



## Council on Efficient Government

**Chairman:**

Linda H. South, Secretary  
Department of  
Management Services

**Council Members:**

Alex Sink, CFO  
Department of Financial  
Services

Lisa Echeverri  
Executive Director  
Department of Revenue

Akhil Agrawal, President  
American Medical Depot

Steven Evans, COO  
Florida TaxWatch

Timothy Yandell, President  
inetUSA

Henry Garrigo  
Executive Director

4050 Esplanade Way  
Suite 380.6X  
Tallahassee, FL 32399-0950  
Phone: 850.414.9200  
Fax: 850.922-6852

**Mission:**

*The Council on Efficient Government reviews, evaluates and provides advice on agency outsourcing and best practices, as well as codifies lessons learned to improve government accountability. It is the Council's goal to define the process for reviewing business cases and implement standard processes for outsourcing initiatives.*

September 26, 2008

Ms. Laura K. Moneyham, Chief  
Florida Department of Juvenile Justice  
Contract Development and Planning  
2737 Centerview Drive, Knight Building  
Tallahassee, FL 32399-3100

Dear Ms. Moneyham,

Thank you for submitting your agency's outsourcing-related business case, "**Okeechobee Youth Development Center (OYDC) / Transitional Cottage – High Risk (HR)**" for the Council on Efficient Government's review. The electronic version of this business case was first received by the Council on 25 July 2008; a revised version was received electronically on 31 July 2008; and, a final revision was received electronically on 25 August 2008.

These versions of the original outsourcing business case were received by the Council in accordance with the required timelines stated in Chapter 287.0574, Florida Statutes. This Statute requires business cases to be received by the Council 30 days prior to release of any procurement document(s). The RFP is anticipated to be released on 25 September 2008.

After a thorough review of the business case, Council staff recommends this project **proceed with modifications**, and offers in its *Advisory Report* a business case summary as well as comments and recommendations. We trust you will find this information helpful to the Department during its procurement and contract period activities.

Please contact me if you have any questions and / or concerns.

Sincerely,

Henry Garrigo, Executive Director  
Council on Efficient Government

cc: Council File 09-0003, Version 2.5

cc: Mr. Frank Peterman, Secretary  
Florida Department of Juvenile Justice  
Knight Building  
2737 Centerview Drive  
Tallahassee, FL 32300-3100

cc: Ms. Amy Johnson, Chief  
Bureau of Contracts  
Florida Department of Juvenile Justice  
Knight Building  
2737 Centerview Drive  
Tallahassee, FL 32300-3100

## Table of Contents

I. Business Case Advisory Report .....	3
A. Business Case Summary .....	3
Table 1: "Eckerd Youth Alternatives, Inc. Website Excerpt" .....	4
B. Business Case Background Information – Department of Juvenile Justice .....	5
C. Business Case Strengths .....	6
D. Business Case Potential Areas of Concern .....	9
"Table 2: Council on Efficient Government's Analysis of Three-Year Term Funding for Option 1 (Outsourcing)" .....	13
"Table 3: Council on Efficient Government's Analysis of Three-Year Term Funding for Option 2 (Insourcing)" .....	15
II. Business Case Summary and Recommendations .....	19
1. Council Recommendation .....	19
2. Probability for Success .....	19
3. Risk Analysis .....	19
4. Program Oversight and Management Costs Not Calculated with Insourcing Costs .....	19
5. Third-Party Monitoring .....	20
6. Continuity of Operations Plan (COOP) .....	20
7. Appointment of a Project Manager to Complement the Contract Manager .....	20
8. Extensive Financial Data Required for Business Cases to Effectively Manage Projects .....	20
9. Green Trending .....	21
10. Addition of Incomplete and Missing Documentation to Business Case .....	21
Appendix A: "DJJ Bureau of QA Rankings for OYDC / TC" .....	22

## **I. Business Case Advisory Report**

### ***A. Business Case Summary***

#### **1. Proposed Project Title**

Okeechobee Youth Development Center (OYDC) / Transitional Cottage – High Risk (HR) (formerly Eckerd Youth Development Center and Transitional Cottage)

#### **2. Provider Requirements**

The provider shall provide for the Florida Department of Juvenile Justice (DJJ) a HR residential program with mental health overlay services (MHOS) in a state-owned / leased facility located at 7200 Highway 441 North, Okeechobee, FL 34972. The program will be known as Okeechobee Youth Development Center (OYDC) / Transitional Cottage (HR).

#### **3. The Facility**

Okeechobee Youth Development Center (OYDC) / Transitional Cottage (TC) – HR  
The Provider shall devise, develop, implement, manage and operate a gender-responsive HR residential treatment program with daily capacity for 143 male HR youth (including 30 HR male beds in a transitional cottage) aged thirteen to eighteen, who have been committed to the Department after being assessed and classified as a HR to public safety and are in need of MHOS. The Provider shall be flexible in accepting youth to the maximum capacity of the facility. The Provider shall provide 24x7 secure custody, care, treatment and supervision. All contractual requirements to provide service, support, and related performance shall be available and provided when youth enter the program. The anticipated length of stay for each youth is nine to twelve months.

Having been designated a HR residential facility, OYDC / TC must be both staff- and hardware-secure, including:

- 24-hour awake supervision,
- Custody care,
- Treatment,
- Perimeter fencing, and,
- Locking doors.

As a HR facility, OYDC / TC are required to be hardware-secure with perimeter fencing and locking doors. Facilities shall provide 24-hour awake supervision, custody care, and treatment for residents.

#### **4. The Current Provider**

The current services are provided by a private, for-profit contractor, Eckerd Youth Alternatives, Inc.

