



A REPORT
TO THE
ARIZONA LEGISLATURE

Performance Audit Division

Sunset Review

Department of Corrections—

Sunset Factors

September • 2011
REPORT NO. 11-08



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Auditor General

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September 26, 2011

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Mr. Charles L. Ryan, Director
Department of Corrections

Transmitted herewith is a report of the Auditor General, *A Sunset Review of the Department of Corrections*. This report is in response to a November 3, 2009, resolution of the Joint Legislative Audit Committee and was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.

As outlined in its response, the Department of Corrections plans to implement all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on September 27, 2011.

Sincerely,

Debbie Davenport
Auditor General

Attachment

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INTRODUCTION

Scope and Objectives

The Office of the Auditor General has conducted a sunset review of the Department of Corrections (Department) using the criteria in Arizona's sunset law. The analysis of these sunset factors was conducted pursuant to a November 3, 2009, resolution of the Joint Legislative Audit Committee and prepared as part of the sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq.

This report includes responses to the sunset factors specified in A.R.S. §41-2954 and is the final in a series of three reports on the Department. The first report examined Arizona's prison population growth, and the second report addressed the Department's oversight of security operations at both private and state-run prisons.

Department incarcerates and supervises offenders

The Department's mission is to serve and protect the people of Arizona by securely incarcerating convicted felons referred to its custody by the courts. In addition to maintaining custody and control over inmates, the Department provides programming, such as substance abuse counseling, and educational and vocational opportunities, designed to support inmate accountability and a successful reintegration back into the community. The Department also supervises inmates who have earned the opportunity to spend up to 15 percent of their sentence in the community or who are released into the community with electronic monitoring. As of June 30, 2011, the Department housed 40,181 inmates in ten state-run prisons and five private facilities. Additionally, it supervised 5,808 inmates in the community.

Organization

The Department consists of four divisions that report to the director, as well as six offices that support the director and deputy director. The Department reported 10,238 full-time equivalent (FTE) positions for fiscal year 2011, including 840 vacancies as of June 30, 2011.

The Department's four divisions are:

- **Administrative Services Division (189 FTEs, 16 vacancies)**—This division manages various administrative functions for the Department such as information technology; financial services; engineering and facilities; and planning, budget, and research. Using factors such as historical inmate population growth and legislative and sentencing policies, the division develops 10-year projections of future prison population growth and makeup and determines whether the State's prison system has sufficient beds at the appropriate custody level based on the projected growth. The division also oversees inmate banking. Inmates receive deposits of wages or funds into their accounts, which are earned from jobs while in prison or sent to them from friends or family, and the Department is responsible for accounting for and distributing these monies for items such as restitution to victims, child support, utility payments, copays for medical care, and inmate store purchases. Further, the division is involved in constructing new prisons, monitoring construction of private prisons, renovating/remodeling the Department's ten prisons, and providing janitorial and maintenance services. The division also develops the Department's annual building capital renewal budget

request, which provides information on the Department's capital improvement needs, including building renewal.

- **Offender Operations Division (8,717 FTEs, 560 vacancies)**—This division is responsible for the operation and security of state-run prisons; oversees the private prisons under contract with the Department; and ensures the accurate release, re-entry, and transition and supervision of offenders released to the community. Committed offenders referred to the Department are classified into various custody levels and assigned to a prison. The custody level assigned is based on several factors, including an inmate's most serious current and prior offense(s), history of escapes, and institutional violence. The division also calculates inmates' sentence length and release date. The division is also responsible for staffing each state-run prison.

The Contract Beds Bureau within this division monitors the performance of the private prisons that the Department contracts with and their adherence to department policies and procedures. In addition, the Community Corrections Unit within this division retains and monitors custody of inmates who are paroled to finish their sentences in the community. Inmates may earn the opportunity, through good behavior and satisfactory progress in their individualized corrections plan while in prison, to spend up to 15 percent of their sentence in the community under the supervision of the Community Corrections Unit.

- **Support Services Division (418 FTEs, 51 vacancies)**—This division administers the Department's personnel functions, such as human resources, and staff training and development for its employees; and provides a continuum of work, education, and training opportunities and counseling and treatment services to inmates. Treatment services include counseling and treatment for sex offenders, substance abusers, and offenders convicted of driving under the influence. Training for entry-level correctional staff is delivered at the Department's Correctional Officers Training Academy (COTA), located near Tucson. The Department continuously trains staff to meet its needs, with classes starting every 2 weeks at COTA. In fiscal year 2011, 1,200 recruits graduated from COTA.

This division also operates Arizona Correctional Industries (ACI). ACI is a self-supporting enterprise that provides opportunities for eligible inmates to develop job skills and good work habits. ACI work activities include call centers, printing, farming, and furniture making. Many of ACI's businesses are located within prison facilities; however, it also partners with the private sector to provide employment opportunities. For example, inmates work at Hickman's Egg Ranch, Eurofresh Farms, and Greater Auto Auction.

The division also provides educational opportunities for inmates. For example, it provides functional literacy classes to inmates who have not received a minimum 8th-grade equivalency score in reading, language, or math. Inmates

must have a high school diploma or a general equivalency diploma (GED) before being able to work for ACI or hold other jobs available in the prisons. If inmates do not have a diploma, they are encouraged to study for the GED while in prison.¹

- **Health Services Division (777 FTEs, 189 vacancies)**—This division provides healthcare for the inmate population, including general medical and emergency treatment, dental services, mental healthcare, and pharmacy services. Healthcare is available at each state-run and private prison and inmates pay a \$4 copay for medical services.² Medical facilities are staffed with nurses and medical providers 24 hours a day. Each inmate receives a medical assessment upon being admitted to department custody and then receives services on an as-needed basis after that. Although the division offers a wide array of services at the prisons, all facilities depend upon community hospitals for emergency care, consultations, and in-patient treatment. Laws 2011, Ch. 278, requires the Department to privatize healthcare services, and as of August 2011, the Department was developing a Request For Proposals (RFP) for this service.

The Department has six additional offices that report directly to either the director or the deputy director. These offices are:

- **Victim Services Office (2 FTEs, 0 vacancies)**—This office offers services to crime victims and survivors such as victim notification and information about offender release, changes in inmate status or custody, and answers about restitution. The office works with the prison units to present classes to inmates on the “Impact of Crime on Victims.” According to the Department, at these classes, crime victims discuss the long-term impact that crime has had on their lives in an effort to help keep inmates accountable and to help inmates understand the consequences of their actions.
- **Constituent Services Office (3 FTEs, 0 vacancies)**—This office provides guidance to the public on how to contact an inmate or visit an inmate in prison. It also investigates concerns from the public and inmates’ families and friends regarding confinement conditions. In fiscal year 2010, this office reported handling 30,650 requests for information and help, most of which—almost 97 percent—were handled through a simple referral to the lowest level of command at a prison or through an explanation or referral to information. This office also publishes a handbook available on the Department’s Web site that serves as a guide about inmate life and the corrections system.
- **Office of the Inspector General (108 FTEs, 20 vacancies)**—This office investigates crimes occurring on prison property or in the prisons and also

¹ According to department information, 62 percent of inmates do not meet the 8th-grade functional literacy standards when admitted.

