

PERFORMANCE AUDIT

**DEPARTMENT OF CORRECTIONS**

SUNSET FACTORS

Report to the Arizona Legislature  
By the Auditor General  
September 1991  
91-14

DOUGLAS R. NORTON, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

September 30, 1991

Members of the Arizona Legislature

The Honorable Fife Symington, Governor

Mr. Samuel A. Lewis, Director  
Department of Corrections

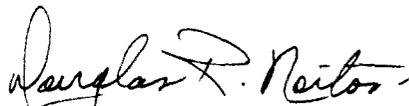
Transmitted herewith is a report of the Auditor General, A Performance Audit of the Department of Corrections, Sunset Factors. This report is in response to a June 14, 1989, resolution of the Joint Legislative Oversight Committee.

This report is the last in a series of reports to be issued on the Department of Corrections and addresses the twelve Sunset factors which Arizona Revised Statutes §41-2354 directs the Legislature to consider in determining whether the Department of Corrections should be continued or terminated. This report summarizes and presents information from the four recently completed audits of the Department along with specific information provided by the Department.

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

This report will be released to the public on October 1, 1991.

Sincerely,



Douglas R. Norton  
Auditor General

DRN:lmn

## INTRODUCTION AND BACKGROUND

The Office of the Auditor General has prepared agencywide Sunset Factors for the Department of Corrections (DOC) in response to a June 14, 1989, resolution of the Joint Legislative Oversight Committee. These Sunset Factors were prepared as part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§41-2351 through 41-2379.

Arizona's first prison, the Yuma Territorial prison, was established in 1875 and accepted its first inmates the following year. It was replaced by the Arizona State Prison at Florence, which was built by inmate labor between 1907 and 1909. The Department of Corrections was officially established by the Legislature on June 20, 1968.

### Organization

DOC has six divisions and operates six prison complexes<sup>(1)</sup> and three prisons. Three divisions -- Adult Institutions, Community Corrections, and Arizona Correctional Industries -- are responsible for prison operations and related programs. Three other divisions -- Administration, Human Resources/Development, and Inspections and Investigations -- provide agencywide administration and support activities. A brief description of the operations of each division follows.

- Adult Institutions Division operates six prison complexes located in Douglas, Florence, Perryville, Phoenix, Tucson, and Winslow, and three low-level security prisons at Fort Grant, Safford, and Yuma. As of July 22, 1991, Arizona's adult institutions housed 14,906 inmates and had 14,478 beds. The division also operates an Offenders Service Bureau and units providing educational and pastoral services, and family assistance.
- Community Corrections Division operates two correctional release centers, the Adult Parole Services unit, the Home Arrest Program, and

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(1) A prison complex is an institution consisting of several prisons housing different types of offenders. For example, the prison complex at Florence encompasses seven prisons ranging from minimum custody to maximum security facilities.

the Fugitive unit. Parole officers supervise released inmates for the period specified by their releases. In addition, this division is responsible for implementing the Home Arrest Program, a restrictive program that uses an electronic monitoring system to confine inmates to their residences except for authorized activities, such as employment or mandated treatment programs.