**Table 1: “Eckerd Youth Alternatives, Inc. Website Excerpt”**

“The pioneering Eckerd Youth Development Center (now renamed to OYDC/TC) in Okeechobee, Florida, was privatized under contract with the state of Florida in 1982. An American Correctional Association (ACA) accredited facility, the OYDC/TC includes a 113-bed secure campus and a 30-bed non-secure transitional program. The program offers a multi-disciplinary team approach to the treatment, training and education for some of Florida's most serious 13- to 18-year-old male delinquents.”

The approach used by the OYDC/TC in Florida is an excellent example of individual case planning that begins early in the correctional confinement period, continues throughout institutional assessment and treatment, and culminates in the adjustment period following reentry into the community. OYDC's / TC's planning strategy uses a number of key procedures that closely resemble those described above. For the purpose of planning, OYDC / TC identifies three functional phases in their plan, each requiring specific planning activities to achieve the goal of successful reintegration: (1) the secure facility, (2) the transitional phase, and (3) community-based aftercare. At the beginning of the secure phase of their plan, the classification staff of OYDC / TC initiates behavioral observations, as well as educational and psychological testing, of new admissions to ensure comprehensive case planning. Classification decisions made at this point are intended to shape each youth's participation in the cottage-based program in the facility and in reentry planning. A multidisciplinary team is responsible for considering the results of all observations and testing to develop an individualized treatment plan. A series of regularly scheduled staffings and reassessments accompany the movement of all youth as they progress through each phase of their institutional stay. These occur at the 15th, the 30th, and the 90th day, and every 90 days thereafter until reentry occurs. During the initial assessment phase, the community-based reentry counselor develops a Reentry Needs Assessment package that serves as the basis for the Individualized Reentry Plan.

## **5. Funding and Costs**

### ***Funding***

HR residential programs are not eligible for Medicaid. Therefore, programs with specialized beds receive funding from the following four sources:

- a. *Residential Substance Abuse Treatment (RSAT)* – Provided by the Florida Department of Law Enforcement (FDLE) through a US. Department of Justice Residential Substance Abuse Treatment for State Prisoners Grant. Programs receive \$25.00 per day, per bed over the DJJ contracted per diem rate.
- b. *Residential Substance Abuse Treatment Overlay Services (RSAT Overlay)* – Provided by FDLE through a U.S. Department of Justice Violent Offender

Incarceration and Truth-in-Sentencing Programming (VOI/TIS) grant. Programs receive \$30.00 per day, per bed over the DJJ contracted per diem rate.

- c. *Specialized Needs Services* – Funded under state general revenue. Programs receive a higher daily per diem rate that ranges from \$110-140 per day, per bed.
- d. *Mental Health Overlay Services (MHOS)* – MHOS programs are funded under state general revenue. Programs receive \$35.00 per day, per bed over the DJJ contracted per diem rate.

## **Costs**

For detailed project costing information, please see page nine, items three through five.

### **6. Term**

The initial contract for the program operation is anticipated to be for three years and, with satisfactory performance and continued funding, one renewal for up to three years is anticipated for a total contract period not to exceed six years.

### **7. Affected Stakeholders**

- Committed offenders and their families and / or court-appointed guardians;
- The Citizens of Florida;
- The Department;
- U.S. Department of Justice;
- FDLE;
- U.S. Department of Juvenile Justice;
- Okeechobee County Sheriff's Department;
- City of Okeechobee Police Department;
- Directly, the Citizens of Indian River, Martin, Okeechobee, and St. Lucie Counties and outlying areas;
- The current Provider, Eckerd Youth Alternatives, Inc.; and,
- The approximately seven Providers (and therefore potential RFP bidders) currently operating HR residential programs for the State of Florida.<sup>1</sup>

## **B. Business Case Background Information – Department of Juvenile Justice**

### **1. Purpose of Juvenile Justice Commitment Programs**

The purpose of juvenile justice commitment programs is to protect the public from acts of delinquency and to treat offenders so as to reduce recidivism. The Department of Juvenile Justice operates four restrictiveness levels for residential commitment programs: low, moderate, high, and maximum risk (numbered as levels four, six, eight, and ten). According to Department staff, the levels are a continuum, with each successive level representing an increased degree of risk to the public. Most levels include a variety of programs. These range from wilderness experiences in level four to secure and highly structured confinement

---

<sup>1</sup>.The business case does not indicate if these seven Providers offer MHOS, and should.

in level ten. Some programs, such as boot camps, operate at more than one level.

## **2. Support of Agency Mission**

The continued operation, via competitive procurement, of this 143-bed HR residential program with MHOS, supports the agency's mission of providing treatment services that strengthen families and turn around the lives of troubled youth by providing treatment for the youth's mental health disorders, education / prevocational training and evidenced –based delinquency interventions.

## **3. HR Residential Programs**

The Department operates 330 HR residential programs. Programs in this restrictiveness level do not allow youth access to the community. Placement in programs at this level is prompted by a concern for public safety that outweighs placement in programs at lower restrictiveness levels. Youth classified for placement in HR restrictiveness level have been assessed as HR to public safety and require close supervision in a structured residential setting that provides 24-hour secure custody and care. Placement in a HR program is prompted by a concern for public safety that outweighs placement in a program at lower restrictiveness levels. HR facilities are hardware-secure with perimeter fencing and locking doors. Community access for youth in HR programs is restricted primarily to necessary off-site activities such as court appearances and health-related events. However, with the court's concurrence, unsupervised home visits for purposes of facilitating their transition may be granted toward the end of a youth's stay if the youth is assessed as a minimum risk to the community and has demonstrated positive behavior. Examples of HR program models include intensive halfway houses, sex offender programs, and youth development centers.<sup>2</sup>

## **4. Expenditures and Operations**

In FY 1997-98, the Department spent approximately \$199 million on residential commitment programs, serving over 8,000 youth in approximately 150 commitment facilities. Over half of the youth were committed at level six, MR. Although the Department operates some residential programs, (including eight MR programs), and it contracts approximately 90% of its residential programs to Providers.<sup>3</sup> The Department operates only two HR residential programs; only one of the two is for male youth.