² Inmates who suffer from chronic medical conditions, such as diabetes, cancer, allergies, etc., are exempt from paying for healthcare for that condition.

investigates administrative allegations of impropriety or misconduct. In fiscal year 2011, the office investigated 2,899 cases, of which 1,474 were criminal cases and 1,425 were other investigations, such as allegations of neglect of duty or responsibility for a security breach.¹ This office also conducts annual audits of each state-run and private prison, evaluating individual prison compliance with department policies and procedures in various areas such as key and tool control, inmate management, security devices, inmate classification, and inmate counts (see Auditor General Report No. 11-07 for more information on these annual audits).

- **Office of the General Counsel (13 FTEs, 2 vacancies)**—This office provides legal advice to the director and deputy director on liability issues, analyzes and reviews written legal directives for compliance with legal requirements, and reviews potential settlements of lawsuits against the Department. This office also handles the investigative aspect of inmate grievance and disciplinary appeals to the director.
- **Legislative Liaison Office (1 FTE, 0 vacancies)**—This office coordinates and prepares legislation the Department promotes. This office also monitors legislation that would have an effect on the Department, works to answer legislative inquiries, and maintains relationships with legislators on the Department's behalf.
- **Media Relations Office (6 FTEs, 2 vacancies)**—This office handles internal and external communications for the Department. For example, this office handles media requests for information about the Department, telephone interviews with inmates, and requests to photograph department property. This office also coordinates media appearances by the director and other department employees.

Budget

As shown in Table 1 (see page 5), the Department received nearly \$945 million in net revenues in fiscal year 2011, with almost all of the revenues coming from State General Fund and Corrections Fund appropriations. Specifically, in fiscal year 2011, the Department received approximately \$892 million from State General Fund appropriations, an increase of nearly \$17 million from fiscal year 2010. In addition, the Department received approximately \$24 million of appropriations from the Corrections Fund, a decrease of approximately \$4 million from fiscal year 2010. The Department collects certain other revenues that are remitted to the State General

¹ Most criminal cases, such as a minor assault upon an inmate by another inmate, are resolved through the Department's disciplinary system. According to the Department, the Office of the Inspector General also refers approximately 200 to 250 criminal cases per year to the county prosecuting attorneys.

Table 1: Schedule of Revenues, Expenditures, and Changes in Fund Balance¹
Fiscal Years 2009 through 2011
(In Thousands)
(Unaudited)

	2009	2010	2011
Revenues:			
State General Fund appropriations ²	\$ 922,095	\$ 875,374	\$ 892,338
Corrections Fund appropriations ²	26,724	28,504	24,398
Fines, forfeits, and penalties	19,400	14,819	14,104
Intergovernmental ³	15,734	65,754	12,909
Interest, rental, and other investment income	4,525	3,345	2,333
Tobacco sales taxes	3,359	3,407	3,307
Charges for goods and services	2,480	2,673	3,218
Commissions	1,798	3,673	3,885
Other	1,778	539	1,124
Gross revenues	997,893	998,088	957,616
Remittances to the State General Fund ⁴	(14,598)	(14,809)	(12,642)
Net revenues	983,295	983,279	944,974
Expenditures and transfers:			
Personal services and related benefits	590,339	575,876	596,958
Professional and outside services	201,123	195,285	142,379
Travel	217	213	213
Food	39,329	41,194	43,980
Aid to organizations and individuals	5,730	1,819	240
Other operating	86,149	103,434	108,639
Capital and noncapital outlay	5,446	11,748	15,403
Total expenditures	928,333	929,569	907,812
Transfers to the State General Fund ⁵	2,954	3,785	9
Transfers to other state agencies ⁶	54,566	46,669	24,424
Total expenditures and transfers	985,853	980,023	932,245
Net change in fund balance	(2,558)	3,256	12,729
Fund balance, beginning of year	6,522	3,964	7,220
Fund balance, end of year	\$ 3,964	\$ 7,220	\$ 19,949

¹ The table includes all department financial activity except the Prisoner Spendable Accounts Fund because these monies are held for others and are not available for the Department's use. In addition, it does not include the Arizona Correctional Industries Revolving Fund because that fund is managed as a self-supporting operation.

² Amounts are equal to the expenditures from the appropriated funds. Monies in the Corrections Fund primarily consist of sales taxes collected on alcohol and tobacco products. Use of the monies is restricted for correctional facilities or state-operated juvenile facilities.

³ The 2010 amount includes \$50 million received in fiscal year 2010 from the American Recovery and Reinvestment Act State Fiscal Stabilization Fund Program.

⁴ The Department remits certain revenues to the State General Fund, the majority of which are from a partial federal reimbursement for the State's cost of incarceration of criminal aliens in accordance with A.R.S. §35-142(A).

⁵ Consists of transfers to the State General Fund in accordance with Laws 2008, Ch. 285, §§24 and 46; Laws 2009, Ch. 11, §110, 1st S.S., Ch. 1, §§ 4, 5, and 7, and 5th S.S., Ch. 1, §2; and Laws 2010, 7th S.S., Ch. 1, §§113 and 148, and Ch. 3, §7.

⁶ Primarily consists of monies transferred to the Arizona Health Care Cost Containment System (AHCCCS). AHCCCS, the Department's third-party administrator for inmate healthcare, pays claims for inmate medical services.

Source: Auditor General staff analysis of the Arizona Financial Information System (AFIS) *Accounting Event Transaction File* for fiscal years 2009 through 2011 and the AFIS Management Information System *Status of General Ledger—Trial Balance* screen for fiscal years 2009 through 2011.

Fund. For example, in fiscal year 2011, nearly \$13 million was remitted to the State General Fund. According to the Department, the majority of the remittances were from a partial federal reimbursement for the State's cost of incarcerating criminal aliens. In fiscal year 2010, the Department also received \$50 million from the American Recovery and Reinvestment Act State Fiscal Stabilization Fund Program.

