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Office of the County Auditor

Shelly A. Banks, C.P.A.

Cook County Auditor

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February 28, 2017

The Honorable Toni Preckwinkle, President

And Board of Cook County Commissioners

118 N. Clark Street, Room 537

Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Sheriff's Office Department of Corrections' (DOC) Food Service Contract with CBM Premier Management, LLC. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

The scope and objectives of our audit were designed to assess if adequate internal controls and procedures were in place to ensure compliance with the terms of the contract, if the meal orders were properly processed and if the invoices submitted were complete and accurate and properly reviewed prior to payment.

Please refer to the following audit report for the results of the audit. The [Executive Summary](#) provides an overview of the audit with the main control improvement areas.

We express our appreciation for the assistance the Sheriff's Office staff extended to the Office of County Auditor during the course of our audit. We have discussed the control improvements with the Sheriff's Office staff and would be pleased to discuss further or to assist them with any additional implementations.

Respectfully Submitted,

Shelly A. Banks, CPA

Cook County Auditor

cc: Zelda Whittler, Under Sheriff

Sojourner Colbert, Director of Finance, Cook County Sheriff's Office

Jacqueline Gomez, Director Office of Contract Compliance



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Department of Corrections Food Service Contract

Internal Audit Report

Report Date: February 2017

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Mark Wehren, Field Auditor V
William Carroll, Audit Supervisor

EXECUTIVE SUMMARY

We have conducted an audit of the Sheriff's Office Department of Corrections (DOC) Food Service Contract with CBM Premier Management, LLC. The scope and objectives of the audit were designed to assess overall contract compliance and proper controls. The scope of our work consisted of gathering, reviewing and testing applicable supporting documentation as well as conducting onsite observations of equipment inventory.

As a result of the audit, we presented recommendations to the Sheriff's Office management for which the Sheriff's Office took immediate action and implemented corrective action plans that will strengthen the accountability over the daily meal counts and the overall compliance with the terms of the contract.

The following are the control improvements to the internal control structure implemented by the Sheriff's Office DOC:

- Revised meal order form with tighter controls and Standard Operating Procedures for approvals
- Implemented written policies and procedures to strengthen County equipment inventory controls

Please refer to the [Control Improvements Section](#) for more detail on the improvements.

In addition, the audit found an issue with the B2G system and reporting of the CBM payments for determining MBE/WBE compliance. The issue is not with the Sheriff's Office control structure, but they agreed to implement a process to assist the Office of Contract Compliance in addressing the issue until the long term control is established. Please refer to the [Collaborative Development of Provisional Control Section](#) for the detail.

BACKGROUND

CBM Premier Management, LLC (CBM) was awarded a three year contract on July 24, 2012 and the contract has been extended twice to July 23, 2017. The original contract amount was \$38,360,583.23 and there were subsequent increases totaling \$1,189,061.85 for price adjustments due to increases in the Food Away From Home CPI (Consumer Price Index) and increases totaling \$24,856,861.07 for two one year contract extensions bringing the total contract amount to \$64,406,506.15.

The contract requires CBM to provide three meals each day, seven days per week to inmates. Meals are also provided to staff. Special meals to inmates for dietary or religious reasons may also be required.

Typically, there are five invoices issued by CBM each week. These include Central Kitchen, Department of Reentry and Diversion Programs (DRDP), Sheriff's Women's Justice Programs (SWJP), Bond Court, and Boot Camp. The vendor bills the Sheriff's Office DOC on a weekly basis after a reconciliation process is completed with CBM and the Sheriff's Office DOC Finance Department.

As part of the contract, CBM is expected to comply with the MBE/WBE participation requirements for contract compliance. The contract goals are 25% for minority business enterprises (MBE) and 10% for women business enterprises (WBE). Currently, there are 2 MBE and 4 WBE vendors.

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of the audit were designed to assess if adequate internal controls and procedures were in place to ensure compliance with the terms of the contract, if the meal orders were properly processed and if the invoices submitted were accurate and properly approved prior to payment. The objectives included determining if:

- Policies and procedures are in place to monitor CBM's adherence to the contract.
- Vendor billings were properly documented, submitted in accordance with the terms of the contract and properly reviewed and authorized for payment.
- Reports required from the vendor were submitted in accordance with the contract terms.
- The vendor is in compliance with the MBE/WBE requirements.
- The semi-annual equipment inventories are completed, documented, reconciled and maintained.
- The annual unit price adjustment was properly calculated in accordance with the contract terms.

CONTROL IMPROVEMENTS

During the audit, the Office of County Auditor (OCA) made recommendations for control improvements to the Sheriff's Office. The Sheriff's Office was receptive to the control improvements and worked with the OCA to move forward with implementation. The OCA will follow up on the control improvements to verify the implementation and provide any further assistance to ensure implementation.

Control Improvement #1:

The Sheriff's Office DOC implemented a new meal order form along with standard operating procedures that define the required approval signatures. The new meal order form and procedures became effective February 1, 2017. The controls implemented by the Sheriff's Office DOC addressed the inconsistency with the approval signatures on the meal order forms between the various locations. The approval signatures on the meal order form is a key control to provide documentation that meals leaving the kitchen area have been verified to the meal order form and are accurate.

Control Improvement #2

The Sheriff's Office DOC implemented written policies and procedures of the physical inventory process of all County equipment that is used by CBM. The procedures became effective February 1, 2017 and include the processes recommended by the OCA as follows:

- Tracking of inventory dates
- Documentation of assessment of inventory condition
- Documentation of expected useful life
- Updating list to document new inventory, disposals and transfers
- Documentation and signoff of individuals conducting the inventory

In addition, on December 27, 2016, the Sheriff's Office DOC along with CBM staff conducted a physical inventory of all county owned equipment used by CBM.

The Sheriff's Office DOC improvements confirm compliance with the Food Services Contract, Section 1.14 (3a) (Maintenance of Facilities and Equipment) requirements for conducting a semi-annual inventory and properly documenting the results. The control improvements should result in standardization of the equipment lists and elimination of errors in the prior lists.

COLLABORATIVE DEVELOPMENT OF PROVISIONAL CONTROL

The payment upload process to the B2G system used by the Office of Contract Compliance is not reliable due to the lack of an interface between JD Edwards where payment information is captured and the B2G System where payment information needs to be reported to monitor the MBE/WBE goals. The payments to CBM in the B2G system did not reconcile to the actual County payment amounts. As of August 2016, the total payments to CBM, per JD Edwards, were \$1,832,978 greater than the payments captured in the B2G system, which resulted in a slight overstatement of the MBE/WBE participation percentage. Based on the actual payments to CBM, the MBE/WBE participation percentage is actually 29.876%. The B2G system indicates CBM has a 31.05% credit towards the revised goal of 30%. The original MBE/WBE participation goal of 34.99% was revised to 30% based on a partial waiver approved on October 20, 2016.

The Office of Contract Compliance is responsible for the monitoring of MBE/WBE compliance, for which they rely on the payment upload to determine contractor payments in assessing compliance.

The Sheriff's Office understands that this is a system issue that should be rectified with the ERP System. The Sheriff's Office has agreed to assist with a process improvement involving the B2G system by establishing a compensating control in their office. On a monthly basis, the Sheriff's Office will send the verified payment list for the Food Service Contract to the Office of Contract Compliance. The Office of Contract Compliance will adjust the B2G system for any inaccuracies in payment amounts.