# **C. Business Case Strengths**

## **1. Addition of Business Case Document Footer with Detail Data**

The Department has begun to identify each business case with a detailed document footer, including information such as Agency and Project Name, Date Submitted, and Page Number. In addition, the Department has also begun including the street and county address for each of the juvenile residential

---

<sup>2</sup> <http://www.djj.state.fl.us/Residential/restrictiveness.html>, accessed 23 September 2008

<sup>3</sup> Office of Program Policy Analysis and Government Accountability (OPPAGA), Report No. 98-75, March 1999

facilities. This additional detail is helpful to the Council and supports expeditious analysis and business case turnaround.

**2. Long Range Program Plan (LRPP)**

The Department indicates on the business cover page the OYDC / TC project is included in the Agency's LRPP. Projects included in an agency's LRPP take on added meaning, as they are a part of the framework and justification for the agency's budget. The framework contained within the LRPP is directly linked to the agency budget and accountability structure. The LRPP is a goal-based plan with a five-year planning horizon. The LRPP focuses on agency priorities in achieving the goals and objectives of the state.

**3. Probability for Success**

Staff conducted an analysis on the business case submission and projects a reasonable probability for attaining the desired contract, primarily due to the Department's experience in outsourcing HR residential juvenile facilities. The Department has successfully contracted its residential services for nearly fifteen years, since 1994.

**4. Governing Legislation re Outsourcing DJJ Facilities**

The business case to outsource is a response to the Appropriations Act of 2007, Chapter Number 2008-152, Laws of Florida, which mandates the Department outsource its juvenile detention facilities.

**5. Chapter 287.0574, Florida Statutes re Release of Procurement Documents**

This outsourcing business case was received by the Council in accordance with the required timelines stated in Chapter 287.0574, Florida Statutes. This Statute states that a business case must be received by the Council 30 days prior to release of any procurement document(s). The anticipated release date for the Request for Proposal (RFP) is 25 September 2008, and the anticipated effective date of the contract will be 01 January 2009.

**6. Department Capabilities**

The business case to outsource via RFP is strongly supported by the Department's imminent capabilities and experience in issuing RFPs to seek Providers who have not only the interest but also the capability to provide required services.

**7. Current Provider Capabilities**

Eckerd Youth Alternatives, Inc., the current Provider, has provided services to more than 80,000 troubled youth for more than 40 years. The 143-bed, HR program with Medicaid-funded MHOS was amended into the existing OYDC / TC contract in 2002.

**8. Procurement Market**

. The Department has contracted its residential services since 1994. The business case does not, however, indicate if all, or any, of these Providers have slots designated for MHOS for the Department, and should. The Department anticipates between two and seven private Providers may respond to the RFP. Currently, the Department operates eight MR programs, which provides a wealth of contract and program oversight experience and expertise in support of the IHWH project.

**9. Contract Term**

The initial contract for the program operation is anticipated to be for three years and with satisfactory performance and continued funding, one renewal of three years is anticipated for a total contract period not to exceed six years.

**10. Chapter 985.601, Florida Statutes re RFPs for DJJ Rehabilitative Treatment**

This outsourcing is a competitive re-procurement. The Department plans to solicit proposals, through a Request for Proposal (RFP) process, from qualified vendors to implement the legislative directive contained in Chapter 985.601, Florida Statutes, regarding developing and contracting for diversified programs to provide rehabilitative treatment. The Department has outsourced residential services since 1994 and this particular project has been contracted to the current vendor, Eckerd Youth Alternatives, Inc., since 200

There is a fairly strong market of seven private Providers supplying these types of services for the Department. As a result of this solicitation, the Department anticipates between two and seven private providers responses to the RFP.

**11. Utilization Rates**

The services to be procured are the same as those currently provided by Eckerd Youth Alternatives, Inc., as the utilization rates have been and continue to be 100%.



## **D. Business Case Potential Areas of Concern**

### **1. Reasons for Changing the Delivery or Performance of the Service or Activity (page 4, Schedule XII, number seven).**

The Department indicates in this section of the business case the method of payment for services “will be changed to increase the provider’s accountability.” The DJJ plans to separate the MHOS component (\$35.00/day) from the residential component (\$138.61/day). If there are Provider accountability issues, these should be included in the business case, to explain the reasons for changing the delivery or performance of the service.

### **2. Program Oversight and Management Costs not Included with Insourcing Costs**

Although the Department calculated the costs of \$17,310.00 for Departmental program management / oversight of the project, this amount was not added to the costs of insourcing or outsourcing the project. The Council added the \$17,310.00 to each year of the three-year term contract for both the Provider and the state. Even though these costs are referenced in the business case, they are not included as an expense to the Department or the Provider, and should be. When done correctly, these management / oversight costs should be pro-rated by position and actual time spent on the project. The Council recommends the Department clarify its pricing model in order to correctly reflect program management / oversight project costs.