- Arizona Correctional Industries Division (ACI) manages industrial and agribusiness enterprises that employ inmates. The division uses inmate labor for a variety of enterprises, including coupon processing, data entry, farming, furniture refurbishing, graphic arts, manufacturing, metal fabricating, and sewing. Through both contract labor and joint ventures, ACI also provides employment opportunities for inmates with private sector companies. Unlike other DOC divisions, ACI is mandated to operate without legislative appropriations as of July 1, 1991.
- Administration Division provides agencywide support. The division's Bureau of Business and Finance is responsible for payroll, accounting, contracting, purchasing, and inventory control. The division's Facilities Management Bureau assists the State's Department of Administration in the prison construction program and is responsible for much of DOC's ongoing maintenance activity. Its Management Information Services Bureau manages DOC's data processing and systems development functions. The Communications Bureau is responsible for managing the State prison system's radio and telephone communications network. The division's Bureau of Management and Budget is responsible for budget development and control.
- Human Resources/Development Division manages and coordinates programs that impact all DOC personnel. The division is composed of three bureaus, Personnel, Staff Development and Training, and Health Services, and manages the procedures for hiring, training, and promoting departmental staff. The division also provides and coordinates health services for all inmates in DOC's custody.
- Inspections and Investigations Divisions performs a variety of functions related to institutional operations and security. The Investigations Bureau conducts background investigations of applicants for employment, employees, volunteers, and investigative sources; criminal investigations; polygraph investigations; investigations of employee misconduct; hears appeals of inmate grievances and discipline; collects and analyzes intelligence; and conducts internal audits. The Inspections Bureau performs agency inspections to provide an independent appraisal of mission performance, efficiency, and economy.

### Staffing And Budget

DOC has 5,829 Full-Time Equivalent (FTE) positions, most of which provide prison security and are located within the Adult Institutions Division. These positions include more than 3,300 FTE Correctional Service Officers. Approximately 294 FTE positions are located in the central office in Phoenix.

DOC's operations are funded primarily by General Fund appropriations. During fiscal year 1990-91, the Department expended more than \$240 million from the General Fund (see table below). These General Fund expenditures included \$4.2 million for capital outlay. In addition, DOC received and expended \$10.3 million in Special Funds.

**TABLE**  
**DEPARTMENT OF CORRECTIONS**  
**STATEMENTS OF FTES AND ACTUAL EXPENDITURES**  
**FISCAL YEARS 1988-89, 1989-90, AND 1990-91**  
**(unaudited)**

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
<u>FTE Positions</u>	6,094.2	5,612.2	5,829.2
<u>General Fund:</u>			
Personal Services	\$125,718,576	\$130,176,730	\$124,672,932
Employee Related	33,510,372	35,484,970	37,543,571
Professional/ Outside Services	23,792,322	22,937,119	17,943,072
Travel, in-state	415,638	426,321	370,167
out-of-state	121,686	111,171	93,235
Food	13,941,912	14,816,409	15,279,644
Capital Outlay	3,223,344	6,333,047	4,246,677
Other operating	<u>39,561,735</u>	<u>41,050,334</u>	<u>40,353,195</u>
Total General Fund	<u>\$240,285,585</u>	<u>\$251,336,101</u>	<u>\$240,502,493</u>
<u>Special Funds:</u>			
Criminal Justice Enhancement Fund	\$ 1,951,893	\$ 2,684,829	\$ 2,606,631
Corrections Fund	0	5,253,819	-0-
Corrections Grants Fund	1,966,143	1,523,418	270,976
Enterprises Fund	5,247,488	6,081,185	6,371,395
Other Funds	<u>1,397,474</u>	<u>1,225,746</u>	<u>1,088,365</u>
Total Special Funds	<u>\$ 10,562,998</u>	<u>\$ 16,768,997</u>	<u>\$ 10,337,367</u>
Total Expenditures	<u>\$250,848,583</u>	<u>\$268,105,098</u>	<u>\$250,839,860</u>

Sources: Arizona Financial Information Systems and the State of Arizona, Appropriations Report for the Fiscal Years Ended June 30, 1989, June 30, 1990, and June 30, 1991.

## Scope Of Current Audits

The current series of audits was conducted as a Sunset Review of the Department of Corrections under the direction of the Joint Legislative Oversight Committee. The following four audits were conducted as part of this review.

