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**COMMISSIONS EARNED FROM INMATE CALLING SOLUTIONS,
LLC (ICS)
INTERNAL AUDIT**

SHERIFF DETAINEE TELEPHONE AND VIDEO VISITATION SYSTEM

EXECUTIVE SUMMARY

An internal audit of the Sheriff's detainee telephone and video visitation system vendor, Inmate Calling Solutions, LLC (ICS), was conducted to assess whether the commissions earned complied with the agreement, resolutions, and Kane County's (County) financial policy.

The commissions earned and received did comply with the agreement, resolutions and financial policy. However, the commissions earned were approximately \$300,000 less than the estimated \$1,600,000 as stated in the original resolution – a 19% difference. Additionally there was a discrepancy as to the commission liability when detainees use a debit card to place a call. Furthermore, the contract expired prior to the termination of ICS providing the services.

Overall the revenue shortfall can be attributed to a number of variables, including the number of qualified detainees allowed to make a call, the type of calling method used, and the minutes per call. The Sheriff's office did not conduct a more in depth analysis, and the comparison of projected revenue to actual was not within the scope of this audit.

While the Sheriff's Office, ICS, and Aramark unanimously agreed that the County's commissary would perform the calculation and pay the commission earned on any calls placed using a debit card, that agreement is not clearly stated within Aramark's contract. Further, it actually contradicts the terms of the contract with ICS which states that ICS is required to pay commissions when a debit card is used.

Lastly, ICS continues to provide services, which exceed the life of the contract, plus extensions. The last contract extension, year five, expired in June 2017, but ICS was keep on board through February 2018 to help while the new detainee telephone and video visitation system started installing its equipment.

None of these exceptions materially impacted the County's ability to earn commissions and generate revenue for the County. Furthermore, there were no costs incurred by the County by entering into the agreement and for the additionally time used.

AUTHORITY

The County Auditor's duties, under statute 55 ILCS 5/3-1005:

(f) Audit the receipts of all the county officers and departments presented for deposit with the county treasurer.

(i) Audit the documentation, records, and bases for the amounts billed to the county, as maintained by county vendors, under agreements between the county and its vendors, when those agreements provide that the amounts billed to the county are based upon actual costs incurred by the vendor, or when those agreements include the requirement that the county provide reimbursements for out-of-pocket costs incurred by the vendors. The county auditor shall audit the documentation, records, and bases for the amounts required to be paid to the county under agreements with outside parties, when those amounts are based upon records and documentation generated, compiled, and maintained by the outside party. The vendors and outside parties affected by this Section shall provide to the county auditor, on a timely basis, all records and documents required by the county auditor relative to the county auditor's duties under this subsection.

BACKGROUND

The detainee telephone system allows detainee access to family, friends and their attorney. Detainee use of the telephone system is a privilege and not a right. Use of the telephone is dependent upon their classification. The telephone call system captures and records the call, date, time, and telephone number in the event harassment of a witness or victim takes place. Detainees can make collect telephone calls or use a pre-paid calling card purchased through the detainee commissary system or by depositing funds on an account with the telephone vendor.

In 2012, Kane County entered into an agreement with a new provider called Inmate Calling Solutions, LLC (ICS). Their prior provider was Securus (aka Evercom) during 2006-2012.

The Sheriff's Office underwent the standard procurement process by submitting a request for proposal (RFP) and obtaining County Board approvals. Refer to the timeline below of major events with ICS.

TIMELINE		
2012	9-Jan	RFP # 07-012 Detainee Phone System issued
	10-Apr	Resolution #12-91 Detainee phone / video visitation system (Adult Justice Center) approved
	1-May	Inmate Telephone Service Agreement signed by the County Board Chairman.
	15-Jun	Estimated day equipment is ready for use / installed and first day commissions will be earned.

2014	28-May	Amendment #1 to Inmate Telephone Services Agreement signed by the County Board Chairman.
2015	14-Jul	Resolution #15-194 Authorizing a contract extension for detainee phone/video visitation systems approved
2016	14-Jun	Resolution #16-177 Authorizing a contract extension for detainee phone/video visitation systems approved
2017	18-Apr	RFP # 25-017 Detainee Phone Service issued
	10-Oct	Resolution #17-283 Authorizing a contract for the Adult Justine Center telephone / video visitation systems approved

ICS was contracted to install, operate, and maintain all detainee telephone (aka Enforcer Centralized Processing System), video visitation system (aka VizVox Video Visitation System), and computer equipment for the Kane County Adult Justice Center located at 37W755 IL Rt. 38, Suite B, St. Charles, IL 60175-7559 at no charge. Moreover, the contract called for ICS to pay a commission to the County of the gross revenue for all call types. During year 1 and 2 of the contract, the County was to receive a 30.1% commission rate and years 3 through 5 the County was to receive a 79.1% commission rate. Commissions are paid out monthly, but takes on average 2 months from being earned or accrued to receiving payment. Furthermore, to maintain the agreed to commission rates, the County must maintain an average daily inmate population of not less than 478 with access to telephones.