### **3. Cost Basis for Pricing Calculations**

No cost basis is provided for some of the pricing calculations, such as:

- a. HR slots;
- b. “Approximate” program management / oversight costs that “vary statewide” despite the merits of a very specific business case:
  - OYDC / TC residential HR facility,
  - Okeechobee County,
  - MHOS, and,
  - Fixed program size of 143 HR beds.
- c. MHOS Medicaid detailed billing; and,
- d. Staffing detail (position, number, and pro-rated) costs.

The above costs could very likely be accurately calculated.

### **4. Detailed Costing Data**

To understand the true cost and value of “designing, developing, implementing, and operating” this HR program for 143 male youth, detailed costing data should be included in all the costing calculations. This costing data includes the following:

#### **a. Cost-Benefit Analysis**

Cost-Benefit Analysis (CBA) estimates and totals up the equivalent money value of the benefits and costs to the community of projects to establish whether they are worthwhile. These projects may be dams and highways or can be training programs and health care systems.

*For additional information on Cost-Benefit Analysis, please visit:*

<http://www.sjsu.edu/faculty/watkins/cba.htm>

**b. Return on Investment (ROI)**

ROI analysis is one of several approaches to building a financial business case. The term means that decision makers evaluate the investment by comparing the magnitude and timing of expected gains to the investment costs. Decision makers will also look for ways to improve ROI by reducing costs, increasing gains, or accelerating gains.

In the last few decades, this approach has been applied to asset purchase decisions (computer systems or a fleet of vehicles, for example), "go/no-go" decisions for programs of all kinds (including marketing programs, recruiting programs, and training programs), and to more traditional investment decisions (such as the management of stock portfolios or the use of venture capital).

*For additional information on ROI, please visit:*

<http://solutionmatrix.com/return-on-investment.html>

**c. Cost Price Analysis**

Cost analysis refers to the detailed element by element review and evaluation of each component of cost proposed by an organization for a particular program. While price analysis can be used alone, it generally will not provide an adequate basis for the determination of reasonableness in anything other than simple procurements for which there is adequate catalog pricing and market competition. Cost analysis, on the other hand, can generally never be used without price analysis as well.

*For additional information on Cost Price Analysis, please visit:*

<http://www.usaid.gov/policy/ads/300/306maa.pdf>

**d. Risk Mitigation Cost Analysis**

Many proponents of disaster mitigation claim that it offers potential benefits in terms of saved lives and property far exceeding its costs. To provide evidence for this, and to justify the use of public funds, agencies involved in mitigation can use benefit cost analysis. Such analysis, if well done, offers a testable, defensible means of evaluating and comparing projects, it helps decision makers choose between mitigation projects, and provides a means to assess the way we spend public funds. In this critical overview of the more contentious issues and latest developments in benefit cost analysis, I emphasize the pragmatic choices that one can make in accordance with good practice in project evaluation.

*For additional information on Risk Mitigation Cost Analysis, please visit:*

[http://gandini.unm.edu/research/Papers/BCA\\_MitFIN.pdf](http://gandini.unm.edu/research/Papers/BCA_MitFIN.pdf)

**e. Benchmark similar Facilities in other States**

Benchmarking is the process of comparing the cost, time or quality of what one organization does against what another organization does. The result is often a business case for making changes in order to make improvements.

Also referred to as "best practice benchmarking" or "process benchmarking", it is a process used in management and particularly strategic management, in which organizations evaluate various aspects of their processes in relation to best practice, usually within their own sector. This then allows organizations to develop plans on how to make improvements or adopt best practice, usually with the aim of increasing some aspect of performance. Benchmarking may be a one-off event, but is often treated as a continuous process in which organizations continually seek to challenge their practices.

*For more information on benchmarking best practices, please visit:*

<http://en.wikipedia.org/wiki/Benchmarking>

f. *Earned Value*

Earned value metrics help managers remove the guesswork in determining progress on projects in relation to a baseline. The following is an introduction to the business concept of earned value. As a manager, have you ever been asked how far along you were in a project? Of course you have. The question itself is vague, and so your equally vague answer of "we're pretty close to schedule" sounds like an appropriate response. You might even have given the equally vague "we're about half done" or "we're 90 percent complete."

If you don't have a valid work plan, or if you're not keeping your work plan up to date, you know that your answer is pretty much a guess. If you have a good work plan and you're keeping it up to date, you should have a sense for how much work remains and what the projected end date will be. But are you 50 percent complete or 90 percent complete? How can you tell? By using earned value metrics, that's how.

*For additional information on Earned Value:*

[http://articles.techrepublic.com.com/5100-10878\\_11-1054398.html](http://articles.techrepublic.com.com/5100-10878_11-1054398.html)

g. *Internal Rate of Return*

When you are evaluating an investment, a useful number to know is the internal rate of return. For some investments, like bank accounts, the internal rate of return is easy to figure because the bank tells you what it is. For example, a 5 percent simple interest bank account has an internal rate of return of 5 percent.

For other investments, you have to do some work to calculate the internal rate of return. This is especially true of investments like building a factory or getting an education. These kinds of investments generally don't pay money in nice even amounts like a bank account does. Nevertheless, you can calculate an internal rate of return for these investments, and use it to decide which investments pay best.

*For additional information on Internal Rate of Return:*

<http://hspm.sph.sc.edu/courses/Econ/irr/irr.html>

## 5. Council-Prepared Project Funding Tables

The tables below prepared by the Council analyze the funding options available for Option 1 (Outsourcing) and Option 2 (Insourcing). Please note the Department does not include annual costs of approximately \$8,310.00 to cover Departmental program oversight and management expenses. The Council believes these costs should be included in both the insourcing and outsourcing costs and thus includes these costs in the tables below. The tables assume a three-year contract.