- The Bed Space Impacts (Performance Audit Report No. 90-12) audit addresses those factors within the Department's control that impact prison population and the resulting bed space needs, an issue that was specifically raised by the Joint Legislative Oversight Committee. Although we found that DOC can take steps to reduce prison overcrowding and free up bed space, these steps will not be sufficient to eliminate overcrowding.
- The Institutional Security And Staffing (Performance Audit Report No. 91-4) audit is a follow-up review that assesses DOC's actions in response to previous performance audits of Adult Institutions Security (Performance Audit Report No. 85-12) and Security Staffing Issues (Performance Audit Report No. 86-1). In the institutional security audit, we identified deficiencies in perimeter and internal security and problems in controlling contraband in adult prisons. In the staffing audit, we identified deficiencies in the Department's ability to accurately determine security staffing needs. This audit also reviewed problems encountered by DOC in hiring Correctional Service Officers and the lack of sufficient training for those officers.

In our follow-up work we found that DOC has made significant improvements in institutional security and in its classification and personnel systems. However, we also noted that DOC should continue its efforts to improve in-house training for Correctional Service Officers and should periodically review its formula for determining the number of security staff needed at institutions.

- The Arizona Correctional Industries (Performance Audit Report No. 91-13) audit reviews the Department's industrial program to provide employment for inmates. We found that the program has improved upon the performance of its predecessor, ARCOR. However, the program is still not operating in a self-supporting manner because of poor business practices and employs a relatively small number of inmates.
- The Facilities Construction And Maintenance (Performance Audit Report No. 91-12) audit is a follow up to previous audits of the Facilities and Construction Division (Performance Audit Report No. 85-2) and Facilities Maintenance (Performance Audit Report No. 85-13). In the construction audit we found that DOC's planning for inmate housing had been insufficient and that the Department lacked an adequate budget development process for new prisons. The maintenance audit identified needed maintenance of approximately \$9 million, and uncovered problems in DOC's procedures for evaluating facility maintenance needs and reporting maintenance expenditures.

In our current audit, we found that prison construction in Arizona is generally timely, within budget and less costly than prison construction in other states. We also identified several aspects of Department of Administration construction management that could be strengthened. Although many of the maintenance problems identified in our 1985 audit have been corrected, Arizona prisons continue to deteriorate. Additional funding for capital renewal projects will be needed to reverse this deterioration. In addition, the Department needs to more carefully review requests for maintenance funding and promote more cost-effective solutions to maintenance problems.

This report addresses the twelve statutory Sunset Factors. In addressing these factors, information from the current series of audits is summarized and presented in the various Sunset Factors, as appropriate, along with specific information provided by the Department.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Director and staff of the Department of Corrections for their cooperation and assistance during the audit.

## SUNSET FACTORS

In accordance with A.R.S. §41-2354, the Legislature should consider the following twelve factors in determining whether the Department of Corrections should be continued or terminated.

### 1. Objective and purpose in establishing the department

The Department of Corrections (DOC) was established in 1968. Prior to 1968, Arizona's prisons operated independently. A.R.S. §41-1602.B states that DOC "...shall have as its purpose the objective of encompassing the various institutions, facilities and programs which are now or may become a part of the correctional program of the state, and to provide the supervisory staff and administrative functions at the state level of all matters relating to the institutionalization, rehabilitation and parole functions of all adult offenders."

DOC's mission statement declares that its purpose is to serve and protect the people of the State by imprisoning offenders legally committed to the Department. DOC's objectives in carrying out its mission include the following:

- maintaining effective custody and control over offenders;
- maintaining a healthy, safe, and secure environment for staff and offenders; and
- providing quality programs for offenders so they will have opportunities to learn more responsible behavior and increase their chances of returning to society as law-abiding citizens.

### 2. The effectiveness with which the department has met its objective and purpose and the efficiency with which the department has operated

The Department defines its success in meeting its objectives in terms of (1) accepting all offenders committed to the prison system by the superior court of each county, (2) requiring offenders to serve their legal sentence, (3) providing a safe and humane environment during the time a sentence is being served, (4) minimizing escapes from

secure custody, (5) ensuring public safety through parole supervision, and (6) effectively reducing the per capita cost of maintaining each offender.