During fiscal year 2011, the Department spent nearly \$908 million and transferred more than \$24 million to other agencies. Most of the monies transferred to other agencies consisted of payments to the Arizona Health Care Cost Containment System for inmate healthcare. Approximately 64 percent of its expenditures, including transfers, were for personal services and related benefits. The Department also spent approximately \$142 million in fiscal year 2011 for professional and outside services. The majority of these expenditures were paid for private prisons. Further, the Department was required to transfer more than \$6.7 million during fiscal years 2009 through 2011 to the State General Fund in accordance with laws.

Sunset Factors

In accordance with Arizona Revised Statutes (A.R.S.) §41-2954, the Legislature should consider the factors included in this report in determining whether the Department of Corrections (Department) should be continued or terminated.

Auditors' analysis of the sunset factors found strong performance by the Department with regard to many of these factors, including changes it made to its policies and procedures during the audit to help ensure it complies with statutory requirements for checking that inmate store prices do not exceed retail prices and for spending inmate store proceeds that it receives.

In addition to the recommendations in this report, the Department needs to address the recommendations directed to it in the other two audit reports issued as part of this sunset review (see Reports No. 10-08 and No. 11-07).

Sunset factor analysis

1. **The objective and purpose in establishing the Department and the extent to which the objective and purpose are met by private enterprises in other states.**

The Department of Corrections was established pursuant to Laws 1968, Ch. 198 (A.R.S. §41-1602), which consolidated independently run prisons into a single department responsible for incarcerating offenders as directed by the courts. The Department's statutory purpose is to serve as the correctional program for the State and to provide staff and administration relating to the institutionalization, rehabilitation, and community supervision functions of all adult offenders. Consistent with its statutory purpose, the Department's mission is "to serve and protect the people of Arizona by securely incarcerating convicted felons, by providing structured programming designed to support inmate accountability and successful community reintegration, and by providing effective supervision for those offenders conditionally released from prison."

The Department has five goals in carrying out its mission:

- To maintain effective custody and control over inmates in an environment that is safe, secure, and humane.
- To require inmate participation in self-improvement programming opportunities and services, including work, education, substance abuse treatment, sex offender treatment, and spiritual access designed to prepare inmates to be responsible citizens upon release.
- To provide cost-effective constitutionally mandated correctional healthcare.
- To maintain effective community supervision of offenders, facilitate their successful transition from prison to the community, and return offenders when necessary to prison to protect the public.
- To provide leadership direction, resource management, and support for department employees to enable the Department to serve and protect the people of the State of Arizona and to provide comprehensive victim services and victim-focused restorative justice programs that hold offenders accountable.

According to the Bureau of Justice Statistics Bulletin *Prisoners in 2009*, all 50 states have a correctional authority that maintains jurisdiction over

prisoners, although only 32 states use private prisons to house inmates.¹ Similar to other states, Arizona uses private prisons to house some of its minimum- and medium-security inmates. As of December 31, 2009, Arizona ranked third among all states in the number of inmates it housed in private prisons.² At that time, the Department housed 8,971 inmates in private prisons, or more than 22 percent of its total inmate population. However, by June 30, 2011, the number declined, and Arizona had 5,915 inmates, or 18.9 percent, housed in private prisons. The number of inmates in private prisons declined because construction was completed in early 2010 on 4,000 state-operated prison beds and the Department received funding in fiscal year 2011 to begin filling these beds. According to the Department, the percentage of inmates housed in private facilities should increase to more than 20 percent by 2015 once it contracts for an additional 5,000 in-state private prison beds as required by statute and these private facilities become operational.³

2. The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

The Department has generally fulfilled its statutory objective and purpose to provide the staff and functions related to the institutionalization, rehabilitation, and community supervision of offenders. On June 30, 2011, the Department housed 40,181 inmates in state-operated or privately operated prison facilities and had 5,808 parolees under supervision in the community.

The Department has operated in an efficient manner. For example, to accommodate the tremendous growth that has occurred in the State's prison system, the State constructed several new prison complexes and has contracted for thousands of private prison beds while the Department also added temporary beds—beds in excess of what a facility is rated to house—to existing prison facilities. The Department has expanded the prison system to accommodate this growth while decreasing the per-capita per-day cost of housing an inmate. This has saved the State money. Specifically, in 1986, the per-capita per-day cost of housing an inmate was \$42.46. Although this amount increased to \$64.98 per day in fiscal year 2009, when adjusted for inflation, the 2009 per-capita cost decreased to \$32.98.⁴ The per-capita per-day cost to house an inmate has continued to decrease and was \$60.73 in fiscal year 2010.⁵

¹ Bureau of Justice Statistics. (2010). *Prisoners in 2009* [NCJ 231675]. Washington, DC: United States Department of Justice, Office of Justice Programs.

² These rankings are published annually and the 2010 ranking had not been issued as of August 2011.

³ Laws 2009, 3rd S.S., Ch. 6, §37, requires the Department to award a contract for 5,000 prison beds in Arizona.

⁴ The Office of the Auditor General's September 2010 performance audit on prison population growth reported that the per-capita per-day cost of housing an inmate in fiscal year 2009 was \$64.96 (see Report No. 10-08). However, the Department has since updated its per-capita per-day cost of housing an inmate in fiscal year 2009 to \$64.98.

⁵ Arizona Department of Corrections, Bureau of Planning, Budget and Research. (2011). *FY 2010 Operating per capita cost report: Cost identification and comparison of state and private contract beds*. Phoenix, AZ: Author.

Additionally, according to the Department, to promote efficient operations, it has relied on private contracts for a broad range of goods and services, used inmate labor and inmate-produced goods, and placed responsibility for more costs on inmates. For example, the Department privatized inmate telephone services in 1999 at no cost to the Department. This produced estimated revenues of nearly \$3.7 million in fiscal year 2010 for the Department's Activities and Recreation Fund.¹ In addition, through Arizona Correctional Industries (ACI), the Department reported that it employed an average of 1,792 inmates a day in fiscal year 2011 who helped produce various goods and services used by the Department and other state agencies. For example, ACI operates a bakery that provides bread and other baked goods to the prisons and a manufacturing plant that produces the mattresses that the inmates sleep on. To help recover costs and as authorized by statute, the Department also charges inmates a \$2-per-month utility fee for personal appliances, such as a radio or fan.