**“Table 2: Council on Efficient Government’s Analysis of Three-Year Term Funding for Option 1 (Outsourcing)”**

<b>OPTION # 1 COMPETITIVELY PROCURE SERVICES VIA AN RFP.</b>	<b>FUNDING TIME PERIOD</b>	<b>ITEMIZED FUNDING COST</b>	<b>FUNDING SOURCE</b>	<b>FUNDING CUMULATIVE COSTS</b>
143 HR beds x \$138.61 x 181 days	01 Jan 2009 thru 30 Jun 2009	\$3,587,642.63	State General Revenue	\$3,587,642.63
MHOS 143 HR beds x \$35.00 x 181 days	01 Jan 2009 thru 30 Jun 2009	\$905,905.00	State General Revenue	\$4,493,547.63
Program Management / Oversight	01 Jan 2009 thru 30 Jun 2009	\$4,155.00	Not specified in Business Case	\$4,497,702.63
<b>Total First Six Months of Contract:</b> <b>\$4,497,702.63</b>				
143 HR beds x \$138.61 x 365 days	FY 2009 / 2010	\$7,234,748.95	State General Revenue	\$11,732,451.58
143 MHOS beds x \$35.00 x 365	FY 2009 / 2010	\$1,826,825.00	State General Revenue	\$13,559,276.58
Program Management / Oversight	FY 2009 / 2010	\$8,310.00	Not specified in Business Case	\$13,567,586.58
<b>Total FY 09/10 of Contract:</b> <b>\$9,069,883.95</b>				
143 HR beds x \$138.61 x 365 days	FY 2010 / 2011	\$7,234,748.95	State General Revenue	\$20,802,335.53

<b>OPTION # 1</b>	<b>FUNDING TIME PERIOD</b>	<b>ITEMIZED FUNDING COST</b>	<b>FUNDING SOURCE</b>	<b>FUNDING CUMULATIVE COSTS</b>
<b>COMPETITIVELY PROCURE SERVICES VIA AN RFP.</b>				
143 MHOS beds x \$35.00 x 365	FY 2010 / 2011	\$1,826,825.00	State General Revenue	\$22,629,160.53
Program Management / Oversight	FY 2010 / 2011	\$8,310.00	Not specified in Business Case	\$22,637,470.53
<b>Total FY 10/11 of Contract:</b> <b>\$9,069,883.95</b>				
143 HR beds x \$138.61 x 184	01 Jul 2011 thru 31 Dec 2011	\$3,647,106.32	State General Revenue	\$26,284,576.85
143 MHOS beds x \$35.00 x 184	01 Jul 2011 thru 31 Dec 2011	\$920,920.00	State General Revenue	<b>\$27,205,496.85</b>
Program Management / Oversight	01 Jul 2011 thru 31 Dec 2011	\$4,155.00	Not specified in Business Case	<b>\$27,209,651.85</b>
<b>Total Final Six Months of Contract:</b> <b>\$4,572,181.32</b>				
<b>TOTAL COST OPTION 1: COMPETITIVELY OUTSOURCE VIA RFP FOR A 3-YEAR TERM:</b> <b>\$27,209,651.85</b>				

**“Table 3: Council on Efficient Government’s Analysis of Three-Year Term Funding for Option 2 (Insourcing)”**

<b>OPTION # 2: INSOURCE THE PROVISION OF THESE SERVICES TO STATE-OPERATED FACILITY.</b>	<b>FUNDING TIME PERIOD</b>	<b>ITEMIZED FUNDING COST</b>	<b>FUNDING SOURCE</b>	<b>FUNDING CUMULATIVE COSTS</b>
Additional (approximate) 167.10 state employee \full-time equivalents (FTEs) allocated by the legislature. <sup>4</sup>	FY 2009 / 2010	\$6,044,511.00	Legislative Budge Request (LBR)	\$6,044,511.00
Allocation of contract services, OCO and expense dollars for utilities, equipment maintenance and repair; janitorial services; medical supplies; educational & recreational supplies, etc.	FY 2009 / 2010	\$2,383,293.00	Not Specified in Business Case (BC).	\$8,427,804.00
Program Management / Oversight	FY 2009 / 2010	\$8,310.00	Not specified in BC	\$10,819,407.00
<p align="right"><b>Total First Year Contract:</b>  <b>\$10,819,407.00</b>  <b>X 3-year contract term =</b>  <b>\$32,458,221.00</b></p>				
<p align="center"><b>TOTAL COST OPTION 2: INSOURCE TO A STATE-OPERATED FACILITY FOR A 3-YEAR TERM: \$32,458,221.00</b></p>				
<p align="center"><b>Δ Option 1 Outsourcing versus Option 2 Insourcing = a Cost Savings of \$5,248,569.15.00 to the State of Florida Department of Juvenile Justice</b></p>				

The above table shows that outsourcing the OYDC / TC project would save the state *over five million dollars*, or \$5,248,569.15.00, incurred over a three-year term contract.

## **6. Duplication of Data in Business Case**

In Section II, “Evaluation of Options,” numbers one and two, project costs are discussed in extensive detail. These same costs are then repeated in Section III of the business case. Section II actually asks for a detailed discussion of available options for performing the service or activity and asks the writer to list for each option the “general resources and processes” needed to perform the service or activity. It is in Section III, “Information on Recommended Options,” that detailed cost information is requested.

<sup>4</sup> Bearing Point Rate Analysis completed for the Department of Juvenile Justice, 2006

The Council suggests the Department restrict costing data to Section III of the business case and assign “softer” project specifications, such as evaluation of options; current market conditions; evaluation criteria for options; option advantages and disadvantages; stakeholder impact; benefit measurement; risks and risk mitigation; and benchmarking, to Section II. The Department is getting side-tracked in Section II with too much financial information that should be addressed in Section III, and is missing the opportunity to fully address some of the critical requirements of Section II.