Our audit work indicates that the Department has been effective in providing secure confinement for the offenders in its custody. Our review of institutional security and staffing (Performance Audit Report No. 91-4) identified significant improvements in perimeter and internal security, as well as policies and procedures to control critical areas such as visitation, medication, and inmate personal property. We found that the number of escapes has been reduced from 38 in 1986 to 12 in 1990. DOC has also significantly improved recruitment of Correctional Service Officers and reduced staff turnover.

We also identified a number of areas in which the Department could improve its effectiveness and efficiency. These areas include more clearly defining security staffing needs (Performance Audit Report No. 91-4), more accurately calculating inmate release dates (Performance Audit Report No. 90-12), and developing meaningful and realistic estimates of maintenance needs (Performance Audit Report No. 91-12).

In assessing its effectiveness, the Department notes that it has successfully accepted inmates from the various counties despite a chronic shortage of prison beds. DOC reports that its prisons are relatively safe for both inmates and staff, and inmates are provided a comparable community standard of care in the areas of medical, mental health, and dental services.

DOC also characterizes its operations as efficient because it has reduced costs per inmate during a period of rapid expansion. The Arizona Joint Committee on State Revenues and Expenditures (Fiscal 2000) noted that the cost per inmate (in constant 1980 dollars) dropped from \$17,788 in fiscal year 1980-81 to \$14,418 in fiscal year 1987-88. During fiscal year 1989-90 the actual cost per inmate was \$16,143. DOC reports it has added over 10,000 beds to the prison system since 1980. The most recent average construction cost per bed

by security level is \$41,000 for the maximum level, \$36,000 for the medium level, and \$20,000 for minimum level, costs well below the national average for prison construction.

3. The extent to which the department has operated within the public interest

Generally, the Department operates within the public interest by confining offenders as directed by the courts. Confinement contributes to public safety by removing those convicted of crimes from society and preventing them from further victimizing citizens.

The current operating practices of the Department's prison industry program, Arizona Correctional Industries (ACI), may not be in the public interest. Although ACI has reduced the size of the losses experienced by its predecessor, ARCOR, poor business practices have hampered its ability to become self-supporting as required by statute. From July 1, 1988, to March 31, 1991, only three of its twenty industries realized a gross profit. ACI's loss before its State appropriation during the first nine months of fiscal year 1990-91 was \$857,040. However, during the course of the audit ACI reduced its staff by 18 positions and developed a plan to become self-sufficient by the end of this current fiscal year. Success of this plan is critical because without significant improvements, ACI's continued viability is questionable (Performance Audit Report No. 91-13).

4. The extent to which the rules and regulations promulgated by the department are consistent with the legislative mandate

The Department's rules and regulations appear to be consistent with its legislative mandate. A.R.S. §41-1604 establishes a broad range of duties and powers of the Director of DOC. The Department's current rules and regulations provide specific procedures for operating correctional institutions as defined by law. These rules and regulations address areas that affect the public rather than inmates. The Administrative Procedures Act specifically exempts "...rules concerning only inmates of a correctional or detention facility in secure custody... if adopted by the State Department of Corrections."

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

The Department is required to comply with the Administrative Procedures Act only for rules that directly impact the public. The rules and regulations promulgated by the Department since April 1988, that affect the public have generally been promulgated in compliance with the Administrative Procedures Act.

Documentation provided by the Department indicates that notice was filed with the Secretary of State, and public notices were properly posted. Rules promulgated during this period addressed public attendance hearings of the Board of Pardons and Paroles held within prisons, the medical and physical requirements for Correctional Service Officers, the use of telephones by inmates, and visitation. In addition, the Department repealed rules governing inmate classification, inmate discipline, furlough and other types of releases and parole eligibility.

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 inmates, its employees, and from the public. Complaints from inmates are filed as appeals to discipline imposed (1,706 in 1990) and formal inmate grievances (15,546 in 1990). According to the Department, appeals of inmate disciplinary actions are investigated and addressed within a period of 10 days while the period for investigating and addressing the appeals of inmate grievances varies from 10 to 90 days, depending on the level of appeal.