However, auditors identified some issues facing the Department as well as areas for review or improvement. Specifically:

- **Arizona's prison population has grown dramatically from fiscal years 1979 through 2010**—The Office of the Auditor General's September 2010 performance audit on prison population growth found that the prison population grew at a faster rate than Arizona's general population between fiscal years 1979 and 2010 (see Report No. 10-08). Specifically, the prison population increased from 3,377 inmates in fiscal year 1979 to 40,477 inmates in fiscal year 2010. According to Arizona Department of Economic Security estimates, Arizona's general population more than doubled between fiscal years 1980 and 2008. However, during this same time, the State's prison population increased more than tenfold. To address this growth, the Legislature has significantly increased the amount of State General Fund monies it spends on department operations. According to Joint Legislative Budget Committee data, State General Fund corrections operating expenditures totaled more than \$41.4 million in fiscal year 1979. This accounted for 4.3 percent of State General Fund spending in that fiscal year. For fiscal year 2011, State General Fund corrections operating expenditures totaled more than \$892.3 million, accounting for 10.5 percent of all State General Fund spending for the fiscal year. Auditors presented the Legislature and the Department with several options to address prison population growth:
 - **Expanding the prison system**—The Legislature could build more prison facilities or contract for more prison beds.² This is estimated to cost an additional \$975 million between fiscal years 2012 and 2017, but

¹ The Department's Central Office Activities and Recreation Fund is used to purchase equipment for recreation, libraries, and education. In addition, it funds the victim notification system.

² Laws 2009, 3rd S.S., Ch. 6, §37, calls for the award of a contract for 5,000 prison beds. The Department expects to award a contract after September 16, 2011.

actual costs could be higher. If the Legislature proceeded with this option, it should consider directing the Department to further study and analyze the costs for the State to build and run prison facilities compared to private prison beds to determine which option would be the most cost-effective while still ensuring public safety.

- **Diverting more nonviolent, low-risk offenders or reducing the time that they serve**—Since 1996, with the passage of Proposition 200, the State has sought to divert nonviolent drug offenders into probation and treatment instead of prison. For example, some nonviolent, low-risk offenders who maintain good behavior and meet other criteria may be released 3 months earlier than their sentences require. The Legislature could consider expanding this option to other nonviolent, low-risk offenders, such as those who are convicted of property crimes like burglary, theft, and fraud that are often associated with substance abuse. This may require changes to the State’s sentencing laws. The Legislature could consider other alternatives to expand early release, including revising truth-in-sentencing laws to reduce the amount of time nonviolent, low-risk offenders serve. A permanent sentencing commission could help the Legislature review sentencing laws and monitor their impact upon the prison population.
- **Expanding the use of nonprison alternatives**—Substance abuse treatment, home arrest with electronic monitoring, and day reporting centers are examples of nonprison alternatives the Legislature could consider. These could be used in lieu of prison sentences or as a means of early release from prison. The Legislature could direct the Department and/or courts to study the matter and determine the right mix of options for Arizona.
- **Reducing the number of parole revocations**—Inmates spend a median of 5 months on community supervision or parole. However, parole revocations accounted for 15 percent of prison admissions in fiscal year 2010. Parole can be revoked for violating the conditions of release, such as failing to meet with a parole officer, using illegal substances, or engaging in criminal behavior. Although the Department has developed policies and procedures to address parole violations, expanding the Department’s alternatives for responding to them may help reduce prison admissions and associated costs. These include nonprison alternatives such as residential treatment facilities, probation, home arrest, and day reporting centers.
- **Department has improved oversight of private prisons, but can further strengthen monitoring**—In the wake of the July 2010 escapes from the Kingman private prison, auditors reviewed the Department’s oversight and monitoring of private prisons. The Office of the Auditor General’s September

2011 performance audit of the Department's oversight of prison security operations found that the Department had taken steps prior to and after the escapes to improve its oversight of the State's five contracted private prisons, but it should further improve its oversight (see Report No. 11-07). For example, prior to the Kingman private prison escapes, the Department reported enhancing its monitoring of private prisons, which resulted in deficiency notices being issued to the Kingman private prison for incidents that occurred in March 2009 and January 2010. After the escapes, the Department assessed security operations at all five private prisons and found several security deficiencies and noncompliance with department policies and procedures.

Additionally, the Department improved its monitoring of both the private and state-run prisons by introducing the Green Amber Red (GAR) inspection program. The GAR is essentially a monitoring checklist designed to assess private prison compliance in various operational areas. Department staff complete the GAR assessments through multiple inspections over the course of a month. The color-coded system is designed to ensure that findings result in corrective action and are reported to the appropriate prison and department staff. Findings identified through GAR inspections conducted during February and March 2011 include the failure to properly search the personal property or verify the identity of persons entering the prison, to store tools, to inventory keys, to document security device inspections, and to ensure inoperative security devices are repaired in a timely manner.

As part of an effort started prior to the escapes, the Department revised its annual audit procedures and developed a new audit tool that measures actual private prison performance against department policies and procedures. Although similar in design to the GAR, it does not use color-coded findings and includes more questions than the GAR.

In addition to these efforts, the Department should:

- Carry out its plans to revise its written policies and procedures in January 2012 to reflect changes to the annual audit process. In doing so, the Department should ensure the revised policies and procedures describe when follow-up actions should occur, who should perform follow-up activities, and how the results of these follow-up activities should be reported.
- Continue developing and implementing formal training for its contract monitoring staff. After the escapes, the Department changed the experience and qualification requirements for the supervising contract monitor position, and developed formal training for contract monitoring staff, which is scheduled to begin in September 2011.

- Continue its efforts to compare private and state-run prison services every 2 years and submit the comparisons to the Joint Legislative Budget Committee as required by statute. According to A.R.S. §41-1609.01(K), this comparison shall be used to determine “if the contractor is providing at least the same quality of services as this state at a lower cost or if the contractor is providing services superior in quality to those provided by this state at essentially the same cost.” The Department reported that it plans to issue the first comparison report by January 2012 and that its implementation of the GAR inspection and revised annual audit procedures will assist it in gathering some of the information that it must consider in the comparison.
- **Department should continue its efforts to improve compliance with security policies and procedures at state-run prisons**—The Department has implemented policies and procedures related to security operations and monitors correctional officer compliance with these policies and procedures to help ensure compliance. However, department and auditors’ reviews identified instances of noncompliance at state-run prisons, ranging from less-than-thorough searches of incoming personal property to not following procedures for tools and keys. For example, department policies and procedures require that the personal property of all employees be cleared through a metal detector and be inspected prior to the person being permitted entry into a prison unit. Although these policies are intended to stop the introduction of cellphones, drugs, and other contraband, auditors observed poorly conducted searches of incoming correctional officers at one prison unit, and department inspectors found similar noncompliance with these requirements at 12 of the 17 units inspected during three department audits conducted between January and March 2011.