## **7. Agency’s Contract Management Process**

In Section III.6., page ten, “Describe the Agency’s Contract Management Process for the Outsourced or Privatization Contract, including how the Agency will Address Potential Contractor Non-Performance,” the Department includes by reference, in accordance with Department Policy FDJJ-8100, “Monitoring for Residential Programs,” a link to the description of the Department’s response to “Provider non-performance, as well as five quality assurance requirements culled from Section Q. of the Department’s contract template.

## **8. Agency’s Position Regarding QA**

Additionally, in Section III.6, page ten, the agency’s contract management process is included by reference to Departmental Policy FDJJ-8100. The Department also makes clear its uncompromising position regarding QA in Department Policy FDJJ-8100: “...Department policies, related statutes, and rules are followed in Provider-operated as well as state-operated facilities.”

## **9. Section 1.4, Major Stakeholders**

Please refer to Section 1.4, “Identify the service’s or activity’s major stakeholders...” Only four stakeholders are included, when likely several more exist. (Please refer to Section A. “Business Case Summary,” page five, “Affected Stakeholders.”) Identification and inclusion of all project stakeholders from project onset is a significant indicator of project success.

## **10. Transparent Access to Business Case Technical Data**

No draft Request for Proposal (RFP), “Scope of Services” from the RFP, or Quality Assurance (QA) Report was submitted by the Department with this business case. It would be helpful if Council staff had more transparent access to business case technical and supporting data to promulgate the evaluation and analysis of business cases.

## **11. Facility Quality Assurance (QA) Reports and Third Party Monitoring**

Although the Department did not submit a QA Report for OYDC / TC, Council staff reviewed “Bureau of Quality Assurance Program Reviews” for Eckerd Youth Development Center,” which were downloaded from the Department’s QA Bureau internet website. The results from these QA reports are summarized in Appendix A, “DJJ Bureau of QA Rankings for OYDC / TC.”

The DJJ QA Reports do not emphasize Corrective Action Plans (CAPs) or other Provider-required activity to bring the facility into compliance or improved compliance. Some of the observations in the QA Reports reviewed were key indicators that could pose a major risk to the Department. Most obvious is the complication of potentially seriously ill youth, resulting from inferior mental health / substance abuse and health



services. The Council suggests marginal Provider performance and CAPS be addressed in detail in the new contract.

The Council maintains a CAP be required of all Providers and third-party monitoring and third-party QA support be incorporated into the DJJ QA process. Outside third party QA reviewers and monitors bring unbiased opinions, expertise, and experience from other states and juvenile justice systems that could assist the DJJ and the State of Florida in meeting its objectives.

## **12. Program Goals not Tied to Metrics**

The Department states in Section I.2, pages two and three of the business case, its intention for the operation of the OYDC / TC to accomplish six major program goals. The Department, however, does not prescribe in the business case specific metrics tied to these six goals that will determine if or when these goals will be met. Metrics for recidivism are also not addressed in this business case; however, the Office of Program Policy Analysis and Government Accountability (OPPAGA), in a recent report, indicated, "Recidivism is DJJ's only measure of success."<sup>5</sup> Without robust, meaningful metrics coupled with corresponding QA goals, the Department cannot effectively determine the success of its programs. Meaningful metrics that are age-, gender-, population-, and facility-appropriate, should be seriously considered for inclusion in all Department business cases.

The Department should consider investing in a more rigorous approach to risk management, risk mitigation, and risk cost mitigation. The Department should make the utmost effort to develop a robust risk management plan to ensure detained youth are healthy, safe, and meeting departmental goals for recidivism and re-entry into society.

## **13. Competitive Re-Procurement**

This outsourcing is a competitive re-procurement. Although there is a reasonable market of seven Providers operating HR residential programs and the Department anticipates that between two and seven private providers may respond to the RFP, the business case does not indicate if all, or any, of these Providers have slots (including the number of slots) designated for MHOS for the facility, and should.

## **14. Describe How the Service or Activity is Currently Performed**

Please refer to Section I.5, page three, "Describe how the Service or Activity is currently Performed and List the Resources, including Information Technology (IT) Services and Personnel Resources, and Processes Used," current services and contract history are described; however, there is no mention of the remaining four components of this section:

- a. Required resources,
- b. Information technology services,
- c. Personnel resources, and
- d. Processes used.

The Council submits these four components be included in this section of the business case.

---

<sup>5</sup> "Review of the DJJ Prevention Programs," OPPAGA, House of Representatives Committee on Juvenile Justice, March 12, 2008, Jason Gaitanis

## **15. No Reference to Federal Laws**

Although the business case adequately references Florida Statutes applicable to the care, safety, and protection of children; the protection of society; and, adjudication and disposition of alleged juvenile offender cases, the Department does not reference any federal laws. The Council suggests the Department include references to appropriate Federal statutes concerning juvenile detention, such as “Juvenile Justice and Delinquency Prevention,” Subchapter 1 – Generally 42 U.S.C., Section 1.

## **16. Pre-Operational Review**

In the event of contract award to a new Provider, the Department’s “Pre-Operational Review” is scheduled to take place only 30 days prior to transfer of youth into the (new Provider’s) program. If the findings of the “Pre-Operational Review” indicate deficiencies that merit delaying the opening of the program, contract actions may be taken to delay the admissions of youth or delay payment of operation funds pending corrective action by the current Provider. The Council finds the “Pre-Operational Review” to be an appropriate and effective activity for transfer of program services; however, a more formal, documented, facility-specific transition plan with a longer lead time would help ensure more consistent and timely transfers.