Our audit work indicates that the Department's inmate disciplinary system is adequately designed to meet due process requirements, and there are indications the system meets those requirements. Additionally, we found that disciplinary actions are well documented. (Performance Audit Report No. 90-12)

Complaints from DOC employees and the public include formal employee grievances and complaints. If documented, these complaints are investigated by the Inspections and Investigations Division as "internal affairs investigations" or "special investigations". During 1990, the Department handled 350 employee grievances and conducted 369 internal affairs investigations.

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

A.R.S. §41-192 directs the Attorney General to provide legal services to the Department. According to DOC, the majority of the legal services involve representing Department employees who are sued by inmates. Inmates who commit crimes while incarcerated or while escaping are prosecuted by the county attorney of the county in which the crime was committed.

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

According to DOC, in recent years the Department has sought legislation on a regular basis. The requested legislation has addressed the establishment and operation of facilities, institutions, and programs; the provision of agency staff and administrative functions; and matters relating to the institutionalization, rehabilitation, and parole of offenders. The Department reports that it initiated the introduction of 55 individual pieces of legislation between January 1987 and June 1990, 38 of which were enacted.

Key legislation supported or requested by the Department during the 1991 Regular Session of the Legislature include the following:

HB 2142 - Shock Incarceration - allows the Department to place inmates in the Shock Incarceration Program. Previously only the courts had the authority to sentence offenders to serve time in this program. This bill also assigns the responsibility for supervising inmates in the community to the Department's Adult Parole Services Unit.

**SB 1317 - Home Arrest Extension** - this legislation changed the ratio established by A.R.S. §31-326.F from 1 supervising corrections officer for every 15 inmates, to 1 officer for every 25 inmates in the Home Arrest Program. The change allows the program to accommodate a greater number of inmates without additional staff.

**SB 1098 - Arizona Correctional Industries: Property Disposal** - this bill allows Arizona Correctional Industries to place all monies earned from property disposal in its Revolving Fund.

**SB 1323 - Prisoners: Hard Labor** - this bill gives the Director of the Department the authority to administer work programs. When sufficient work is not available for inmates, the Department would then not be subject to liability from those inmates not assigned to work.

**HB 2299 (HB 2412-Omnibus Victim Rights) Victim Notification** - establishes requirements for notifying crime victims. Upon request and using forms developed by the Attorney General, the Department is required to provide victims with (1) the earliest release date for prisoners serving sentences exceeding six months, (2) 15-days notice prior to release, and (3) notice of a prisoner's death. In addition, victims have the right to be present and heard at any proceeding that involves the possible release of an inmate.

**HB 2433 - Establishment of Department Motor Pool** - excludes DOC from the Department of Administration Motor Pool and authorizes DOC to operate its own motor pool.

**SB 1237 - Mentally Disordered Prisoner** - revises A.R.S. §31-226 to allow for voluntary transfers of male and female prisoners deemed mentally disordered to the appropriate treatment facilities within the Department.

9. **The extent to which changes are necessary in the laws of the department to comply with the factors listed in the subsection**

In our Bed Space Impacts audit we recommend that the Legislature consider modifying existing release programs in several ways. These modifications would provide the Department with greater flexibility in making release decisions and would require the Department to establish criteria for making these decisions. In addition, we recommend that the Legislature consider allowing the Department to expand the categories of parole-eligible inmates. (See Performance Audit Report No. 90-12, pages 23 through 33 and 35 through 44.)

In our audit of the Arizona Correctional Industries we recommend that the Legislature monitor ACI's progress toward becoming self-sufficient as required by law. If ACI is unable to meet this goal during this current fiscal year, one option the Legislature should consider is restructuring ACI as a private non-profit corporation. (See Performance Audit Report No. 91-13, pages 15 through 21.)

