



Detention Services Contract Performance Audit

Finance and Administration Committee – March 23, 2026
Presented by Danielle Arnold, Internal Auditor





Detention Services Contract Performance Audit

- City management identified increased costs associated with detention services to be an issue of concern and requested the Internal Audit Office (IAO) conduct an audit to identify areas for potential improvement.
- Scope of the audit deemed appropriate was between 2016 to 2024 to align with Washington State Preservation and Destruction of Public Record laws through the Revised Code of Washington (RCW) 40.14 and available source documentation.



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The audit objectives were as follows:

- Was the interlocal agreement administered in compliance with its key provisions, and what opportunities exist to strengthen future iterations of a succeeding contract?
- Are the line-item and overhead costs proportionate to the populations served, appropriately allocated, and supported by a consistent and justifiable cost methodology over time?
- Do the financial reports and supporting data provide reliable, decision-useful information, and is the year-end true-up process based on accurate and verifiable data?

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Audit Methodology:

- Develop an understanding of the ILA and the major testable elements
- Assess compliance with applicable laws and relevant governance
- Perform tests of the control environment
- Assess whether line-item costs are generally proportionate to the population served by the City and County
- Determine if overhead costs are appropriately allocated and directly related to the detention services contract
- Corroborate information with appropriate staff and personnel
- Examine the criteria used in reports to ensure they provide sufficient information and informed decision-making and costs challenges

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Audit Methodology (continued):

- Conduct stakeholder interviews to gather insights and validate findings
- Confirm that the cost methodology has remained consistent over time and identify any changes that may have contributed to cost increases
- Investigate the reasons behind the significant increases in costs and determine if they are justifiable
- Validate the reliability of data used for end-of-year true-up processes to ensure accurate and fair financial reconciliation
- Note exceptions and identify areas for improvements
- Be mindful of potential fraud, waste and abuse during the audit.

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Objective 1: Was the interlocal agreement administered with its key provisions, and what opportunities exist to strengthen future iterations of a succeeding contract?

Condition:

While a majority of procedural elements were formally observed by the parties, the audit noted several key deliverables and objectives that were not completely met:

- The County did not consistently provide required documentation in the prescribed format or timeframe.
- The City did not exercise its right to request billing detail or scrutinize settle and adjust materials or dispute charges
- Some practices deviated from the written agreement without formal amendment or documentation.

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Finding 1: Strengthen procedural and oversight to enhance the integrity of the detention services agreement.

Recommendation:

To restore procedural compliance and strength long-term oversight, the City **should** adopt a dual-track strategy:

1. Enforce the County's adherence to contract deliverables, and
2. Institutionalize internal controls for monitoring, documentation and follow-up

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Objective 2: Are the line-item and overhead costs proportionate to the populations served, appropriately allocated, and supported by a consistent and justifiable cost methodology over time?

Condition:

The audit identified several concerns with the proportionality and consistency of the cost methodology:

- Capital and reserve contributions lacked transparency with inconsistent reporting and no clear framework for City oversight or objection.
- Although not a violation of current contract terms, the ADP calculation billed the City for full 24-hour days regardless of actual time in custody, inflating charges for short-term bookings.
- Administrative and booking-related costs grew disproportionately compared to inmate population trends, suggesting potential misalignment between cost drivers and allocation logic.
- Non-conforming agencies with longer average stays were billed at lower per-day rates, raising equity concerns surrounding resource utilization under the pooled cost model.

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Finding 2: Enhance cost allocation consistency and oversight to strengthen financial stewardship.

Recommendation:

To improve cost fairness and reduce financial exposure, the City should negotiate revisions to the cost allocation model while simultaneously enhancing its internal oversight practices.

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Objective 3: Do the financial reports and supporting data provide reliable, decision-useful information, and is the year-end true-up process based on accurate and verifiable data?

Condition:

Although the IAO did not have access to the underlying data, the financial reports appear to be presented fairly and consistently, in alignment with the ILA's intent to convey inmate population trends and budget-to-actual information for the review period. However, the data as presented did not support meaningful distinctions between different drivers of change such:

- Legislative reforms (e.g. reclassification of offenses),
- Shifts in law enforcement practices,
- Natural population growth,
- While the County largely met its contractual obligations, the absence of contextual or disaggregated limits the reports usefulness for policy analysis and informed decision making.

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Finding 3: Opportunity to strengthen jail cost reporting through City-led collaboration on data standards.

Recommendation:

To improve the decision-usefulness of detention-related data and fulfill the collaborative intent of the MOU, the City **should** work with the County to co-develop a set of shared reporting objectives and data definitions. This effort **should** be documented through the Detention Services Advisory Group and may include identifying key indicators, contextual variables.

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Fraud, Waste and Abuse

The IAO remains mindful to document instances of fraud, waste or abuse throughout the audit. As part of standard procedures, the IAO asked management whether they were aware of any and management stated they were not.

Additionally, the IAO did not observe any indications of fraud, waste or abuse relevant to the audit objectives, during the audit.

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City Management's Response:

1. Establish an internal Jail Oversight Committee comprised of: the Deputy City Administrator, Chief Financial Officer (CFO), Spokane Police Department liaison, Municipal Court Administrator, Prosecutor and Public Defender. This committee will:
 - Review the City's jail contract and identify existing provisions that the City intends to exercise moving forward.
 - Review the County Detention Service's quarterly reports, identifying questions and/or recommendations.
 - In consultation with CFO, evaluate the rationale and consistency of the County's cost schedule.
 - Develop a proposed draft of reporting metrics to share with the County's Jail Advisory Committee for consideration.
 - The Jail Oversight Committee will report regularly to Spokane City Council's Public Safety Community Health Committee

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City Management's Response:

2. Formally request view-only access to the City's misdemeanant population in JailTracker, the County's jail population management tool. This will allow the city to frequently review our jail population and identify what programming may best serve them during incarceration, and/or who can be safely served in the community with appropriate supports and safeguards.

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City Management's Response:

3. Formally request a seat on all Request for Proposal committees related to the jail. The County's selections for contracted services, vendors and providers directly impact the cost allocation to member agencies, including the City, as well as the service quality for our incarcerated population. It is critical that we have an opportunity to review and provide the City's perspective during submission evaluation.

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City Management's Response:

4. Formally request a seat on the Medicaid Transformation Project team. This project could, among other things, drastically expand reentry services as well as the MOUD treatment for incarcerated individuals. Given the concentration of overdoses and services providers within the City limits, the City has both interests and resources relevant to the planning process.
5. Present the audit findings and recommendations to the Safe & Healthy Task Force, so it can be included in the body's deliberations.

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Management Response Summary:

- The Audit confirms consistency of cost methodology, validated data reliability and no cases of fraud, waste or abuse
- Opportunities to reduce risk, improve service and ensure transparency:
 - Enforce County's adherence to contract deliverables
 - Institutionalize internal controls for monitoring, documentation and follow-up
 - Negotiate revisions to the cost allocation model, while enhancing internal oversight
 - Work with County to co-develop set of shared reporting objectives and data definitions
- Management's Response:
 - Establish internal Jail Oversight Committee
 - Formally request view-only access to County's Jail population tool for City prisoners
 - Request a seat on Detention Services RFP evaluation committees
 - Request a seat on the Medicaid Transformation Project Team
 - Present audit's findings and recommendations to the Safe & Healthy Task Force

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Questions?

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Thank you!