In addition, although policies and procedures require correctional officers to conduct inventories of all keys at the beginning and ending of each shift, department reviews have documented examples in which key policies and procedures were not followed. For example, three department audits conducted between January and March 2011 reported various key control findings, including inaccurate master key inventory records and records that did not list the location of the matching locking devices, missing checkout and return information, and inmates in possession of keys without written approval from authorized officials. Correctional officers must maintain strict control of keys because keys in inmates’ hands increase the risk of escape or can give inmates access to officers, staff, and other inmates for possible assaults. To strengthen compliance with its policies and procedures, the Department should:

- Implement its plans to analyze data from monitoring activities to identify systemic or repeat noncompliance, and further investigate causes of noncompliance to ensure appropriate corrective action is taken.
 - Provide training staff with the results of its monitoring activities and revise its tool for assessing training needs based on monitoring results. Additionally, the Department should provide additional leadership training for supervisors.
 - Continue with its efforts to ensure that post orders, which describe specific procedures for carrying out a particular job, clearly and concisely convey the critical duties and responsibilities required by department policy and that completion of these duties is documented.
- **Department established or revised policies and procedures to better ensure compliance with inmate store requirements**—The Department contracts with a private vendor to operate stores for inmates at each of its prison complexes. These stores sell items such as food, toiletries, stationery supplies, and tobacco products for inmates' use. Although the Department reported that it had an internal process for checking that inmate store prices did not exceed retail prices as statutorily required, this process was not written in policy and the Department did not document its price comparisons. During the audit, the Department developed written procedures for checking and documenting inmate store prices to help ensure that the inmate store prices do not exceed retail prices, and it should ensure these new procedures are followed. Additionally, during the audit, the Department revised its inmate store proceeds policies and procedures to ensure they are consistent with statutory requirements regarding how inmate store proceeds can be spent. It should also ensure that these expenditures continue to comply with these requirements. Specifically:
 - **Department should ensure it follows new procedures for checking and documenting compliance with inmate stores statutory pricing requirements**—A.R.S. §41-1604.02 allows the contractor, with direction from the department director, to set the prices for items offered at the Department's inmate stores, but requires that the prices be no higher than prices of similar retail products. Auditors' tests of 15 inmate store items' prices found that only one item was priced higher than retail prices. Specifically, auditors reviewed prices for inmate store products such as tobacco, disposable razors, and some food items and found that only a television set, which was the most expensive of the 15 items tested, was priced higher than comparable retail prices. A comparison of the Department's inmate store television to the same model offered by two other prison suppliers found that the inmate store television price

was between 47 and 65 percent higher than the prices offered by the other suppliers—\$245 compared to \$166.56 and \$148.50.

The Department reported that its evaluation of the inmate store television determined the price to be acceptable and that it considered other non-price factors in making this determination. These factors included that the television is a unique specialty item with limited suppliers, that it was one product in a comprehensive state contract, and that it is an item that the Department considers an essential tool in inmate control and management that could not be eliminated. However, although the Department stated that it conducted price comparisons for this and other products with local retail prices, it did not retain documentation supporting the price comparisons or when they were conducted. As a result, auditors could not assess how these non-price factors or other factors, such as shipping, return policy, and product warranty, affected the pricing of the Department's television. In April 2011, the Department developed procedures for conducting and documenting its price comparisons of inmate store products, and it should ensure that these new procedures are followed.

- **Department should ensure that expenditures of inmate store proceeds continue to comply with requirements—A.R.S. §41.1604.02** allows the Department to earn a profit on inmate store sales, which it received through a contractual 13.5 percent commission on the cost of items sold, and also specifies how the Department can spend these monies.¹ Specifically, A.R.S. §41-1604.02 permits inmate store proceeds to “be used at the director’s discretion for inmate activities, incentive pay increases for corrections officers, equipment to enhance safety for both department personnel and inmates or other official needs as required.”² However, although statute was revised in 2004 to expand the permitted uses of inmate store proceeds, the Department had not updated its policies and procedures to reflect this statutory change. Auditors’ review of a sample of 124 fiscal year 2010 department expenditures totaling \$279,000 found that all of these expenditures complied with statute, but more than \$56,000 in expenditures were not authorized by department policy. In March 2011, the Department revised its policies and procedures to further define allowable expenditures for inmate store proceeds and to make them consistent with statute. The Department should ensure that

¹ The Department received a 13.5 percent commission on all inmate store sales with the exception of clothing sales, for which it received a 10 percent commission. The Department awarded a new inmate stores contract in August 2011, which provides for a 16 percent department commission on the cost of items sold at inmate stores.

² A.R.S. §41-1604.02 was amended by Laws 2011, Ch. 33, §15, to require the director to annually transfer \$500,000 from the Inmate Stores Proceeds Fund to its Building Renewal Fund before spending the money on the other items allowed by statute.

expenditures of inmate store proceeds continue to comply with statute and with its revised policies and procedures.

3. The extent to which the Department serves the entire State rather than specific interests.

The Department serves the entire State by confining offenders from all 15 counties as directed by the courts. It operates 10 prison complexes and contracts with an additional 5 private prison facilities. These facilities are located throughout the State, although inmates are placed according to their custody level and availability of beds in the system, and not with regard for their home county. Confinement contributes to public safety and the benefit of all citizens of the State by removing offenders convicted of crimes from society and preventing them from further victimizing the public.

The Department also serves the entire State by supervising inmates who are released into various communities on parole throughout the State. Department staff and offices are located in 11 cities across the State including Douglas, Flagstaff, Kingman, Phoenix, Prescott, Tucson, and Yuma. As previously stated, inmates may spend up to 15 percent of their sentence in the community. Department parole officers ensure that inmates have a suitable residence upon release, and meet with released inmates to ensure that they understand and follow the terms of their release, such as the need to find employment, stay in touch with their parole officer, abstain from alcohol and drugs, and remain law-abiding. Inmates who are unable or unwilling to follow the terms of their release may have their parole revoked and be returned to prison.

4. The extent to which rules adopted by the Department are consistent with the legislative mandate.

Pursuant to A.R.S. §41-1005, the Department is exempt from the rulemaking requirements of the Administrative Procedures Act. Although the Department does not promulgate rules, it establishes department orders to implement requirements imposed by statute. For example, Department Order (DO) 801 prescribes the Department's responsibility to classify prisoners by risk and custody levels, consistent with A.R.S. §41-1604.06(B), and DO 905, which is consistent with A.R.S. §31-239, allows the Department to charge a \$2 monthly utility fee to inmates with personal appliances, such as a radio or fan.

5. The extent to which the Department has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

Although the Department is exempt from the rulemaking process, its internal policies affect the public, its staff, and inmates. As such, the Department posts changes in policy in the prison housing units at least 30 days before they take

effect so inmates and staff may familiarize themselves with the changes. Further, the Department posts its revised policies on its Web site for public viewing. According to department staff, although the Department does not seek public input on its policies, any input received may be taken into account during future revisions.