\$1,627,498.90 was estimated in commission revenue from ICS over the 5-year period. Revenue is recorded into the general fund under G/L #001.380.000.34430 – Inmate Telephone Fees-AJF.

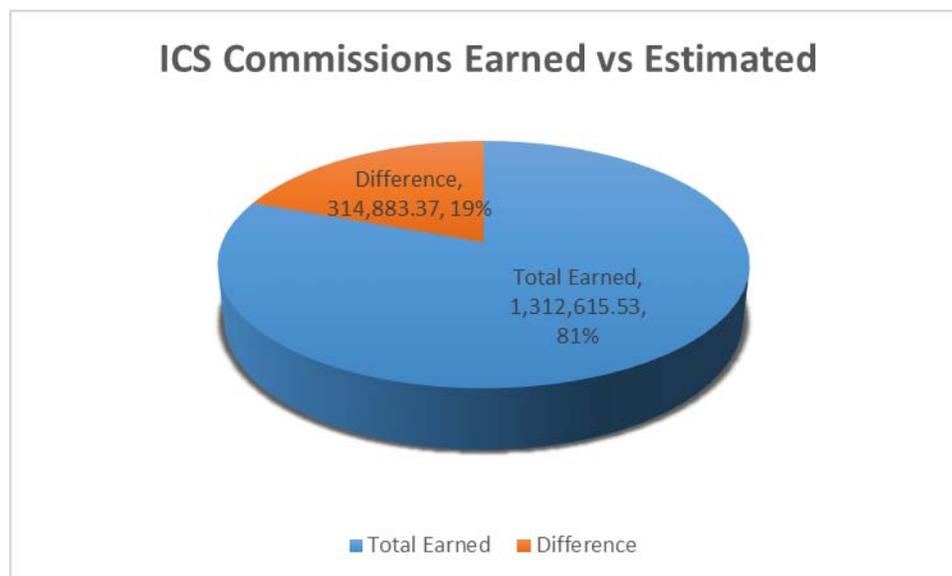
PROCEDURES

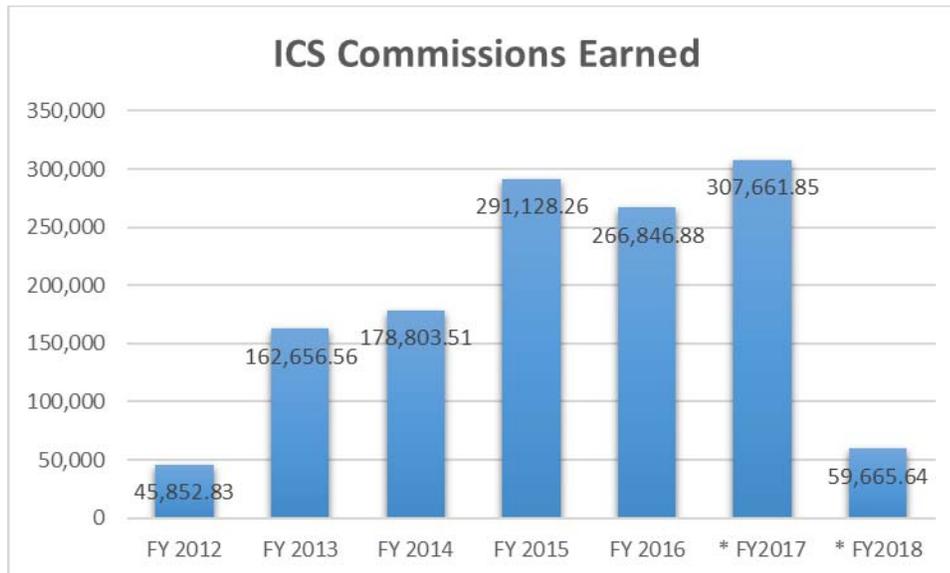
- 1) Reviewed County resolutions and ICS service agreement
- 2) Obtained an understanding of the detainee telephone and video visitation system and ICS agreement by discussing with:
 - a. Thomas Bumgarner, Chief Deputy Sheriff,
 - b. Corey Hunger, Correctional Lieutenant for the Sheriff's - Adult Corrections, and
 - c. John Hickey, Correctional Lieutenant for the Sheriff's - Adult Corrections
- 3) Obtained the ICS prepared "Monthly Commission Report" from the Sheriff's Office
 - a. Tested the mathematical accuracy of the report
 - b. Recalculated the commission percentage earned on gross revenue and traced it back to the agreement
 - c. Vouched the monthly commissions, calculated by ICS, earned / accrued by the County during the agreement / service period.
 - d. Out of scope:
 - i. Documentation and corroboration of ICS processes was not obtained.