The Department has also identified a series of changes to control the growth of the prison population. Some of these changes will require legislation; however, the Department believes these changes will enable it to fulfill its mission in more than a minimal manner. DOC would like sentencing discretion to be returned to judges. To ensure systematic sentencing, the Department suggests that a sentencing guideline commission be created to make recommendations to the Legislature on changes to the sentencing structure. The Department also suggests that sentences should consist of time served plus time earned for good conduct, and all other forms of release and release supervision would be eliminated. Finally, DOC recommends that alternatives to incarceration should be placed under the direction of the courts and probation authorities rather than the Department.

10. The extent to which the termination of the agency would significantly harm the public health, safety or welfare

Terminating the Department of Corrections would significantly harm public safety and welfare. The Department serves a vital purpose by providing secure confinement for those sentenced by the courts to serve time in prison. The importance of the corrections function at the State level is recognized throughout the United States; all states operate correctional facilities for adult inmates. In the absence of a State correctional system in Arizona, local governments would be required to expand correctional facilities to house prisoners currently incarcerated in State institutions. Since Arizona has traditionally provided confinement for felony offenders at the State level, shifting responsibility to local governments for this function would be costly.

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

The Department of Corrections 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 and how effective use of private contractors could be accomplished

The Department has used private contractors to provide healthcare services, treatment and rehabilitation programs, and food services for inmates.

The Department reports 60 healthcare service contracts with private sector providers. These services include medical specialty services, in-patient and out-patient hospital care, laboratory services, optometric care, and emergency ground transportation.

Treatment and rehabilitation programs contracted from private sources serve inmates and released offenders. The Department reports 59 such program contracts that include religious services, vocational and academic education, psychological counseling, substance-abuse programs, sex offender therapy, and temporary residential services.

The Department has four food service management contracts valued at approximately \$8.6 million per year. The Department has been contracting for food services since 1983 and uses food service contracts in the prison complexes at Douglas, Perryville, Tucson, and Winslow.

# Arizona Department of Corrections



FIFE SYMINGTON  
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SAMUEL A. LEWIS  
DIRECTOR

September 27, 1991

Douglas R. Norton  
Auditor General  
State of Arizona  
2700 North Central Avenue, Suite 700  
Phoenix, Arizona 85004

Dear Mr. Norton:

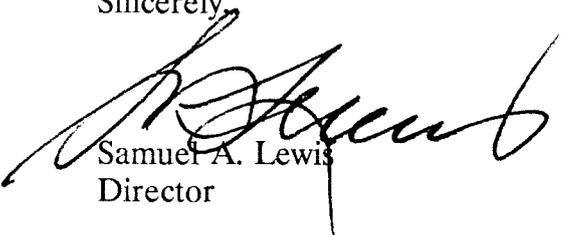
I have reviewed the draft of the Arizona Department of Corrections (ADC) Sunset Factors Audit. I find its content to be reflective of the status and progress this agency has made with one major exception. That exception involves the Sunset Audit of the Arizona Correctional Industries (ACI).

I am genuinely disappointed in the sunset audit on ACI. I voice this disappointment because you failed to provide an objective point of reference for a valid comparison -- meaning the function should have been **singularly** compared to the private sector, other comparable states, or itself during prior periods of operation. Unfortunately, the audit inconsistently vacillated among all three of these areas without any standard or objective criteria or audit standards.

As I indicated to your staff, I had hoped the audit would be useful. However, it fails to recognize the condition of ACI's predecessor, ARCOR, and to note the progress that has been made since 1985 in terms of financial management, profit and loss, revolving fund, and finally, auditability. I positively believe that information would have been useful to the legislature and general public.

Regardless of my opinion of this particular audit and any other audits you have conducted during my tenure, I believe we are a better managed department today due to those audits. Though sometimes the audits were painful, they have forced us to take positive and corrective steps to improve our management and operations which have benefited the Department, the State of Arizona, and, ultimately the taxpayers. For this, I thank you.

Sincerely,

  
Samuel A. Lewis  
Director

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