The Department's Web site also serves as a resource for individuals seeking information on current or former inmates. The Department maintains a database that can be accessed through its Web site and that allows the public to search for current or former inmates, and see the inmate's picture, description, sentencing information, and prison disciplinary record.

Additionally, inmates' families and friends and the public can access information through the Department's Constituent Services Office. The Constituent Services Office's purpose is to address the concerns of the general public and inmates' friends and family regarding confinement and supervision conditions to reduce inmate litigation, increase agency transparency, and improve department operations and outcomes. The Constituent Services Office communicates with the Department's executive staff and facility supervisory correctional staff to resolve issues such as denied visitation and to explain calculated release dates. The Constituent Services Office also provides guidance to individuals who are unfamiliar with the corrections system on such matters as how to send an inmate mail, what an inmate can have as property, and parole supervision issues.

6. The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction.

The Department receives complaints from its inmates and the public. Specifically:

- According to department policy and an interview with department staff, inmates shall first attempt to resolve their grievances informally through either a discussion with corrections staff or by submitting the grievance in writing to corrections staff. If unresolved, the inmate may submit his/her complaint to the correctional officer III on his/her specific unit. If the grievance cannot be resolved informally, then an official formal grievance is filed with the unit's grievance coordinator, to be decided by the deputy warden. If the inmate is still unsatisfied, he/she may then file a formal grievance to be decided by the warden. The final step an inmate may pursue is to appeal to the director. The inmate must file a grievance appeal form, which is forwarded with all previous investigations material and responses to the central office appeals officer, who will review and investigate the appealed grievance on behalf of the director.

According to the Department, it received 4,235 formal inmate grievances in fiscal year 2010. The majority of grievances concerned inmate

property—1,600 grievances—and healthcare—761 grievances. Seventy-seven percent of formal grievances, or 3,149, were resolved at the facility level. As illustrated in Table 2 (see page 17), 986 grievances were appealed to the director. However, according to department data, most grievances appealed to the director were denied. For example, the director denied 83 percent of the healthcare grievances that were appealed and 96 percent of the non-healthcare grievances.

- The Department's Constituent Services Office investigates concerns of the general public and inmates' friends and family regarding a variety of issues such as visitation, mail, time computation, and healthcare. In fiscal year 2010, the Constituent Services Office reported handling 30,650 public inquiries. Almost 97 percent of these inquiries were resolved through referral to the lowest level of command at the prison facility or through information referral or explanation by a Constituent Services Office staff member. The remaining 1,052 inquiries—3.4 percent—required additional investigation by the Constituent Services Office to resolve.

Table 2: Grievances Appealed to Director Fiscal Year 2010

	Healthcare Grievances	Other Grievances
Decided in favor of the inmate	24	21
Decided partially in favor of the inmate	16	1
Denied	330	565
Returned as incomplete and unprocessed	28	0
Returned to unit to address issue	<u>0</u>	<u>1</u>
Total	<u>398</u>	<u>588</u>

Source: Auditor General staff analysis of unaudited department grievance data for fiscal year 2010.

7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.

According to A.R.S. §41-192, the Attorney General's Office provides legal services to the Department for various issues. According to Attorney General staff, its Office offers advice on the effects of sentencing statutes and the implementation of Department Orders that affect inmates. Further, the Attorney General represents the Department in matters concerning death penalty appeals. According to the Department, it also advises the Department on matters concerning public records requested by the media.

Additionally, the Department refers approximately 200 to 250 cases annually to county attorneys. These cases typically involve criminal acts alleged to have been committed in or on prison property by inmates, department employees, or visitors. These cases include charges such as homicide, aggravated assault against staff, and promoting prison contraband, such as narcotics or cellphones. As of May 2011, 240 open cases were being reviewed or prosecuted by the county attorneys in the State. According to the Department, in fiscal year 2010,

the Department reimbursed four counties a total of more than \$111,000 for prosecuting cases.¹

8. The extent to which the Department has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.

According to the Department, it has sought legislation regularly over the past several years. From fiscal years 2006 through 2011, the Department proposed 30 bills, 15 of which were enacted. Some key pieces of legislation introduced and enacted were:

- **Laws 2007, Ch. 248**—This law revised statute to expand the list of persons prohibited from engaging in sexual contact with inmates to include not just department employees and contractors, but also official visitors, volunteers, and agency representatives. It also broadened the definition of sexual contact and made it a Class 5 felony for a person to engage in sexual conduct with an adult inmate. According to the Department, the intent of this revision was to bring Arizona law into alignment with the federal Prison Rape Elimination Act of 2003. This act required the development of standards for the detection, prevention, punishment, and reduction of prison rape and called for a zero-tolerance policy regarding rape in prisons, jails, and other confinement facilities. It also standardized the collection and dissemination of information on the problem of prison rape for federal data collection.
- **Laws 2010, Ch. 56**—This legislation changed the definition of contraband in statute to include a “wireless communication device” and “multimedia storage device.” Possession of a cellphone on prison property is now a Class 5 felony. According to the Department, this legislation was designed to combat the problem of inmates obtaining contraband cellphones and engaging in unmonitored criminal communications.
- **Laws 2010, Ch. 57**—This law established the Community Corrections Enhancement Fund, and increased inmate fees for community supervision, parole, Global Positioning System (GPS) monitoring, and home arrest. The charge for supervision increased from \$30 to \$65 per month, along with additional increases in the charges for home arrest and GPS-monitored parolees.

The Department has not yet determined if it will propose legislation in the 2012 session, but reported that it plans to continue to work with the Governor’s Office and Legislature to privatize inmate healthcare services as required by Laws 2011, Ch. 278 (see Sunset Factor 12, pages 19 through 21, for more information). It will also continue to work with stakeholders to implement Laws 2011, Ch. 33,

¹ According to A.R.S. §31-227, the Department bears the cost of reimbursing the counties for prosecution.

which specifies that inmates sentenced to terms of 1 year or less in the Department's custody serve their sentences in the county jails unless the sheriff of the sentencing county has an agreement in place to reimburse the Department for the inmate's sentence. Laws 2011, Ch. 33, will become effective July 1, 2012.

9. The extent to which changes are necessary in the laws of the Department to adequately comply with the factors in the sunset law.