## **17. Continuity of Operations Plan (COOP)**

Providing for continuity of operations (COO) following a disaster is a top-level concern for enterprises and is vital to maintaining the confidence of both the youth and the citizens’, and the reputation of the organization. Therefore, the scope of the Continuity of Operations Plan (COOP) must include activities that address the recovery of the entire organization / facility. The Department’s COOP, while providing direction for the Central, North, and South Region residential and detention centers, does not provide in one contiguous document the necessary components of a disaster preparedness and recovery plan that will enable the Department to successfully evacuate, transfer youth, care for youth, and then continue operations following an emergency or disaster situation.

## **18. Program-Specific Project, Risk, Contingency, and COOP**

Gender-specific programs for males and females; 12-bed or 100-bed facilities; the designation of low-, medium-, high- and maximum-risk facilities; and wilderness / adventure programs all come with inherently different characteristics and risks; the Department should consider creating and implementing program-specific project, risk, contingency, and COOP plans.

## **19. Contract Management Documentation**

In Section III.6, pages ten and eleven, “Describe the agency’s contract management...” seven Department documents / manuals and Florida Administrative Code are referenced. The Department should ensure these documents are required Provider reading in the RFP’s “Scope of Services” document.

## **20. Health Insurance Portability and Accountability Act (HIPAA)**

The business case makes no reference to the Health Insurance Portability and Accountability Act (HIPAA) requirements as applicable to the safety and security of juvenile medical and health records. There are three basic sections to the HIPAA legislation, enacted in 1996, and the Department should ensure its compliance with this three-part critical health privacy law legislation.

## **II. Business Case Summary and Recommendations**

### **1. Council Recommendation**

The Council on Efficient Government recommends moving forward after modifications with this outsourcing initiative. Despite some incomplete and / or missing cost analyses, risk management, metrics, and project management data, the Council staff found the OYDC / TC project to be an overall good business case for outsourcing and recommends proceeding with the project.

### **2. Probability for Success**

The Council's analysis points to a good probability for success in attaining the Department's documented goals, despite missing and incomplete data. Nevertheless, an important point to consider is the Department has been successfully managing the outsourcing of its residential facilities since 1994, and Eckerd Youth Alternatives, Inc. has held this contract since 2002.

### **3. Risk Analysis**

The risks accompanying the entrance of a new Provider (which could readily occur in this highly competitive bid environment) were not thoroughly analyzed by the Department. Only three risks were included, while likely several more exist. A complete risk mitigation plan for each business case, including risks, accompanying mitigation strategies, and cost analysis for each mitigation strategy, is critical to prevent the occurrence of unforeseen, dangerous, and costly risks that could have potentially disastrous results. A substantial risk management plan should include the following five components:

- a.) Risk Management Planning;
- b.) Risk Identification; and
  - Qualitative Risk Assessment & Response,
  - Quantitative Risk Assessment & Response,
  - Risk Modeling, and
- c.) Risk Monitoring and Control;
- d.) Risk Management;
- e.) Risk Documentation; and,
  - Project Risk Analysis, and
  - Project Risk Report (Weekly Status Update).

### **4. Program Oversight and Management Costs Not Calculated with Insourcing Costs**

The Department notes (but does not indicate why) it does not add annual costs of approximately \$17,310.00 to the insourcing budget for expenses "regarding program oversight and management." The Council believes these legitimate project costs should be included in the project budget. Alternatively, the Department could consider making (third party oversight and monitoring a Provider requirement and

passing along both the requirements and costs to the Provider, thus largely freeing the Department of this burden. Some minor oversight would still be required; however, the cost would be significantly lowered from \$17,310.00 annually. The Council recommends the Department clarify its pricing model.

### **5. Third-Party Monitoring**

Although the Department indicates it performs third-party monitoring of its facilities, there is no mention of a third-party monitor requirement in the business case reviewed. In fact, the Bureau of QA Program Review for IHWH was a peer review performed by a team of three Departmental QA staff; three Departmental residential facility staff; and, one staff member from Vision Quest, a Provider offering in-home community-based programs and residential care for troubled youth. An independent third-party monitor, as well as an independent third-party QA Reviewer, who both report external to the Bureau of QA, could assist the Department in improving both QA scores and processes.

### **6. Continuity of Operations Plan (COOP)**

Providing for continuity of operations (COO) following a disaster is a top-level concern for enterprises and is vital to maintaining citizens' confidence and the reputation of the organization. Therefore, Continuity of Operations Plans' (COOPs), scope must include activities that address the recovery of the entire organization / facilities. The Department's Continuity of Operations Plan (COOP), while providing direction for the Central, North, and South Region residential and detention centers, does not provide in one contiguous document the necessary components of a disaster preparedness and recovery plan that will enable the Department to successfully evacuate youth, transfer youth, care for youth, and then continue operations following an emergency or disaster situation.

### **7. Appointment of a Project Manager to Complement the Contract Manager**

The appointment of a project manager (in addition to the contract manager) to ensure the financial and schedule success of this and all Departmental outsourcing / insourcing projects would greatly benefit the Department in the procurement effort. Following award, the project manager should remain, overseeing the quality assurance operations, day-to-day facility operations, facility financial data, program accountability, process improvements, etc.