1. How ICS tracks / logs / collects the information per call made
 2. How ICS calculates the commissions
 - ii. Information could not be validated:
 1. The daily inmates population with access to telephones
 2. The *number of calls* made by detainees
 3. The total *number of minutes* used
 4. Differentiate calls made during *peak times* or *off-peak times* (Peak time apply during business days 8am-5pm)
 5. The *types of calls* (e.g. collect, prepaid, debit card, debit) made
 6. The *type of tariff* (e.g. Local, Intra Cell, IntraLATA, Intrastate, Interstate, international, Caribbean, Canadian) used per call.
- 4) Performed a substantive analytic comparing the estimated commissions, per resolution #12-91, to the actual earned / accrued commission received.
- a. Out of scope:
 - i. Unable to document and confirm the Sheriff's Office understanding / analysis of the commissions earned versus estimated versus budgeted.
 - ii. Unable to validate who calculated (e.g. ICS or Kane County) the estimated commissions per the resolution.

RESULTS

Year to date, the Sheriff's Office earned \$1,312,615 in commissions from ICS, coming roughly \$300k under its estimated amount per resolution #12-91. While the contract expired in June 2017, ICS agreed to continue services through the end of February 2018 and payment of commissions earned. The last commission earned should be deposited in April 2018.





Note 1 : Debit card commissions earned from Aramark are not included.

* Fiscal year results are not final and are subject to change.

Note that commissions earned from ICS were only paid commissions on collect, prepaid, and debit calls – which is in contradiction to the terms of the contract. Calls placed on debit card were paid out by the County’s commissary (e.g. Aramark). Aramark purchases the debit calling cards directly from ICS and sells the cards to detainees in the commissary. Purchases made, and commissions received through the commissary, are accounted for separately. Per the Sheriff’s Office, there was a mutual agreement between the Sheriff’s Office, ICS, and Aramark, that calls placed on debit cards will not be paid by ICS, but instead, Aramark. Reviewed a couple of Aramark commissions earned samples to validate existence, but further work was not performed as it was deemed out of scope.

In summary, notwithstanding the differences and discrepancies detailed above, the commissions earned and received from ICS did substantively comply with the agreement, resolutions, and financial policies.

RECOMMENDATIONS

1 – Recommend the Sheriff’s Office to review / analyze the commissions earned verses commissions estimated. This in turn can help provide valuable information for future negotiations.

Management Response

Sheriff Kramer offered no response to the recommendation.

2 – Recommend to update the ICS and Aramark contract to clearly state who should be responsible for paying commissions on debit card calls.

Management Response

Sheriff Kramer offered no response to the recommendation.

3 – Recommend following the terms of the contract, or to go through the appropriate channels to extend services past the term of the contract.

Management Response

Sheriff Kramer offered no response to the recommendation.

SUBSEQUENT EVENTS

Effective October 10, 2017, Kane County Board authorized (resolution #17-283) the County to enter into a new detainee telephone service and video visitation system agreement with *Legacy Inmates Communications* of Cypress, CA, and earn eighty one and a half percent commission over the term of the agreement.

Per the resolution, there was no estimated commission earned calculated, which will limit the Office’s ability to perform future analysis.

The contract does not explicitly address if it is responsible for paying commissions on debit cards. It mentions that Legacy agrees to interface with the commissary vendor, that the County will receive an invoice from Legacy for all inmate phone account service charges using debit or a debit card, and that Legacy will pay 81.5% commission on all “debit” gross billable revenue.

The term of contract is similar to its predecessor. It is a 3-year contact with a two one-year extension.

Lastly, the first commission earned has not been calculated / received, so it is unclear if the provider will be paying debit card commissions.

We would like to express our appreciation to Sheriff Kramer and his staff for their cooperation and generous assistance provided during the audit.

Respectfully submitted,



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