Audits conducted as part of the Department's sunset review did not identify any needed changes to its statutes. However, the Office of the Auditor General's September 2010 performance audit on prison population growth discusses a number of options for addressing Arizona's growing prison population, some of which may require statutory changes (see Report No. 10-08). Options presented for legislative and department consideration included expanding the State's prison system; diverting more nonviolent, low-risk offenders from prison and/or reducing the term they serve; expanding the use of nonprison alternatives; and creating a sentencing commission. Some of these options would require changes to the State's sentencing laws.

10. The extent to which the termination of the Department would significantly affect the public's health, safety, or welfare.

Terminating the Department would significantly affect the public's safety. The Department provides confinement and community supervision for felony offenders, a vital service that increases the public's safety. Imprisonment contributes to public safety by removing felony offenders from society and preventing them from further victimizing the public.

11. The extent to which the level of regulation exercised by the Department compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

The Department is not a regulatory agency; therefore, this factor does not apply.

12. The extent to which the Department has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

The Department uses private contractors to provide various services, including: (1) privately operated prisons that perform many functions related to housing inmates, (2) inmate food service, (3) inmate health services, (4) inmate work-based education, and (5) prison security perimeter maintenance.¹ The

¹ Laws 2011, Ch. 278, requires the privatization of inmate health services. As of August 2011, the Department was developing a Request For Proposals.

Department's use of private contractors has increased since fiscal year 2000. In fiscal year 2000, the Department's privatized services totaled approximately \$58.6 million, or about 10 percent of the Department's expenditures. In fiscal year 2010, privatized services totaled approximately \$334.2 million, or about 34 percent of the Department's expenditures, including transfers to the Arizona Health Care Cost Containment System (AHCCCS) for inmate healthcare.

In some cases the Department's use of private contractors generates revenue. For example, the Department contracts with a private vendor to operate stores for inmates at each of its prison complexes. These stores sell items such as food, toiletries, and tobacco products for inmates' use. A.R.S. §41.1604.02 allows the Department to earn a profit on inmate store sales, which it received through a contractual 13.5 percent commission on the cost of items sold.¹ In fiscal year 2010, the Department received more than \$3.6 million in commissions for the Department's Inmate Stores Proceeds Fund. In addition, the Department has used a private vendor for inmate phone services since 1999. In fiscal year 2010, this contract resulted in nearly \$3.7 million in commissions for the Department's Central Offices Activities and Recreation Fund.

Contracting for correctional programs and services has been in place for many years and is not uncommon. According to a 1996 survey and report on privatization and contracting in corrections, every state except Colorado reported that they contracted for some type of program or service.^{2,3} For example, similar to Arizona, 32 other states contract for private prisons.⁴

To obtain more current information on states' privatization efforts in corrections, auditors contacted three states comparable to Arizona based on prison populations—Michigan, Virginia, and North Carolina.⁵ Based on information reported by these three states, Arizona appears to contract in more areas. For example, similar to Arizona, these three states contracted for health services, pharmacy supplies or services, and telecommunications. However, unlike these states, only Arizona contracts for food services at all of its prisons, although Virginia reported contracting for food services at 3 of its 42 prison facilities.⁶ In

¹ The Department received a 13.5 percent commission on all inmate store sales with the exception of clothing sales, for which it received a 10 percent commission. The Department awarded a new inmate stores contract in August 2011, which provides for a 16 percent department commission on the cost of items sold at inmate stores.

² U.S. Department of Justice, National Institute of Corrections Information Center. (1996). *Privatization and contracting in corrections: Results of an NIC survey*. Longmont, CO: Author.

³ As of 1996, all states but Colorado contracted for some type of service or program. Auditors reviewed Colorado's Department of Corrections Fiscal Year 2011 budget request and verified that they now contract for various correctional services and programs.

⁴ Bureau of Justice Statistics. (2010). *Prisoners in 2009* [NCJ 231675]. Washington, DC: United States Department of Justice, Office of Justice Programs.

⁵ States were selected based on their prison population as of December 31, 2009, according to the Bureau of Justice Statistics Bulletin, *Prisoners in 2009*. Arizona's prison population was 40,627 as of December 31, 2009. Auditors contacted officials from the following three states: Michigan (prison population of 45,478), North Carolina (39,860), and Virginia (38,092).

⁶ Michigan reported that they plan to issue a Request For Proposals to privatize food services in September 2011.

addition, compared to these three states, only Arizona contracts for inmate work-based education.

Additionally, the Department will soon be contracting for additional private prison beds and inmate healthcare. Laws 2009, 3rd S.S., Ch. 6, §37, requires the Department to award a contract for 5,000 in-state prison beds. The Department expects to award a contract after September 16, 2011. In addition, Laws 2011, Ch. 278, requires the Department to privatize all correctional health services at a cost that does not exceed the capped fee-for-service schedule adopted by AHCCCS. As of August 2011, the Department was developing an RFP for this service.

At least one Arizona correctional privatization effort has not been successful. Specifically, Laws 2009, 3rd S.S., Ch. 6, §33, required the Arizona Department of Administration (ADOA), in consultation with the Department, to issue a Request for Information (RFI) to determine the feasibility of a concession agreement allowing a private vendor to operate all or part of the prison system.¹ The legislation stated that this privatization should result in an annual cost efficiency to the State, and that the cost efficiency should be split between the State and the private vendor. After the Department presented information to the Joint Committee on Capital Review (JCCR), JCCR gave a favorable review to the RFI for a State Prison Concession Agreement per A.R.S. §38-431.03(A)(2), with modified provisions. Consequently, ADOA, in consultation with the Department, issued an RFI limiting those prisons that could be privatized to prisons that exclusively housed minimum-and medium-custody inmates. However, based on the four vendor responses received, ADOA and the Department determined that a concession agreement was not feasible as allowed under statute and as the prisons are currently structured. Consequently, Laws 2009, 3rd S.S., Ch. 6, §33, was repealed by Laws 2010, 7th S.S., Ch. 6, §25.

Going forward, potential privatization areas should be carefully evaluated to ensure the benefits of contracting outweigh the costs. Information from the other states auditors interviewed point to the importance of evaluating the cost-effectiveness of privatizing a service or function versus performing the service or function in house. For example, a North Carolina official indicated that the state no longer contracts for prison maintenance or private prison beds largely because it cost more to contract for these services than for its corrections department to perform them. Security issues were also a factor in eliminating North Carolina's contract for private prison beds. Similarly, the September 2010 Office of the Auditor General report on prison population growth recommended that the Legislature consider directing the Department to further study and analyze the costs for the State to build and operate prisons compared to contracting with private prisons to determine which option would be more cost-effective while still ensuring public safety (see Report No 10-08).

¹ This excluded Arizona State Prison Complex—Yuma.

APPENDIX A

This appendix provides information on the methods auditors used to meet the audit objectives.