### **8. Extensive Financial Data Required for Business Cases to Effectively Manage Projects**

Especially because the business case did not provide a good cost comparison of the two Department-recommended options (as detailed previously), more financial information is needed to ensure project success in the areas of quality and fiscal accountability. Minimally, the Council would like the following financial data included in all business cases (Please refer to page nine of this report, item number three):

- a. Cost-Benefit Analysis;
- b. Return on Investment;
- c. Cost Price Analysis;
- d. Risk Mitigation Cost Analysis;

- e. Benchmark similar Facilities in other States;
- f. Earned Value; and,
- g. Internal Rate of Return.

#### **9. Green Trending**

The business case should also address “green trending,” which has been legislatively mandated by Senate Bill 7135 and Executive orders. This Senate Bill, among other requirements, will strengthen green building codes and energy efficiency standards for appliances. *The green trending plan should be a Provider requirement, not a Departmental burden.*

#### **10. Addition of Incomplete and Missing Documentation to Business Case**

The Council recommends the incomplete and missing documentation as indicated in this Advisory Report be added to the business case as soon as is reasonably possible.

The Council would like to thank the Florida Department of Juvenile Justice for the continued opportunities to participate in the Department’s planning and procurement processes. We look forward to working with the Department on future outsourcing, or insourcing, initiatives.

If you have any questions or issues concerning this report, or if the Council can be of further assistance, please call us at 850.414.9200.

Thank you again.

## Appendix A: "DJJ Bureau of QA Rankings for OYDC / TC"

#	Seven OYDC / TA QA Report Website Addresses FYs 2001 - 2007	QA Review Date	Provider	Compliance Rating	Compliance Notes	Program Score / Issue(s)
1	<a href="http://www.djj.state.fl.us/QA/programreports/residential2001/okeeredirect.pdf">http://www.djj.state.fl.us/QA/programreports/residential2001/okeeredirect.pdf</a>  (Deemed Status Site Visit) <sup>6</sup>	30 May 2001	Career Systems Development Corporation	Not provided.	None provided.	Retain Deemed Status
2	<a href="http://www.djj.state.fl.us/QA/programreports/residential2002/EYDC.pdf">http://www.djj.state.fl.us/QA/programreports/residential2002/EYDC.pdf</a>  (Deemed Status Site Visit)	04 Oct 2002	Eckerd Youth Alternatives, Inc.	Not provided.	"Determined that at least an acceptable level of performance has been maintained."	Retain Deemed Status
3	<a href="http://www.djj.state.fl.us/QA/programreports/residential2003/EYDC.pdf">http://www.djj.state.fl.us/QA/programreports/residential2003/EYDC.pdf</a>  (Deemed Status Site Visit)	28 Apr 2003	Eckerd Youth Alternatives, Inc.	Not provided.	"Determined that at least an acceptable level of performance has been maintained."	Retain Deemed Status
4	<a href="http://www.djj.state.fl.us/QA/programreports/residential2004/eckycd.pdf">http://www.djj.state.fl.us/QA/programreports/residential2004/eckycd.pdf</a>  (Program Review)	12-16 April 2004  (Revised 12 and 16 Feb 2004)	Eckerd Youth Alternatives, Inc.	Compliance Score: 72 Compliance Rating: 92% <b>Full Compliance</b>  Program Performance: <b>Acceptable Performance</b>	<b>Failed to Meet Three Standards:</b> (a) Mental Health & Substance Abuse Treatment (b) Transitional Release Planning (c) Transition	Critical Concerns: Several Facility Plant Issues need to be Addressed.

<sup>6</sup> \* To achieve "deemed status," a program must achieve an overall performance rating between 80-89 percent and a compliance rating of 90 percent or above. Also, to achieve deemed status, no standard should be rated at minimal performance. If deemed status is achieved, a QA review team will conduct a one-day site visit in the following two years and a full QA review will be conducted in this third year.

#	Seven OYDC / TA QA Report Website Addresses FYs 2001 - 2007	QA Review Date	Provider	Compliance Rating	Compliance Notes	Program Score / Issue(s)
5	<a href="http://www.djj.state.fl.us/QA/programreports/residential2005/eckyc.pdf">http://www.djj.state.fl.us/QA/programreports/residential2005/eckyc.pdf</a> (Program Review)	02-06 May 2005	Eckerd Youth Alternatives, Inc.	Compliance Score: 77.2 Compliance Rating: 92% Full Compliance	<b>Failed to Meet Three Standards:</b> (a) Case Management (b) Mental Health & Substance Abuse Treatment (c) Program Safety	Full Compliance & Acceptable Performance
6	<a href="http://www.djj.state.fl.us/QA/programreports/residential2006/ojocc.pdf">http://www.djj.state.fl.us/QA/programreports/residential2006/ojocc.pdf</a> (Program Review)	11-15 June 2007	Eckerd Youth Alternatives, Inc.	Compliance Score: 34.4 Compliance Rating: 72% Non- Compliance	<b>Failed to Meet Four Standards:</b> (a) Training & Staff Development (b) Admissions (c) Case Management (d) Mental Health / Substance Abuse	Two major areas of concern are continued need of facility repairs & staff turnover. Oddly, the DJJ reported "no critical concerns" with this facility, which <b>failed to meet four critical performance standards.</b>
7	<a href="http://www.djj.state.fl.us/QA/programreports/residential2007/eydc.pdf">http://www.djj.state.fl.us/QA/programreports/residential2007/eydc.pdf</a> (Program Review)	11-15 June 2007	Eckerd Youth Alternatives, Inc.	Overall Program Performance: Minimal Performance: <b>68%</b>	<b>Failed to Meet One Standard:</b>  Treatment Services	Oddly, the DJJ reported "no critical concerns" with this facility, which scored a "minimal" <b>rating of 68%.</b>