: Contracts Supervisor

Implementation Date: December 31, 2019

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Juvenile Justice Department (Department) has administered certain contract management functions in accordance with applicable requirements.

Scope

The scope of this audit covered the Department's planning, procurement, vendor selection, contract formation, and oversight related to:

- The contract with TrueCore Behavioral Solutions (TrueCore) for the provision of secure residential program services in Brownwood. That contract was effective September 1, 2017. Auditors reviewed the Department's activities related to the contract through March 2019.
- The contract with the Texas Conference of Urban Counties (Urban Counties) for the provision of software operation, maintenance, and enhancement. The Department began planning for that contract in November 2016, and the contract was effective January 1, 2017. Auditors reviewed the Department's activities related to the contract through April 2019.

Methodology

The audit methodology consisted of collecting and reviewing planning, procurement, formation, and oversight documentation, including the audited contracts; conducting interviews with the Department's staff; reviewing statutes, rules, Office of the Comptroller of Public Accounts' requirements, and Department policies and procedures; and performing selected tests and procedures.

The selection methodology for the contracts audited was risk based and considered qualitative and quantitative factors such as contract dollar amount, reviews performed, and contract type.

Data Reliability and Completeness

Auditors reviewed Uniform Statewide Accounting System (USAS) vendor payment data from September 1, 2016, through February 8, 2019, for the Urban Counties contract and the TrueCore contract. In addition, auditors

tested the Department's controls for (1) user access and segregation of duties for both USAS and the Centralized Accounting and Payroll/Personnel System (CAPPS) and (2) performed limited application control testing in CAPPS. Auditors determined that the data for vendor payments was sufficiently reliable for testing purposes.

Sampling Methodology

Auditors selected risk-based samples of the Department's (1) payments to TrueCore and Urban Counties and (2) minutes from the Department's monthly meetings held with Urban Counties. The sample items were not representative of the population; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- The Department's contracts with TrueCore and Urban Counties.
- The Department's policies and procedures.
- The Department's supporting documentation for oversight activities.
- The Department's payment vouchers and invoices related to the contracts.
- Department personnel and training certification records and nondisclosure and conflict of interest documentation.
- The Department's monthly meeting minutes with Urban Counties.
- Department emails.
- The Legislative Budget Board's Web-based contract database.

Procedures and tests conducted included the following:

- Interviewed Department management and staff.
- Tested selected contract planning, procurement, vendor selection, formation, and oversight processes for compliance with the *State of Texas Procurement and Contract Management Guide*, Department policies and procedures, and applicable rules and statutes.
- Reviewed applicable conflict of interest and nondisclosure forms.
- Reviewed contracts to determine whether the Department included contract terms that were essential and recommended by the *State of Texas Procurement and Contract Management Guide*.

- Reviewed procurement documentation to determine whether the solicitations were properly posted and the vendor selection process followed appropriate criteria.
- Reviewed monitoring activities to determine whether they were adequately designed and performed.
- Tested vendor invoices to determine whether they were adequately supported, reviewed, and approved before payment, and the payment was within applicable time frames.
- Performed a limited review of key Department staff's emails.

Criteria used included the following:

- Texas Government Code, Chapters 322, 572, 656, 2151, 2155, 2251, 2252, 2254, 2261, and 2262.
- General Appropriations Act, 85th Legislature.
- Title 34, Texas Administrative Code, Chapter 20.
- *State of Texas Contract Management Guide*, version 1.16.
- *State of Texas Procurement Manual*, 2012.
- *State of Texas Procurement and Contract Management Guide*, versions 1.0 and 1.1.
- Department policies and procedures.

Project Information

Audit fieldwork was conducted from January 2019 through April 2019. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Isaac A. Barajas (Project Manager)
- Kristyn Scoggins, CGAP (Assistant Project Manager)
- Chase Dierschke, MAcy, CIA

- Joe Kozak, CPA, CISA
- Eric Navarro
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Cesar Saldivar, CFE, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dennis Bonnen, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable John Zerwas, House Appropriations Committee
The Honorable Dustin Burrows, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Juvenile Justice Department

Members of the Juvenile Justice Board

The Honorable Wesley C. "Wes" Ritchey, Chair
Mr. Edeska Barnes, Jr.
Mr. James Castro
Ms. Mona Lisa Chambers
Ms. Pama Hencerling
The Honorable Lisa K. Jarrett
Ms. Ann Lattimore
Ms. Melissa Martin
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The Honorable Stephanie Moreno
Ms. Allison Palmer
Mr. Jimmy Smith
Ms. Camille Cain, Executive Director



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