This performance audit was conducted 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 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 Auditor General and staff express appreciation to the Department of Corrections' (Department) Director and staff for their cooperation and assistance throughout the audit.

Methodology

The Department's performance was analyzed in accordance with the statutory sunset factors. Prior work on prison population growth (see Auditor General Report No. 10-08) and department oversight of security operations at both private and state-run prisons (see Auditor General Report No. 11-07) provided information for this report. Auditors also reviewed the Department's Web site, including its Inmate Datasearch feature, daily count sheets, department-prepared reports summarizing inmate grievance and constituent services information, the Department's *Strategic Plan for FY 2012-2016*, various reports and documents, department policies and procedures, and various session laws and statutes, and interviewed department management and staff as well as staff at the Attorney General's Office and State Procurement Office. In addition, auditors reviewed reports from the Commission on Privatization and Efficiency and the *Fiscal Years 2010-2013 Master List of State Government Programs*; reviewed *Privatization and Contracting in Corrections: Results of an NIC Survey* and the Bureau of Justice Statistics Bulletin *Prisoners in 2009*; and compiled and analyzed information about the Department's finances from the Arizona Financial Information System (AFIS) *Accounting Event Transaction File* for fiscal years 2009 through 2011 and the AFIS Management Information System *Status of General Ledger—Trial Balance* screen for fiscal years 2009 through 2011.^{1,2} Finally, auditors contacted procurement staff in the Michigan, North Carolina, and Virginia Departments of Correction to discuss the extent of each state's efforts to privatize services. These states have prison populations similar in size to Arizona's.

To determine if the Department complied with inmate store requirements, using a June 15, 2010, inmate store price list, auditors compared prices for 15 items sold at the Department's inmate stores to similar retail products sold in the Phoenix area or on retail Web sites when prices were not available locally.³ Fourteen of the items were selected for review because they represented high volume and high dollar sales for the period April 1, 2010 through September 30, 2010. One additional item was selected because it had been the source of inmate complaints. Auditors also reviewed prison complex monthly bank statements and corresponding documentation for July 1, 2009 through June 30, 2010; judgmentally selected 124 expenditure payments and compared these expenditures to statutory and department requirements; interviewed department administrators and staff; and examined department contract files and request for proposals documents.

¹ U.S. Department of Justice, National Institute of Corrections Information Center. (1996). *Privatization and contracting in corrections: Results of an NIC survey*. Longmont, CO: Author.

² Bureau of Justice Statistics. (2010). *Prisoners in 2009* [NCJ 231675]. Washington, DC: United States Department of Justice, Office of Justice Programs.

³ Auditors also compared the price for 1 of the 15 items, a television set, to a price from another state's inmate store vendor who supplies the same television set to its inmate population.

Auditors' work on internal controls focused on the Department's processes or procedures for ensuring compliance with inmate store statutory requirements related to pricing and profits. Conclusions on this work are included in Sunset Factor No. 2, pages 13 through 14. Since information system data was not significant to auditors' objectives, auditors did not conduct test work on information system controls.

AGENCY RESPONSE

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CHARLES L. RYAN
DIRECTOR

September 21, 2011

Debra K. Davenport, CPA
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

Thank you for the opportunity to respond to the Sunset Review for the Arizona Department of Corrections (Department).

In addition to an analysis of the twelve sunset factors, two prior performance audits, the Prison Population Growth Performance Audit, September 2010 – Report No. 10-08 and the Oversight of Security Operations Performance Audit - Report No. 11-07, provided information for this report. The Auditor General's findings and recommendations for both audits were discussed and responded to separately, with identification that the findings of the Auditor General are agreed to and the recommendations will be implemented.

The Sunset Review report also includes findings and recommendations related to an audit of the Department's inmate store (commissary). The findings of the Auditor General are agreed to and the recommendations will be implemented. Specifically:

Sunset Factor # 2:

Recommendation: The Department should ensure it follows its new procedures for checking and documenting compliance with inmate store statutory pricing requirements.

Department Response: The Department has followed a standardized internal process for ensuring that inmate store prices did not exceed retail prices for similar products as statutorily required. In April 2011, this process was codified in a written procedure. The Department will continue to comply with statutory requirements and to follow its procedures. The finding of the Auditor General is agreed to and the recommendation will be implemented.

Sunset Factor # 2:

Recommendation: The Department should ensure that expenditures of inmate store proceeds continue to comply with requirements.

Department Response: As noted in the Sunset Review report, the Department's expenditures have always complied with statutory requirements. In March 2011, the Department revised related policies and procedures to better conform to statutory language. The Department will continue to comply with statutory requirements and to follow its procedures. The finding of the Auditor General is agreed to and the recommendation will be implemented.

The Department provides a vital service that increases the public's safety. The mission of the Department is to serve and protect the people of Arizona by securely incarcerating convicted felons, by providing structured programming designed to support inmate accountability and successful community reintegration, and by providing effective supervision for those offenders conditionally released from prison. The Department's highest priority is maintaining effective custody and control over inmates in an environment that is safe and secure for staff and inmates.

On behalf of the Arizona Department of Corrections and its staff, I extend thanks to your audit staff for their professional work throughout the audit process.

Sincerely,

Charles L. Ryan
Director

cc: File

Performance Audit Division reports issued within the last 24 months

09-09	Arizona Department of Juvenile Corrections—Suicide Prevention and Violence and Abuse Reduction Efforts	10-08	Department of Corrections—Prison Population Growth
09-10	Arizona Department of Juvenile Corrections—Sunset Factors	10-L1	Office of Pest Management—Regulation
09-11	Department of Health Services—Sunset Factors	10-09	Arizona Sports and Tourism Authority
10-01	Office of Pest Management—Restructuring	11-01	Department of Public Safety—Followup on Specific Recommendations from Previous Audits and Sunset Factors
10-02	Department of Public Safety—Photo Enforcement Program	11-02	Arizona State Board of Nursing
10-03	Arizona State Lottery Commission and Arizona State Lottery	11-03	Arizona Department of Veterans' Services—Fiduciary Program
10-04	Department of Agriculture—Food Safety and Quality Assurance Inspection Programs	11-04	Arizona Medical Board
10-05	Arizona Department of Housing	11-05	Pinal County Transportation Excise Tax
10-06	Board of Chiropractic Examiners	11-06	Arizona Department of Veterans' Services—Veteran Home
10-07	Arizona Department of Agriculture—Sunset Factors	11-07	Department of Corrections—Oversight of Security Operations

Future Performance Audit Division reports

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Arizona Department of Veterans' Services and Arizona Veterans' Service Advisory Commission—Sunset Factors

